

CITY OF ANAMOSA, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

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CITY OF ANAMOSA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dale Barnes	Mayor	January 2014
Richard Stivers	Council Member	January 2016
Cody Shaffer	Council Member	January 2016
Bill Feldmann	Council Member	January 2014
Andy Bowers	Council Member	January 2014
Chuck Smith	Council Member	January 2014
Mike Dearborn	Council Member	January 2016
Alan Johnson	City Administrator	Indefinite
Tammy Coons	City Clerk	Indefinite
Penny Lode	Deputy City Clerk	Indefinite
Adrian Knuth	City Attorney	Indefinite

CITY OF ANAMOSA



CliftonLarsonAllen

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
Anamosa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Anamosa, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Anamosa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Anamosa, Iowa as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 on our consideration of City of Anamosa, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements, such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anamosa, Iowa's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
November 15, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Anamosa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 77.8%, or approximately \$6,631,000, from fiscal year 2011 to fiscal year 2012. Intergovernmental increased approximately \$3,454,000 and bond proceeds increased approximately \$2,947,000.
- Disbursements of the City's governmental activities increased 66.5%, or approximately \$4,655,000, in fiscal year 2012 from fiscal year 2011. Debt service and capital projects disbursements increased approximately \$826,000 and \$3,824,000, respectively.
- The City's total cash basis net assets increased 1%, or approximately \$51,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$91,000 and the assets of the business type activities decreased approximately \$40,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets - Cash Basis. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds, non-major enterprise fund and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets - Cash Basis reports information which helps answer this question.

The Statement of Activities and Net Assets - Cash Basis presents the City's net assets - cash basis. Over time, increases or decreases in the City's net assets - cash basis may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Local Option Sales Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and consumer deposits funds.

The required financial statements for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities as of June 30, 2012 is \$3,154,957. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>
Receipts:		
Property tax	\$ 1,481,339	\$ 1,400,549
Tax increment financing collections	489,084	352,582
Other city tax	648,300	663,601
Licenses and permits	17,955	18,964
Use of money and property	28,639	49,345
Intergovernmental	5,156,872	1,703,118
Charges for services	259,461	248,069
Special assessments	26,754	39,568
Miscellaneous	<u>288,067</u>	<u>234,884</u>
Total receipts	<u>8,396,471</u>	<u>4,710,680</u>
Disbursements:		
Public safety	681,310	929,824
Public works	768,386	814,899
Culture and recreation	856,699	697,926
Community and economic development	149,609	19,085
General government	511,355	499,927
Debt service	925,467	2,696,820
Capital projects	<u>5,165,467</u>	<u>1,341,948</u>
Total disbursements	<u>9,058,293</u>	<u>7,000,429</u>
Excess of disbursements over receipts	<u>(661,822)</u>	<u>(2,289,749)</u>
Other financing sources (uses):		
Bond proceeds	3,325,000	400,000
Bond premiums	49,710	-
Sale of capital assets	2,587	4,224
Payoff of refunded bonds	(2,025,000)	-
Operating transfers in	972,965	2,053,566
Operating transfers out	<u>(972,965)</u>	<u>(1,352,087)</u>
Net other financing sources	<u>3,277,291</u>	<u>1,105,703</u>
Net change in cash basis net assets	90,475	(1,184,046)
Cash basis net assets, beginning	<u>3,064,482</u>	<u>4,248,528</u>
Cash basis net assets, ending	<u>\$ 3,154,957</u>	<u>\$ 3,064,482</u>

The City's total receipts for governmental activities were \$11,745,810 which included bond proceeds and sale of capital assets.

The City increased property tax rates for 2012 by \$.07 per thousand of taxable valuation, from \$16.08 to \$16.15 per thousand of taxable valuation. The increase in the property tax rate was due to the debt service levy increasing.

The cost of all governmental activities this year was just over \$11.6 million compared to approximately \$7 million last year. However, as shown in the Statement of Activities and Net Assets on pages 15-18, the amount taxpayers ultimately financed for these activities was approximately \$5.992 million because some of the cost was paid by those directly benefited from the programs (approximately \$387,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$3,276,084). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2012 from approximately \$2,145,000 to approximately \$5,663,000, principally due to receiving federal aid for the wastewater treatment plant.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>
Program Receipts:		
Charges for services:		
Water	\$ 575,170	\$ 668,615
Sewer	1,738,974	1,688,338
Capital grants, contributions and restricted interest	28,262	136,511
General Receipts:		
Interest on investments	11,947	9,326
Miscellaneous	<u>85,067</u>	<u>79,292</u>
Total receipts	<u>2,439,420</u>	<u>2,582,082</u>
Disbursements:		
Water	582,945	692,550
Sewer	833,997	587,113
Debt service	<u>1,062,148</u>	<u>323,223</u>
Total disbursements	<u>2,479,090</u>	<u>1,602,886</u>
Change in cash basis net assets before transfers	(39,670)	979,196
Transfers, net	<u>-</u>	<u>(701,479)</u>
Increase (decrease) in cash basis net assets	(39,670)	277,717
Cash basis net assets beginning of year	<u>3,008,332</u>	<u>2,730,615</u>
Cash basis net assets end of year	<u>\$ 2,968,662</u>	<u>\$ 3,008,332</u>

Total business type activities receipts for the fiscal year were \$2,439,420. The cash balance decreased by \$39,670 from the prior year. Total disbursements for the fiscal year were \$2,479,090.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Anamosa completed the year, its governmental funds reported a combined fund balance of \$3,154,957, an increase of \$90,475 from the prior year's total of \$3,064,482. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance saw a decrease of \$15,756 from the prior year to \$1,656,168. This decrease in the General Fund cash balance is due to a decrease in interest income on investments.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased by \$62,351 as compared to a decrease in FY 2011 of \$114,989. The increase is due to completing the 2008 flood repair work in 2011, which will be reimbursed with the final receipt of FEMA funds.
- The Special Revenue, Special Assessment Fund cash balance decreased slightly by \$6,247 as compared to an increase in FY 2011 of \$6,568. The slight decrease is due to paying a portion of Road Use Tax revenue note for streetscapes.
- The Debt Service Fund cash balance increased \$1,248 to \$126,087 during the fiscal year. The increase was due to the timing of the debt service levies for the GO Bonds.
- The Capital Project, Sewer Projects Fund cash balance increased \$48,944 to \$(286,174) during the fiscal year. This increase was due to the timing when expenditures are paid versus reimbursements received for the WWTP Flood Mitigation Project.
- The Capital Project Street Projects Fund cash balance increased by \$191,500 from the prior year to \$22,980. The increase is due to the reimbursements through the STP project as well as bond proceeds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$72,068 to \$651,857 compared to a prior year cash balance increase of \$150,412. The increase in the Water Fund is primarily due to decreased spending on water projects.
- The Enterprise, Sewer Fund cash balance decreased by \$132,451 to \$2,010,608, as compared to a prior year cash balance increase of \$108,913. The increase in the Sewer Fund is primarily due to paying off the sewer revenue notes in FY2012.
- The Enterprise, Customer Deposit cash balance increased by \$20,713 to \$306,197, as compared to a prior year cash balance increase of \$18,392. The increase in the Customer Deposit Fund is due to more occupied homes.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 29, 2012 and resulted in an increase in miscellaneous revenues due to the receipt of proceeds of the sale of the Lawrence House and other financing sources due to the issues of Generational Obligation Bonds.

The increase in budgeted disbursements occurred in all programs except capital projects and culture and recreation. These increases were due to increases in expenditures in the following programs: public safety- for the 2008 flood, public works- expense of State IJOBS funds received, community and economic development- payment of TIF rebates and grants, and general government- payout of benefits for the retiring city administrator, and the large increase in expenditures in the debt service program for the payoff of the 2008 interim flood loan.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$6,656,000 of bonds and other long-term debt outstanding, compared to \$7,650,000 last year, as shown below.

Outstanding Debt at Year-End

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
General obligation bonds & notes	\$ 5,020,000	\$ 4,190,000
Road use tax revenue bonds	-	865,000
Sewer revenue bonds	<u>1,635,762</u>	<u>2,594,762</u>
Total	<u>\$ 6,655,762</u>	<u>\$ 7,649,762</u>

Debt decreased as a result of paying off a sewer revenue note. In addition, the City refinanced general obligation bonds and road use tax revenue notes for the purpose of reducing interest costs of debt agreements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$5,020,000 is significantly below its constitutional debt limit of approximately \$9.9 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Anamosa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities. Unemployment in Jones County averaged 4.9 percent in 2012. This compares with the State's average unemployment rate of 5.2 percent in 2012.

The housing market has seen a decline in Anamosa in fiscal year 2012. During fiscal year 2012, four single family homes were built.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Alan Johnson, City Administrator, 107 S. Ford Street, Anamosa, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF ANAMOSA, IOWA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2012

		<u>Program Receipts</u>		
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 681,310	\$ 35,296	\$ 24,291	\$ -
Public works	768,386	170,633	524,811	-
Culture and recreation	856,699	132,347	192,881	131
Community and economic development	149,609	8,995	-	-
General government	511,355	39,409	-	-
Debt service	3,550,467	-	-	-
Capital projects	<u>5,165,467</u>	<u>-</u>	<u>-</u>	<u>4,533,970</u>
Total governmental activities	<u>11,683,293</u>	<u>386,680</u>	<u>741,983</u>	<u>4,534,101</u>
Business type activities:				
Water	582,945	644,816	2,648	28,262
Sewer	<u>1,896,145</u>	<u>1,754,395</u>	<u>9,299</u>	<u>-</u>
Total business type activities	<u>2,479,090</u>	<u>2,399,211</u>	<u>11,947</u>	<u>28,262</u>
Total	<u>\$ 14,162,383</u>	<u>\$ 2,785,891</u>	<u>\$ 753,930</u>	<u>\$ 4,562,363</u>

GENERAL RECEIPTS AND TRANSFERS:

Property taxes levied for:
 General purposes
 Employee benefits
 Debt service
Tax increment financing
Other city tax
Local option sales tax
Grants and contributions not restricted
 to specific purposes
Unrestricted interest on investments
Special assessments

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets**

Governmental Activities	Business Type Activities	Total
\$ (621,723)	\$ -	\$ (621,723)
(72,942)	-	(72,942)
(531,340)	-	(531,340)
(140,614)	-	(140,614)
(471,946)	-	(471,946)
(3,550,467)	-	(3,550,467)
(631,497)	-	(631,497)
<u>(6,020,529)</u>	<u>-</u>	<u>(6,020,529)</u>
-	92,781	92,781
<u>-</u>	<u>(132,451)</u>	<u>(132,451)</u>
-	(39,670)	(39,670)
<u>(6,020,529)</u>	<u>(39,670)</u>	<u>(6,060,199)</u>
803,266	-	803,266
420,078	-	420,078
257,995	-	257,995
489,084	-	489,084
288,523	-	288,523
373,967	-	373,967
66,743	-	66,743
7,297	-	7,297
26,754	-	26,754

(continued)

CITY OF ANAMOSA, IOWA

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2012

		Program Receipts		
		Charges for	Operating	Capital
		Services	Grants,	Grants,
		Charges for	Contributions,	Contributions
		Services	and Restricted	and Restricted
		Services	Interest	Interest
GENERAL RECEIPTS AND	<u>Disbursements</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
TRANSFERS: (continued)		<u>Services</u>	<u>Grants,</u>	<u>Grants,</u>
Bond proceeds			<u>Contributions,</u>	<u>Contributions</u>
Bond premiums			<u>and Restricted</u>	<u>and Restricted</u>
Sale of capital assets			<u>Interest</u>	<u>Interest</u>
Total general receipts and transfers				
CHANGE IN CASH BASIS NET ASSETS				
CASH BASIS NET ASSETS, BEGINNING OF YEAR,				
CASH BASIS NET ASSETS, END OF YEAR				
CASH BASIS NET ASSETS:				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Urban renewal purposes				
Debt service				
Streets				
Other purposes				
Unrestricted				
TOTAL CASH BASIS NET ASSETS				

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets**

Governmental Activities	Business Type Activities	Total
3,325,000	-	3,325,000
49,710	-	49,710
2,587	-	2,587
<u>6,111,004</u>	<u>-</u>	<u>6,111,004</u>
<u>90,475</u>	<u>(39,670)</u>	<u>50,805</u>
3,064,482	3,008,332	6,072,814
<u>\$ 3,154,957</u>	<u>\$ 2,968,662</u>	<u>\$ 6,123,619</u>
\$ 94,952	\$ -	\$ 94,952
200,050	-	200,050
471,232	326,399	797,631
475,793	-	475,793
571,503	306,197	877,700
<u>1,341,427</u>	<u>2,336,066</u>	<u>3,677,493</u>
<u>\$ 3,154,957</u>	<u>\$ 2,968,662</u>	<u>\$ 6,123,619</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANAMOSA, IOWA

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds**

As of and for the year ended June 30, 2012

		<u>Special Revenue</u>		
	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Special Assessment</u>	<u>Debt Service</u>
RECEIPTS:				
Property tax	\$ 803,266	\$ -	\$ -	\$ 257,995
Tax increment financing collections	-	-	-	-
Other city tax	264,864	373,967	-	8,727
Licenses and permits	17,955	-	-	-
Use of money and property	27,692	810	-	-
Intergovernmental	66,811	-	-	-
Charges for services	258,858	-	-	-
Special assessments	-	-	26,754	-
Miscellaneous	278,546	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total receipts	1,717,992	374,777	26,754	266,722
	<hr/>	<hr/>	<hr/>	<hr/>
DISBURSEMENTS:				
Operating:				
Public safety	681,310	-	-	-
Public works	300,520	240,010	-	-
Culture and recreation	788,259	42,551	-	-
Community and economic development	-	-	-	-
General government	489,196	22,159	-	-
Debt service	21,053	-	33,001	588,730
Capital projects	-	7,706	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total disbursements	2,280,338	312,426	33,001	588,730
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over (under) disbursements	(562,346)	62,351	(6,247)	(322,008)
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	2,025,000
Bond premiums	32,553	-	-	-
Sale of capital assets	2,587	-	-	-
Payoff of refunded bonds	-	-	-	(2,025,000)
Operating transfers in	511,450	-	-	323,256
Operating transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net other financing sources (uses)	546,590	-	-	323,256
	<hr/>	<hr/>	<hr/>	<hr/>

Exhibit B

<u>Capital Projects</u>		<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<u>Sewer Projects</u>	<u>Street Projects</u>		
\$ -	\$ -	\$ 420,078	\$ 1,481,339
-	-	489,084	489,084
-	-	742	648,300
-	-	-	17,955
-	-	137	28,639
3,710,717	791,350	587,994	5,156,872
-	-	603	259,461
-	-	-	26,754
-	4,750	4,771	288,067
<u>3,710,717</u>	<u>796,100</u>	<u>1,503,409</u>	<u>8,396,471</u>
-	-	-	681,310
-	-	227,856	768,386
-	-	25,889	856,699
-	-	149,609	149,609
-	-	-	511,355
-	-	282,683	925,467
<u>3,661,773</u>	<u>1,442,859</u>	<u>53,129</u>	<u>5,165,467</u>
<u>3,661,773</u>	<u>1,442,859</u>	<u>739,166</u>	<u>9,058,293</u>
<u>48,944</u>	<u>(646,759)</u>	<u>764,243</u>	<u>(661,822)</u>
-	700,000	600,000	3,325,000
-	-	17,157	49,710
-	-	-	2,587
-	-	(600,000)	(2,625,000)
-	138,259	-	972,965
-	-	(972,965)	(972,965)
<u>-</u>	<u>838,259</u>	<u>(955,808)</u>	<u>752,297</u>

(continued)

CITY OF ANAMOSA, IOWA

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds**

As of and for the year ended June 30, 2012

	<u>Special Revenue</u>			
	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Special Assessment</u>	<u>Debt Service</u>
NET CHANGE IN CASH BALANCES	(15,756)	62,351	(6,247)	1,248
CASH BALANCES, BEGINNING OF YEAR,	<u>1,671,924</u>	<u>639,722</u>	<u>351,392</u>	<u>124,839</u>
CASH BALANCES, END OF YEAR	<u>\$ 1,656,168</u>	<u>\$ 702,073</u>	<u>\$ 345,145</u>	<u>\$ 126,087</u>
 CASH BASIS FUND BALANCES:				
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Urban renewal purposes	-	-	-	-
Debt service	-	-	345,145	126,087
Streets	-	245,726	-	-
Other purposes	-	456,347	-	-
Assigned for:				
Street capital project	-	-	-	-
Tree planting	-	-	-	-
Unassigned	<u>1,656,168</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total cash basis fund balances	 <u>\$ 1,656,168</u>	 <u>\$ 702,073</u>	 <u>\$ 345,145</u>	 <u>\$ 126,087</u>

Exhibit B

<u>Capital Projects</u>		<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<u>Sewer Projects</u>	<u>Street Projects</u>		
48,944	191,500	(191,565)	90,475
<u>(335,118)</u>	<u>(168,520)</u>	<u>780,243</u>	<u>3,064,482</u>
<u>\$ (286,174)</u>	<u>\$ 22,980</u>	<u>\$ 588,678</u>	<u>\$ 3,154,957</u>
\$ -	\$ -	\$ 94,952	\$ 94,952
-	-	200,050	200,050
-	-	-	471,232
-	-	230,067	475,793
-	-	115,156	571,503
-	-	-	-
-	22,980	-	22,980
-	-	2,139	2,139
<u>(286,174)</u>	<u>-</u>	<u>(53,686)</u>	<u>1,316,308</u>
<u>\$ (286,174)</u>	<u>\$ 22,980</u>	<u>\$ 588,678</u>	<u>\$ 3,154,957</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANAMOSA, IOWA
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Proprietary Funds
As of and for the year ended June 30, 2012

	<u>Enterprise</u>			<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Consumer Deposits</u>	
OPERATING RECEIPTS:				
Charges for services	\$ 575,170	\$ 1,738,974	\$ -	\$ 2,314,144
Miscellaneous	43,597	15,421	26,049	85,067
Total operating receipts	<u>618,767</u>	<u>1,754,395</u>	<u>26,049</u>	<u>2,399,211</u>
OPERATING DISBURSEMENTS:				
Business type activities:				
Water	576,041	-	6,904	582,945
Sewer	-	833,997	-	833,997
Total operating disbursements	<u>576,041</u>	<u>833,997</u>	<u>6,904</u>	<u>1,416,942</u>
Excess of operating receipts over operating disbursements	<u>42,726</u>	<u>920,398</u>	<u>19,145</u>	<u>982,269</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	1,080	9,299	1,568	11,947
Intergovernmental	28,262	-	-	28,262
Debt service	-	(1,062,148)	-	(1,062,148)
Net nonoperating receipts (disbursements)	<u>29,342</u>	<u>(1,052,849)</u>	<u>1,568</u>	<u>(1,021,939)</u>
NET CHANGE IN CASH BALANCES	72,068	(132,451)	20,713	(39,670)
CASH BALANCES, BEGINNING OF YEAR	<u>579,789</u>	<u>2,143,059</u>	<u>285,484</u>	<u>3,008,332</u>
CASH BALANCES, END OF YEAR	<u>\$ 651,857</u>	<u>\$ 2,010,608</u>	<u>\$ 306,197</u>	<u>\$ 2,968,662</u>
CASH BASIS FUND BALANCES:				
Restricted:				
Debt service	\$ -	\$ 326,399	\$ -	\$ 326,399
Other purposes	-	-	306,197	306,197
Unrestricted	<u>651,857</u>	<u>1,684,209</u>	<u>-</u>	<u>2,336,066</u>
Total cash basis fund balances	<u>\$ 651,857</u>	<u>\$ 2,010,608</u>	<u>\$ 306,197</u>	<u>\$ 2,968,662</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Anamosa is a political subdivision of the State of Iowa located in Jones County. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Manager-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Anamosa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jones County Assessor's Conference Board, Jones County E911 Service Board, and Jones County Solid Waste Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets – Cash Basis presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's permanent fund.

CITY OF ANAMOSA, IOWA
Notes to Financial Statements
June 30, 2012

(1) **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation (continued)

Government-wide Financial Statement (continued)

Expendable restricted net assets results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental or nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Local Option Sales Tax Fund is used to account for the collection and disbursement of local option sales tax.

Special Assessment Fund is used to account for the collection of special assessment charges in order to pay specially assessed bonds by their call dates.

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects, Sewer Projects Fund is used to account for capital projects for the sewer.

The Capital Projects, Street Projects Fund is used to account for capital projects for streets.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Consumer Deposit accounts for the Consumer Deposits held by the City.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable are amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted amounts are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned are amounts the Council intends to use for specific purposes.

Unassigned are all amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the general government function, prior to the budget being amended.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2010, to compute the amounts which became liens on property on July 1, 2011. These taxes were due and payable in two installments on September 30, 2011 and March 31, 2012, at the Jones County Treasurer's Office. These taxes are recognized as income to the City when they are received from the County.

(2) Cash

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2012

(2) Cash (continued)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-ended management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

During fiscal year 2012, the City issued \$700,000 of general obligation bonds with interest rate ranges of 1% to 3.8%, payable in 10 installments starting in June 2013. The purpose of these notes was for the Street Construction Project.

During the year ended June 30, 2012, the City issued \$2,625,000 in General Obligation Bonds with an average interest rate of 2.0% to refund \$600,000 of outstanding 2002 Road Use Tax Revenue Notes with an interest rate ranging from 2.5% to 5.5% prior to maturity and \$2,025,000 of outstanding 2009 General Obligation Bonds with an interest rate ranging from 1.25% to 4.4% prior to maturity. The net proceeds of \$2,646,752 (includes payment of underwriting fees, insurance, bond premium, and other issuance costs of \$21,752) were deposited in the City's cash account and was sufficient to fully prepay the outstanding principal and interest for the prior notes. As a result, both the 2002 revenue notes and 2009 series bonds are considered to be a current refunding and the liability for those notes are not disclosed. The City refunded the 2002 revenue notes to reduce its total debt service payments over the next 6 years by approximately \$103,388 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$98,008. The City refunded the 2009 series bonds to reduce its total debt service payments over the next 10 years by approximately \$225,351 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$206,788.

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2012

(3) Bonds and Notes Payable (continued)

Annual debt service requirements to maturity of general obligation bonds and notes, special revenue bonds and notes and revenue notes are as follows:

	<u>General Obligation Bonds and Notes</u>		<u>Revenue Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 730,000	\$ 114,141	\$ 100,000	\$ 55,830	\$ 830,000	\$ 169,971
2014	705,000	90,408	103,000	52,830	808,000	143,238
2015	685,000	76,473	106,000	49,470	791,000	125,943
2016	1,060,000	63,203	109,000	46,560	1,169,000	109,763
2017	345,000	37,293	113,000	43,290	458,000	80,583
2018	225,000	32,443	116,000	39,900	341,000	72,343
2019	265,000	26,583	119,000	36,420	384,000	63,003
2020	325,000	19,313	123,000	32,850	448,000	52,163
2021	335,000	11,368	127,000	29,160	462,000	40,528
2022	345,000	8,848	131,000	25,350	476,000	34,198
2023	-	-	134,000	21,420	134,000	21,420
2024	-	-	139,000	17,400	139,000	17,400
2025	-	-	143,000	13,230	143,000	13,230
2026	-	-	72,762	13,470	72,762	13,470
Total	<u>\$5,020,000</u>	<u>\$ 480,073</u>	<u>\$1,635,762</u>	<u>\$ 477,180</u>	<u>\$6,655,762</u>	<u>\$ 957,253</u>

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,320,000 of sewer revenue notes issued in February 2008. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2026. Net receipts are expected to be at least 110% of the principal and interest due on all bonds that are due in that fiscal year. The total principal and interest remaining to be paid on the notes is \$2,112,942. For the current year, principal and interest paid and total customer net receipts were \$151,693 and \$1,716,566, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The City shall generate net revenues from sewer operations of at least 125% of the average annual principal and interest payments.
- (b) An amount equal to 1/12 of the next principal payment due and 1/6 of the next interest payment due shall be set aside in a sewer sinking fund.
- (c) A reserve fund is to be established with a required balance of \$173,910.
- (d) An improvement and extension fund is to be established with a required fund balance of \$50,000.

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2012

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Nonmajor Special Revenue: Road Use Tax	\$ 94,628
	Employee Benefits	<u>416,822</u>
		<u>511,450</u>
Debt Service	Nonmajor Special Revenue: Tax Increment Financing	<u>323,256</u>
Capital Projects: Street Projects	Nonmajor: Capital Projects	<u>138,259</u>
Total		<u>\$ 972,965</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306 -9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$97,882, \$89,791, and \$80,706, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment for subsequent use or for payment upon termination, retirement or death. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 1,440 hours. Vacation is payable when used and is cumulative to a maximum of 240 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2012, primarily relating to the General Fund, is \$55,726. This liability has been computed based on pay rates in effect at June 30, 2012.

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2012

(7) Related Party Transactions

The City had business transactions between the City and a business owned by a Council member's family totaling \$17,826 during the year ended June 30, 2012.

The City had business transactions between the City and a business owned by two Council members totaling \$555 and \$290 during the year ended June 30, 2012, respectively.

(8) Construction Project Commitments

As of June 30, 2012, the City has various outstanding construction contracts totaling \$456,695.

(9) Risk Management and Contingencies

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City is named as a defendant in various legal actions arising in the normal course of operations. The City's management believes the resolution of those actions will not have a material effect on the City's financial statements.

(10) Deficit Balances

The Capital Projects, Water Projects Fund had a deficit balance of \$53,686 at June 30, 2012. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit's elimination is anticipated by management through receipt of grant or bond proceeds.

The Capital Projects, Sewer Projects Fund had a deficit balance of \$286,174 at June 30, 2012. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit's elimination is anticipated by management through receipt of grant or bond proceeds.

(11) Subsequent Events

Management evaluated subsequent events through November 15, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to November 15, 2012, that provided additional evidence about conditions that existed at June 30, 2012, have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2012.

This information is an integral part of the accompanying financial statements.

OTHER INFORMATION

CITY OF ANAMOSA, IOWA

**Budgetary Comparison Schedule of Receipts, Disbursements and
Changes in Balances - Budget and Actual (Cash Basis) -
All Governmental Funds and Proprietary Funds**

Other Information

Year ended June 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax	\$ 1,481,339	\$ -	\$ 1,481,339
Tax increment financing collections	489,084	-	489,084
Other city tax	648,300	-	648,300
Licenses and permits	17,955	-	17,955
Use of money and property	28,639	11,947	40,586
Intergovernmental	5,156,872	28,262	5,185,134
Charges for services	259,461	2,314,144	2,573,605
Special assessments	26,754	-	26,754
Miscellaneous	<u>288,067</u>	<u>85,067</u>	<u>373,134</u>
Total receipts	<u>8,396,471</u>	<u>2,439,420</u>	<u>10,835,891</u>
DISBURSEMENTS:			
Public safety	681,310	-	681,310
Public works	768,386	-	768,386
Culture and recreation	856,699	-	856,699
Community and economic development	149,609	-	149,609
General government	511,355	-	511,355
Debt service	925,467	-	925,467
Capital projects	5,165,467	-	5,165,467
Business type activities	<u>-</u>	<u>2,479,090</u>	<u>2,479,090</u>
Total disbursements	<u>9,058,293</u>	<u>2,479,090</u>	<u>11,537,383</u>
Excess (deficiency) of receipts over (under) disbursements	(661,822)	(39,670)	(701,492)
OTHER FINANCING SOURCES, NET	<u>752,297</u>	<u>-</u>	<u>752,297</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	90,475	(39,670)	50,805
BALANCE, BEGINNING OF YEAR	<u>3,064,482</u>	<u>3,008,332</u>	<u>6,072,814</u>
BALANCE, END OF YEAR	<u>\$ 3,154,957</u>	<u>\$ 2,968,662</u>	<u>\$ 6,123,619</u>

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Total
		<u>Variance</u>
\$ 1,636,576	\$ 1,636,576	\$ (155,237)
532,834	532,834	(43,750)
487,838	487,838	160,462
5,500	5,500	12,455
69,064	69,064	(28,478)
7,691,541	7,968,057	(2,782,923)
2,417,074	2,417,074	156,531
-	-	26,754
<u>180,509</u>	<u>191,947</u>	<u>181,187</u>
<u>13,020,936</u>	<u>13,308,890</u>	<u>(2,472,999)</u>
680,724	694,419	13,109
839,347	863,399	95,013
789,563	883,563	26,864
159,001	159,001	9,392
422,178	535,940	24,585
737,234	3,522,509	2,597,042
9,269,000	9,269,000	4,103,533
<u>1,807,245</u>	<u>2,636,520</u>	<u>157,430</u>
<u>14,704,292</u>	<u>18,564,351</u>	<u>7,026,968</u>
(1,683,356)	(5,255,461)	4,553,969
<u>2,280,000</u>	<u>4,926,753</u>	<u>(4,174,456)</u>
596,644	(328,708)	379,513
<u>6,777,883</u>	<u>6,777,883</u>	<u>(705,069)</u>
<u>\$ 7,374,527</u>	<u>\$ 6,449,175</u>	<u>\$ (325,556)</u>

See accompanying independent auditor's report.

CITY OF ANAMOSA, IOWA

**Notes to Other Information -
Budgetary Reporting**

June 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund. These eight functional areas are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$191,947 and budgeted disbursements by \$3,030,788. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded budgeted amounts in general government function, prior to the budget being amended.

SUPPLEMENTARY INFORMATION

CITY OF ANAMOSA, IOWA

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the year ended June 30, 2012

	Special Revenue						
	Employee Benefits	Library Special Gift	Police Department Forfeiture	Police Canine	Anamosa/ Monticello Local Access	Wetlands Project	Tax Increment Financing
RECEIPTS:							
Property tax	\$ 420,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	-	489,084
Other city tax	742	-	-	-	-	-	-
Use of money and property	-	131	-	5	1	-	-
Intergovernmental	-	-	-	-	36,030	-	-
Charges for service	-	-	603	-	-	-	-
Miscellaneous	-	-	-	3,571	-	-	-
Total receipts	<u>420,820</u>	<u>131</u>	<u>603</u>	<u>3,576</u>	<u>36,031</u>	<u>-</u>	<u>489,084</u>
DISBURSEMENTS:							
Operating:							
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	25,889	-	-
Community and economic development	-	-	-	-	-	-	149,609
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,889</u>	<u>-</u>	<u>149,609</u>
Excess (deficiency) of receipts over (under) disbursements	<u>420,820</u>	<u>131</u>	<u>603</u>	<u>3,576</u>	<u>10,142</u>	<u>-</u>	<u>339,475</u>
OTHER FINANCING SOURCES (USES):							
Bond proceeds	-	-	-	-	-	-	-
Bond premiums	-	-	-	-	-	-	-
Payoff of refunded bonds	-	-	-	-	-	-	-
Operating transfers out	(416,822)	-	-	-	-	-	(323,256)
Net other financing sources (uses)	<u>(416,822)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(323,256)</u>
NET CHANGE IN CASH BALANCES	3,998	131	603	3,576	10,142	-	16,219
CASH BALANCES, BEGINNING OF YEAR	<u>67,326</u>	<u>28,932</u>	<u>15</u>	<u>2,232</u>	<u>(2,600)</u>	<u>801</u>	<u>183,831</u>
CASH BALANCES, END OF YEAR	<u>\$ 71,324</u>	<u>\$ 29,063</u>	<u>\$ 618</u>	<u>\$ 5,808</u>	<u>\$ 7,542</u>	<u>\$ 801</u>	<u>\$ 200,050</u>

		Capital Projects			Permanent		
<u>Road Use Tax</u>	<u>Water Projects</u>	<u>Capital Projects</u>	<u>Park & Recreation Project</u>	<u>Cemetery Operations</u>	<u>Cemetery Perpetual Care</u>	<u>Totals</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 420,078	
-	-	-	-	-	-	489,084	
-	-	-	-	-	-	742	
-	-	-	-	-	-	137	
524,811	27,153	-	-	-	-	587,994	
-	-	-	-	-	-	603	
-	-	-	-	-	1,200	4,771	
<u>524,811</u>	<u>27,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>1,503,409</u>	
227,856	-	-	-	-	-	227,856	
-	-	-	-	-	-	25,889	
-	-	-	-	-	-	149,609	
282,683	-	-	-	-	-	282,683	
-	53,129	-	-	-	-	53,129	
<u>510,539</u>	<u>53,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>739,166</u>	
14,272	(25,976)	-	-	-	1,200	764,243	
600,000	-	-	-	-	-	600,000	
17,157	-	-	-	-	-	17,157	
(600,000)	-	-	-	-	-	(600,000)	
(94,628)	-	(138,259)	-	-	-	(972,965)	
<u>(77,471)</u>	<u>-</u>	<u>(138,259)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(955,808)</u>	
(63,199)	(25,976)	(138,259)	-	-	1,200	(191,565)	
<u>293,266</u>	<u>(27,710)</u>	<u>138,259</u>	<u>2,139</u>	<u>10,000</u>	<u>83,752</u>	<u>780,243</u>	
<u>\$ 230,067</u>	<u>\$ (53,686)</u>	<u>\$ -</u>	<u>\$ 2,139</u>	<u>\$ 10,000</u>	<u>\$ 84,952</u>	<u>\$ 588,678</u>	

CITY OF ANAMOSA, IOWA

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the year ended June 30, 2012

	<u>Special Revenue</u>						
	<u>Employee Benefits</u>	<u>Library Special Gift</u>	<u>Police Department Forfeiture</u>	<u>Police Canine</u>	<u>Anamosa/ Monticello Local Access</u>	<u>Wetlands Project</u>	<u>Tax Increment Financing</u>
CASH BASIS FUND BALANCES:							
Nonspendable - cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Urban renewal purposes	-	-	-	-	-	-	200,050
Streets	-	-	-	-	-	-	-
Other purposes	71,324	29,063	618	5,808	7,542	801	-
Assigned for:							
Tree planting	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cash basis fund balances	<u>\$ 71,324</u>	<u>\$ 29,063</u>	<u>\$ 618</u>	<u>\$ 5,808</u>	<u>\$ 7,542</u>	<u>\$ 801</u>	<u>\$ 200,050</u>

<u>Capital Projects</u>				<u>Permanent</u>		
<u>Road Use Tax</u>	<u>Water Projects</u>	<u>Capital Projects</u>	<u>Park & Recreation Project</u>	<u>Cemetery Operations</u>	<u>Cemetery Perpetual Care</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 84,952	\$ 94,952
-	-	-	-	-	-	200,050
230,067	-	-	-	-	-	230,067
-	-	-	-	-	-	115,156
-	-	-	2,139	-	-	2,139
-	(53,686)	-	-	-	-	(53,686)
<u>\$ 230,067</u>	<u>\$ (53,686)</u>	<u>\$ -</u>	<u>\$ 2,139</u>	<u>\$ 10,000</u>	<u>\$ 84,952</u>	<u>\$ 588,678</u>

CITY OF ANAMOSA, IOWA

Schedule of Indebtedness

Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Refunding notes- Series 2012A	May 15, 2012	2.00%	\$ 2,625,000
Corporate purpose note 2011	October 18, 2011	1.00-3.80%	700,000
Refunding notes - Series 2010A	April 1, 2010	1.00-2.55%	1,925,000
Economic development and refunding notes	December 4, 2009	1.25-4.40%	2,410,000
Public Works Facility Note	November 8, 2010	2.85%	400,000
Total			
Road Use Tax:			
Road use tax revenue notes	November 1, 2002	2.50-5.25%	\$ 1,595,000
Revenue notes:			
Sewer revenue notes	February 12, 2008	3.00%	\$ 2,320,000
Sewer revenue refunding notes	October 1, 2002	2.75-5.40%	1,785,000
Total			
Total indebtedness			

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ -	\$ 2,625,000	\$ -	\$ 2,625,000	\$ -	\$ -
-	700,000	-	700,000	-	-
1,695,000	-	240,000	1,455,000	34,408	-
2,175,000	-	2,175,000	-	74,702	-
<u>320,000</u>	<u>-</u>	<u>80,000</u>	<u>240,000</u>	<u>9,120</u>	<u>-</u>
<u>4,190,000</u>	<u>3,325,000</u>	<u>2,495,000</u>	<u>5,020,000</u>	<u>118,230</u>	<u>-</u>
<u>865,000</u>	<u>-</u>	<u>865,000</u>	<u>-</u>	<u>43,003</u>	<u>-</u>
1,729,762	-	94,000	1,635,762	57,692	-
<u>865,000</u>	<u>-</u>	<u>865,000</u>	<u>-</u>	<u>44,680</u>	<u>-</u>
<u>2,594,762</u>	<u>-</u>	<u>959,000</u>	<u>1,635,762</u>	<u>102,372</u>	<u>-</u>
<u>\$ 7,649,762</u>	<u>\$ 3,325,000</u>	<u>\$ 4,319,000</u>	<u>\$ 6,655,762</u>	<u>\$ 263,605</u>	<u>\$ -</u>

CITY OF ANAMOSA, IOWA

Bond and Note Maturities

June 30, 2012

Year Ending June 30,	GO Note Issued Nov. 8, 2010		GO Refunding Bonds, Series 2010A Issued April 1, 2010		GO Corporate Purpose Note Issued Oct. 18, 2011		GO Refunding Bonds, Series 2012A Issued May 15, 2012		Total General Obligation Debt
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2013	2.85 %	\$ 80,000	1.45 %	\$ 245,000	1.00 %	\$ 70,000	2.00 %	\$ 335,000	\$ 730,000
2014	2.85 %	80,000	1.75 %	250,000	1.40 %	70,000	2.00 %	305,000	705,000
2015	2.85 %	80,000	2.15 %	220,000	1.80 %	70,000	2.00 %	315,000	685,000
2016	-	-	2.55 %	740,000	2.20 %	70,000	2.00 %	250,000	1,060,000
2017	-	-	-	-	2.50 %	70,000	2.00 %	275,000	345,000
2018	-	-	-	-	2.80 %	70,000	2.00 %	155,000	225,000
2019	-	-	-	-	3.10 %	70,000	2.00 %	195,000	265,000
2020	-	-	-	-	3.40 %	70,000	2.00 %	255,000	325,000
2021	-	-	-	-	3.60 %	70,000	2.10 %	265,000	335,000
2022	-	-	-	-	3.80 %	70,000	2.25 %	275,000	345,000
Total		<u>\$ 240,000</u>		<u>\$1,455,000</u>		<u>\$ 700,000</u>		<u>\$2,625,000</u>	<u>\$ 5,020,000</u>

Year Ending June 30,	Revenue Notes Sewer Revenue Issued Feb. 12, 2008	
	Interest Rates	Amount
2013	3.00 %	\$ 100,000
2014	3.00 %	103,000
2015	3.00 %	106,000
2016	3.00 %	109,000
2017	3.00 %	113,000
2018	3.00 %	116,000
2019	3.00 %	119,000
2020	3.00 %	123,000
2021	3.00 %	127,000
2022	3.00 %	131,000
2023	3.00 %	134,000
2024	3.00 %	139,000
2025	3.00 %	143,000
2026	3.00 %	<u>72,762</u>
Total		<u>\$1,635,762</u>

CITY OF ANAMOSA, IOWA

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Seven Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
RECEIPTS:							
Property tax	\$ 1,481,339	\$ 1,400,549	\$ 1,266,102	\$ 1,214,875	\$ 1,017,807	\$ 973,794	\$ 914,511
Tax increment financing collections	489,084	352,582	348,260	295,829	577,134	576,509	565,948
Other city tax	648,300	663,601	552,180	551,285	518,050	413,792	427,377
Licenses and permits	17,955	18,964	19,365	5,115	8,546	10,370	7,460
Use of money and property	28,639	49,345	128,162	76,628	97,380	80,686	63,342
Intergovernmental	5,156,872	1,703,118	2,296,571	738,312	977,347	888,072	768,030
Charges for service	259,461	248,069	536,397	272,711	130,396	117,672	137,328
Special assessments	26,754	39,568	34,359	43,721	49,634	82,155	82,810
Miscellaneous	<u>288,067</u>	<u>234,884</u>	<u>197,900</u>	<u>278,929</u>	<u>218,598</u>	<u>272,888</u>	<u>325,446</u>
Total	<u>\$ 8,396,471</u>	<u>\$ 4,710,680</u>	<u>\$ 5,379,296</u>	<u>\$ 3,477,405</u>	<u>\$ 3,594,892</u>	<u>\$ 3,415,938</u>	<u>\$ 3,292,252</u>
DISBURSEMENTS:							
Operating:							
Public safety	\$ 681,310	\$ 929,824	\$ 4,851,603	\$ 827,012	\$ 688,777	\$ 566,170	\$ 531,939
Public works	768,386	814,899	787,526	576,527	790,968	456,399	477,866
Culture and recreation	856,699	697,926	679,815	709,517	719,341	647,769	499,851
Community and economic development	149,609	19,085	502,638	352,173	81,771	141,556	190,267
General government	511,355	499,927	512,849	496,667	459,458	355,676	296,893
Debt service	3,550,467	2,696,820	717,230	630,080	724,012	1,046,488	840,653
Capital projects	<u>5,165,467</u>	<u>1,341,948</u>	<u>288,472</u>	<u>2,432,424</u>	<u>840,872</u>	<u>1,284,894</u>	<u>1,052,322</u>
Total	<u>\$ 11,683,293</u>	<u>\$ 7,000,429</u>	<u>\$ 8,340,133</u>	<u>\$ 6,024,400</u>	<u>\$ 4,305,199</u>	<u>\$ 4,498,952</u>	<u>\$ 3,889,791</u>

CITY OF ANAMOSA, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-239	<u>\$ 1,833,432</u> *
U.S. Department of Homeland Security: Iowa Department of Public Defense: Iowa Homeland Security and Emergency Management Division: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DRIA	<u>11,047</u>
U.S. Department of Transportation: Iowa Department of Transportation: Surface Transportation Program Project	20.205	6-10-STPU-35	<u>798,989</u> *
Total Federal Expenditures			<u><u>\$ 2,643,468</u></u>

* Denotes a major program

This information should be read only in connection with the notes to
the schedule of expenditures of federal awards

CITY OF ANAMOSA, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Anamosa and is presented on a cash basis which is an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUB-RECIPIENT PAYMENTS AND NONCASH ASSISTANCE

There were no payments passed through to sub-recipient agencies during the year ended June 30, 2012. In addition, there were no non-cash assistance, loans or loan guarantees outstanding as of and for the year ended June 30, 2012.

This information is an integral part of the accompanying
schedule of expenditures of federal awards.



CliftonLarsonAllen

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
Anamosa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Anamosa, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 15, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Anamosa, Iowa, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Anamosa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Anamosa, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Anamosa, Iowa's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying schedule of findings and questioned costs as items II-A-12, and II-B-12 to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Anamosa, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the findings were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Anamosa's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Anamosa, Iowa's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the officials, employees and citizens of the City of Anamosa, Iowa, federal awarding agencies and pass-through entities and those parties to whom the City of Anamosa, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
November 15, 2012



CliftonLarsonAllen

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
Anamosa, Iowa

Compliance

We have audited the compliance of City of Anamosa, Iowa with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2012. City of Anamosa, Iowa's major federal programs are identified in the summary of the independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Anamosa, Iowa's management. Our responsibility is to express an opinion on City of Anamosa, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Anamosa, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Anamosa, Iowa's compliance with those requirements.

In our opinion, City of Anamosa, Iowa complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of City of Anamosa, Iowa is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Anamosa's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items III-A-12, III-B-12 and III-C-12 to be material weaknesses. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

City of Anamosa's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Anamosa, Iowa's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the officials, employees and citizens of the City of Anamosa, Iowa, federal awarding agencies and pass-through entities and those parties to whom the City of Anamosa, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
November 15, 2012

**CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Part I - Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program:

- Material weakness identified? X Yes No
- Deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major program Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133? X Yes No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
20.205	Surface Transportation Program Project

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12: Segregation of Duties

Criteria:

The City has a responsibility to establish and maintain effective internal controls over financial transactions and reporting, which includes adequate segregation of duties.

Condition:

The City Clerk has complete control over the accounting function.

Context:

During our audit we found that the City Clerk could perform all duties in the accounting function.

Effect:

As a result of this condition, there is more than a remote risk that errors or irregularities could occur and not be detected within a timely manner.

Cause:

Ideal separation of incompatible duties is difficult with the size of the City staff.

Recommendation:

When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend that the City review its operating procedures to obtain the maximum internal control possible under the circumstances. We also recommend that the City Administrator review the monthly bank reconciliation, including review of check copies returned with the bank statement to disbursement records, and initial and date the reconciliation that was performed by the City Clerk after their review. In addition to that, the City Clerk initial and date the reconciliations that were done by the Deputy City Clerk.

Management Response:

With a limited number of office employees, segregation of duties is sometimes difficult. We are aware of the lack of segregation of duties and have considered alternatives to improve the situation. We are monitoring the situation and are segregating accounting duties where practical, including the City Administrator, to review check copies returned with the bank statement to disbursement records.

Conclusion:

Response accepted.

II-B-12: Preparation of Financial Statements

Criteria:

The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements: (continued)

II-B-12: Preparation of Financial Statements (continued)

Condition:

The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility for the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors would be identified and corrected.

Context:

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect:

As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause:

The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation:

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable accounting principles and knowledge of the City's activities and operations.

Management Response:

The City does not have the resources to employ staff possessing the detailed understanding of applicable accounting principles to the extent required to utilize such a disclosure checklist. As a result, the City of Anamosa, Iowa has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion:

Response accepted.

CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL OVER COMPLIANCE DEFICIENCY:

CFDA 20.205 Surface Transportation Program Project
Grant Year: 2011
Questioned Costs: None

III-A-12 **Segregation of Duties** - A lack of segregation of duties over receipts and disbursements, including those related to federal programs, exist in the City's finance department. See audit finding II-A-12.

All Programs
All Years
Questioned Costs: None

III-B-12 **Preparation of Financial Statements** - The City has not implemented procedures, to the degree necessary, to perform a review and assume responsibility for the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors would be identified and corrected. See audit finding II-B-12.

III-C-12: Federal Award Reporting

Criteria:

The City Council and management share responsibility for the City's financial statements, including disclosures.

Condition:

The city was unaware that a certain award that passed through the state of Iowa was a federal award required to be reported on the Schedule of Expenditures of Federal Awards (SEFA).

Context:

The City has not identified all federal awards that it has received through the state of Iowa..

Effect:

As a result of this condition, certain federal awards passing through the state of Iowa were initially omitted from the Schedule of Federal Expenditures and Awards.

Cause:

The City lacks controls ensuring SEFA completeness.

Recommendation:

We recommend that the City establish internal control procedures to ensure all federal awards are being tracked and included on the SEFA.

**CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Part III: Findings and Questioned Costs for Federal Awards: (continued)

Management Response:

Management will establish a review process to ensure that all federal awards are being tracked and included on the SEFA. Procedures will be implemented and performed by the city clerk and city administrator by December 1st, 2012.

Conclusion:

Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the general government function, prior to the budget being amended. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

IV-B-12 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Descriptions</u>	<u>Amount</u>
Cody Shaffer, council member, son of owner of Shaffer Plumbing and Heating	Plumbing related	\$ 17,826
Bill Feldman, council member, owner of Feldman's Yard-n-Garden	Lawn mowing	\$ 555
Michael Dearborn, council member, owner of Dearborn Enterprises	Cardio room improvements	\$ 290

CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting: (CONTINUED)

The transactions for lawn mowing and the cardio room improvements with the council members do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year. The transactions with the council member for plumbing related work does not appear to represent a conflict of interest since it was entered in through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- IV-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-12 Revenue Notes - As of June 30, 2012, the City was in compliance with the funding and payment provisions of the revenue note resolutions.
- IV-G-12 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.
- IV-H-12 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- IV-I-12 Financial Condition - The Capital Projects, Water Projects Fund, and the Capital Projects, Sewer Projects Fund had deficit balances at June 30, 2012.

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response: The Capital Project Fund deficits were due to capital project costs incurred before grant and bond proceeds were received. These deficits will be eliminated next year. The Special Revenue Fund was a timing issue related to when their franchise fees were received. This deficit will be eliminated next year.

Conclusion: Response accepted.

- IV-J-12 Tax Increment Financing - Chapter 403.19 of the Code of Iowa provides a municipality shall certify to the County Auditor, annually, on December 1, for any debt incurred.

The City's tax increment financing (TIF) certification required by Chapter 403 of the Code of Iowa and filed December 1, 2007 certified \$250,000 of an entire rebate agreement that included annual appropriations in the development agreement. In addition, the City certification filed December 1, 2010 certified \$900,000 of two entire rebate agreements that included annual appropriations in the development agreements. Rebate agreements with annual appropriation verbiage are not considered debt until the City Council appropriates them.

CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting: (CONTINUED)

Recommendation - The City should consult TIF legal counsel to determine the amount of TIF debt to decertify. In the future, the City should certify each year what the Council appropriates as required by Chapter 403.19 of the Code of Iowa.

**CITY OF ANAMOSA, IOWA
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2012**

<u>Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, planned corrective action or other explanation</u>
II-A-11	Segregation of duties	Not corrected; reported as finding II-A-12 in the current year.	Segregation of duties is not ideal with the size of staff, however results are monitored monthly by management.
II-B-11	Preparation of financial statements	Not corrected; reported as finding II-B-12 in the current year.	The City does not have resources to employ staff possessing the detailed understanding of reporting requirements. The City relies on an independent auditor to prepare its financial statements.
II-C-11	Audit Adjustments	Corrected	
II-D-11	Federal Award Reporting	Not corrected; reported as finding II-C-12 in the current year.	Management will establish a review process to ensure that all federal awards are being tracked and included on the SEFA.