

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

June 30, 2013

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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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1.C. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.C.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Supplementary and Other Information*

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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements, which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information 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 basic financial statements. Such 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 basic financial statements or to the basic 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 as a whole.

The other information which consists of Management's Discussion and Analysis and the budgetary comparison information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2014, on our consideration of the 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 result 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* in considering City of Anamosa, Iowa's internal control over financial reporting and compliance.



Cedar Rapids, Iowa
February 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Anamosa, Iowa, 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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 49.5%, or approximately \$6,126,000, from fiscal year 2012 to fiscal year 2013. Intergovernmental decreased approximately \$2,788,000 and bond proceeds decreased approximately \$3,325,000.
- Disbursements of the City's governmental activities decreased 47.1%, or approximately \$5,230,000, in fiscal year 2013 from fiscal year 2012. Debt service and capital projects disbursements decreased approximately \$2,100,000 and \$3,168,000, respectively.
- The City's total cash basis net position increased 15%, or approximately \$919,000, from June 30, 2012 to June 30, 2013. Of this amount, the assets of the governmental activities decreased approximately \$206,000 and the assets of the business type activities increased approximately \$1,125,000.

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 Cash Basis Statement of Activities and Net Position. 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 nonmajor governmental funds 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 the 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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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 Special Assessments, 3) the Debt Service Fund, 4) the Capital Projects Funds 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 position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities as of June 30, 2013 is \$2,948,608 decreasing slightly from a year ago. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
Receipts:		
Property tax	\$ 1,539,742	\$ 1,481,339
Tax increment financing collections	408,257	489,084
Other city tax	684,667	648,300
Licenses and permits	15,476	17,955
Use of money and property	22,196	28,639
Intergovernmental	2,369,264	5,156,872
Charges for services	262,680	259,461
Special assessments	36,922	26,754
Miscellaneous	<u>304,117</u>	<u>288,067</u>
Total receipts	<u>5,643,321</u>	<u>8,396,471</u>
Disbursements:		
Public safety	891,994	681,310
Public works	788,481	768,386
Culture and recreation	703,839	856,699
Community and economic development	75,731	149,609
General government	542,223	511,355
Debt service	854,217	925,467
Capital projects	<u>1,997,768</u>	<u>5,165,467</u>
Total disbursements	<u>5,854,253</u>	<u>9,058,293</u>
Excess of disbursements over receipts	<u>(210,932)</u>	<u>(661,822)</u>
Other financing sources (uses):		
Bond proceeds	-	3,325,000
Bond premiums	-	49,710
Sale of capital assets	4,583	2,587
Payoff of refunded bonds	-	(2,625,000)
Transfers in	1,200,908	972,965
Transfers out	<u>(1,200,908)</u>	<u>(972,965)</u>
Net other financing sources	<u>4,583</u>	<u>752,297</u>
Net change in cash basis net position	(206,349)	90,475
Cash basis net position, beginning	<u>3,154,957</u>	<u>3,064,482</u>
Cash basis net position, ending	<u>\$ 2,948,608</u>	<u>\$ 3,154,957</u>

The City's total receipts for governmental activities were \$5,647,904 which included sale of capital assets.

The City increased property tax rates for 2013 by \$.279 per thousand of taxable valuation, from \$16.15 to \$15.87 per thousand of taxable valuation.

The cost of all governmental activities this year was just over \$5.8 million compared to approximately \$11.7 million last year. However, as shown in the Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was approximately \$2.998 million because some of the cost was paid by those directly benefited from the programs (approximately \$442,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,422,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2013 from approximately \$5,663,000 to approximately \$2,867,000, principally due to receiving federal aid for the wastewater treatment plant in 2012.

Changes in Cash Basis Net Position of Business Type Activities

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
Program Receipts:		
Charges for services:		
Water	\$ 717,322	\$ 575,170
Sewer	1,722,831	1,738,974
Capital grants, contributions and restricted interest	-	28,262
General Receipts:		
Interest on investments	11,854	11,947
Miscellaneous	<u>182,599</u>	<u>85,067</u>
Total receipts	<u>2,634,606</u>	<u>2,439,420</u>
Disbursements:		
Water	549,803	582,945
Sewer	807,976	833,997
Debt service	<u>151,873</u>	<u>1,062,148</u>
Total disbursements	<u>1,509,652</u>	<u>2,479,090</u>
Increase (decrease) in cash basis net position	1,124,954	(39,670)
Cash basis net position beginning of year	<u>2,968,662</u>	<u>3,008,332</u>
Cash basis net position end of year	<u>\$ 4,093,616</u>	<u>\$ 2,968,662</u>

Total business type activities receipts for the fiscal year were approximately \$2,635,000 compared to approximately \$2,439,000. This increase was due primarily to the increase in the base water rate. The cash balance increased by \$1,124,954 from the prior year. Total disbursements for the fiscal year were \$1,509,652, a 39.1% decrease.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Anamosa completed the year, its governmental funds reported a combined fund balance of \$2,945,608, a decrease of \$206,349 from the prior year's total of \$3,154,957. 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 an increase of \$168,438 from the prior year to \$1,824,606. This increase in the General Fund cash balance is due to a increase in taxable valuations, reimbursement from developer for development cost share in Meadow Ridge and a larger share of payroll for Streets Department paid from Road Use Tax funds.
- The Special Revenue, Local Option Sales Tax Fund (LOST) cash balance decreased by \$268,707 as compared to an increase in FY 2012 of \$62,351. The decrease is due to using a portion of the LOST funds to pay for an annual debt payment on a G.O. loan for the STP street project to keep the debt service levy down, purchasing a new dump truck and funding the additional costs associated with the STP project to meet Iowa Department of Transportation regulations on the 5-way intersection and install sidewalk on city property.
- The Special Revenue, Special Assessment Fund cash balance increased by \$36,922 as compared to a decrease in FY 2012 of \$6,247. This increase is due to additional assessment payments received for the 2002 streetscapes project and not paying a portion of the annual payments for the Road Use Tax revenue note.
- The Debt Service Fund cash balance increased \$84,791 to \$210,878 during the fiscal year. The increase was due to the refinancing of \$2,410,000 G.O. Bond after the budget was submitted and transfers were approved, but the actual debt service payment was less than budgeted.
- The Capital Project, Sewer Projects Fund cash balance increased \$138,104 to \$(148,070) 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, Water Projects Fund cash balance decreased by \$394,767 from the prior year to \$(448,453). The decrease is due to the disbursements for the water storage improvement project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$203,810 to \$855,667 compared to a prior year cash balance increase of \$72,068. The increase in the Water Fund is primarily due to increased water rates.
- The Enterprise, Sewer Fund cash balance increased by \$916,239 to \$2,926,847, as compared to a prior year cash balance decrease of \$132,451. The increase in the Sewer Fund is primarily due to paying off the sewer revenue notes in FY2012.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 28, 2013 and resulted in an increase in intergovernmental funds due to the receipt of federal and state FEMA funds, receipt of special assessment funds from the streetscapes project and an increase in miscellaneous revenues from donations for the LCC cardio room.

The increase in budgeted disbursements occurred in public safety due to under-budgeting group insurance costs, increase in overtime in the police department and continued costs for the 2008 flood as required by FEMA. The increase in culture and recreation was due to final costs for the cardio room addition, which was completed in the current fiscal year. General government expenditures increased due to unexpected additional costs for the STP project relating to the 5-way intersection and sidewalk. Debt service increased due to additional debt for the G.O. loan for the STP project.

DEBT ADMINISTRATION

At June 30, 2013, the City had approximately \$5,829,000 of bonds and other long-term debt outstanding, compared to \$6,656,000 last year, as shown below.

Outstanding Debt at Year-End

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
General obligation bonds & notes	\$ 4,290,000	\$ 5,020,000
Sewer revenue notes	<u>1,538,762</u>	<u>1,635,762</u>
Total	<u>\$ 5,828,762</u>	<u>\$ 6,655,762</u>

Debt decreased as a result of making debt service payments.

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 debt of \$5,828,762 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 2014 budget, tax rates, and fees that will be charged for various City activities. Unemployment in Jones County averaged 4.1 percent in 2013. This compares with the State's average unemployment rate of 6.5 percent and the national rate of 9.0% in 2013.

The housing market has seen a slight increase in Anamosa in fiscal year 2013. During fiscal year 2013, seven 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

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

		<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	\$ 891,994	\$ 95,900	\$ 76,956	\$ -
Public works	788,481	168,131	529,873	-
Culture and recreation	703,839	130,708	99,939	210
Community and economic development	75,731	9,175	-	-
General government	542,223	39,862	-	-
Debt service	854,217	-	-	36,922
Capital projects	<u>1,997,768</u>	<u>-</u>	<u>-</u>	<u>1,715,549</u>
Total governmental activities	<u>5,854,253</u>	<u>443,776</u>	<u>706,768</u>	<u>1,752,681</u>
Business type activities:				
Water	549,803	750,989	3,597	3,932
Sewer	<u>959,849</u>	<u>1,867,831</u>	<u>8,257</u>	<u>-</u>
Total business type activities	<u>1,509,652</u>	<u>2,618,820</u>	<u>11,854</u>	<u>3,932</u>
Total	<u>\$ 7,363,905</u>	<u>\$ 3,062,596</u>	<u>\$ 718,622</u>	<u>\$ 1,756,613</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

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

Governmental Activities	Business Type Activities	Total
\$ (719,138)	\$ -	\$ (719,138)
(90,477)	-	(90,477)
(472,982)	-	(472,982)
(66,556)	-	(66,556)
(502,361)	-	(502,361)
(817,295)	-	(817,295)
(282,219)	-	(282,219)
<u>(2,951,028)</u>	<u>-</u>	<u>(2,951,028)</u>
-	208,715	208,715
-	916,239	916,239
-	1,124,954	1,124,954
<u>(2,951,028)</u>	<u>1,124,954</u>	<u>(1,826,074)</u>
851,753	-	851,753
418,923	-	418,923
269,066	-	269,066
408,257	-	408,257
292,289	-	292,289
403,965	-	403,965
87,056	-	87,056
8,787	-	8,787

(continued)

CITY OF ANAMOSA, IOWA

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

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

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

Governmental Activities	Business Type Activities	Total
4,583	-	4,583
2,744,679	-	2,744,679
(206,349)	1,124,954	918,605
3,154,957	2,968,662	6,123,619
\$ 2,948,608	\$ 4,093,616	\$ 7,042,224

\$ 96,453	\$ -	\$ 96,453
157,442	-	157,442
592,945	326,399	919,344
477,374	-	477,374
396,748	311,102	707,850
1,227,646	3,456,115	4,683,761
\$ 2,948,608	\$ 4,093,616	\$ 7,042,224

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, 2013

		<u>Special Revenue</u>		
	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Special Assessment</u>	<u>Debt Service</u>
RECEIPTS:				
Property tax	\$ 851,753	\$ -	\$ -	\$ 269,066
Tax increment financing collections	-	-	-	-
Other city tax	270,905	403,965	-	9,039
Licenses and permits	15,476	-	-	-
Use of money and property	21,974	-	-	-
Intergovernmental	132,343	-	-	-
Charges for services	262,680	-	-	-
Special assessments	-	-	36,922	-
Miscellaneous	287,168	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total receipts	1,842,299	403,965	36,922	278,105
	<hr/>	<hr/>	<hr/>	<hr/>
DISBURSEMENTS:				
Current:				
Public safety	826,923	53,560	-	-
Public works	288,735	307,251	-	-
Culture and recreation	652,856	50,553	-	-
Community and economic development	-	-	-	-
General government	449,935	92,288	-	-
Debt service	-	-	-	854,217
Capital projects	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total disbursements	2,218,449	503,652	-	854,217
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over disbursements	(376,150)	(99,687)	36,922	(576,112)
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	4,583	-	-	-
Transfers in	540,005	-	-	660,903
Transfers out	-	(169,020)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net other financing sources (uses)	544,588	(169,020)	-	660,903
	<hr/>	<hr/>	<hr/>	<hr/>

Exhibit B

<u>Capital Projects</u>		<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
<u>Sewer Projects</u>	<u>Water Projects</u>		
\$ -	\$ -	\$ 418,923	\$ 1,539,742
-	-	408,257	408,257
-	-	758	684,667
-	-	-	15,476
-	-	222	22,196
1,571,808	135,240	529,873	2,369,264
-	-	-	262,680
-	-	-	36,922
-	-	16,949	304,117
<u>1,571,808</u>	<u>135,240</u>	<u>1,374,982</u>	<u>5,643,321</u>
-	-	11,511	891,994
-	-	192,495	788,481
-	-	430	703,839
-	-	75,731	75,731
-	-	-	542,223
-	-	-	854,217
<u>1,433,704</u>	<u>530,007</u>	<u>34,057</u>	<u>1,997,768</u>
<u>1,433,704</u>	<u>530,007</u>	<u>314,224</u>	<u>5,854,253</u>
<u>138,104</u>	<u>(394,767)</u>	<u>1,060,758</u>	<u>(210,932)</u>
-	-	-	4,583
-	-	-	1,200,908
-	-	(1,031,888)	(1,200,908)
-	-	(1,031,888)	4,583

(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, 2013

		<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	\$ 168,438	\$ (268,707)	\$ 36,922	\$ 84,791
CASH BALANCES, BEGINNING OF YEAR,	<u>1,656,168</u>	<u>702,073</u>	<u>345,145</u>	<u>126,087</u>
CASH BALANCES, END OF YEAR	<u>\$ 1,824,606</u>	<u>\$ 433,366</u>	<u>\$ 382,067</u>	<u>\$ 210,878</u>
 CASH BASIS FUND BALANCES:				
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Urban renewal purposes	-	-	-	-
Debt service	-	-	382,067	210,878
Streets	-	151,678	-	-
Other purposes	-	281,688	-	-
Assigned for:				
Tree planting	-	-	-	-
Unassigned	<u>1,824,606</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 1,824,606</u>	<u>\$ 433,366</u>	<u>\$ 382,067</u>	<u>\$ 210,878</u>

Exhibit B

<u>Capital Projects</u>		<u>Nonmajor Governmental Funds</u>		<u>Totals</u>
<u>Sewer Projects</u>	<u>Water Projects</u>			
\$ 138,104	\$ (394,767)	\$ 28,870	\$ (206,349)	
<u>(286,174)</u>	<u>(53,686)</u>	<u>665,344</u>	<u>3,154,957</u>	
<u>\$ (148,070)</u>	<u>\$ (448,453)</u>	<u>\$ 694,214</u>	<u>\$ 2,948,608</u>	
\$ -	\$ -	\$ 96,453	\$ 96,453	
-	-	157,442	157,442	
-	-	-	592,945	
-	-	325,696	477,374	
-	-	115,060	396,748	
-	-	10,640	10,640	
<u>(148,070)</u>	<u>(448,453)</u>	<u>(11,077)</u>	<u>1,217,006</u>	
<u>\$ (148,070)</u>	<u>\$ (448,453)</u>	<u>\$ 694,214</u>	<u>\$ 2,948,608</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, 2013

	<u>Enterprise</u>			<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Non major Consumer Deposits</u>	
OPERATING RECEIPTS:				
Charges for services	\$ 717,322	\$ 1,722,831	\$ -	\$ 2,440,153
Miscellaneous	33,667	145,000	3,932	182,599
Total operating receipts	<u>750,989</u>	<u>1,867,831</u>	<u>3,932</u>	<u>2,622,752</u>
OPERATING DISBURSEMENTS:				
Business type activities:				
Water	549,782	-	21	549,803
Sewer	-	807,976	-	807,976
Total operating disbursements	<u>549,782</u>	<u>807,976</u>	<u>21</u>	<u>1,357,779</u>
Excess of operating receipts over operating disbursements	<u>201,207</u>	<u>1,059,855</u>	<u>3,911</u>	<u>1,264,973</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	2,603	8,257	994	11,854
Debt service	-	(151,873)	-	(151,873)
Net nonoperating receipts (disbursements)	<u>2,603</u>	<u>(143,616)</u>	<u>994</u>	<u>(140,019)</u>
NET CHANGE IN CASH BALANCES	203,810	916,239	4,905	1,124,954
CASH BALANCES, BEGINNING OF YEAR	<u>651,857</u>	<u>2,010,608</u>	<u>306,197</u>	<u>2,968,662</u>
CASH BALANCES, END OF YEAR	<u>\$ 855,667</u>	<u>\$ 2,926,847</u>	<u>\$ 311,102</u>	<u>\$ 4,093,616</u>
CASH BASIS FUND BALANCES:				
Restricted:				
Debt service	\$ -	\$ 326,399	\$ -	\$ 326,399
Other purposes	-	-	311,102	311,102
Unrestricted	<u>855,667</u>	<u>2,600,448</u>	<u>-</u>	<u>3,456,115</u>
Total cash basis fund balances	<u>\$ 855,667</u>	<u>\$ 2,926,847</u>	<u>\$ 311,102</u>	<u>\$ 4,093,616</u>

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

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Anamosa, Iowa 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 Mayor-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, Iowa 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 Cash Basis Statement of Activities and Net Position (previously referred to as net assets) 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is 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, 2013

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Government-wide Financial Statement (continued)

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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, 2013

(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, Water Projects Fund is used to account for capital projects for water.

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.

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 position 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, 2013

(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 City Council intends to use for specific purposes.

Unassigned are all amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted 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, 2011, to compute the amounts which became liens on property on July 1, 2012. These taxes were due and payable in two installments on September 30, 2012 and March 31, 2013, 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, 2013 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, 2013

(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

Changes in bonds and notes payables for the year ended June 30, 2013 are summarized below:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due within One Year</u>
General obligation bonds	\$ 5,020,000	\$ -	\$ 730,000	\$ 4,290,000	\$ 705,000
Notes payable	<u>1,635,762</u>	<u>-</u>	<u>97,000</u>	<u>1,538,762</u>	<u>103,000</u>
Total	<u>\$ 6,655,762</u>	<u>\$ -</u>	<u>\$ 827,000</u>	<u>\$ 5,828,762</u>	<u>\$ 808,000</u>

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>
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
2019-2023	1,270,000	66,112	634,000	145,200	1,904,000	211,312
2024-2026	<u>-</u>	<u>-</u>	<u>357,762</u>	<u>44,100</u>	<u>357,762</u>	<u>44,100</u>
Total	<u>\$ 4,290,000</u>	<u>\$ 365,932</u>	<u>\$ 1,538,762</u>	<u>\$ 421,350</u>	<u>\$ 5,828,762</u>	<u>\$ 787,282</u>

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2013

(3) Bonds and Notes Payable (continued)

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 \$1,960,112. For the current year, principal and interest paid and total customer net receipts were \$151,873 and \$1,722,831, respectively.

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

- (a) The City shall generate net receipts from sewer operations of at least 110% 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.

The City is in compliance with the above provisions.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Nonmajor Special Revenue:	
	Road Use Tax	\$ 125,000
	Employee Benefits	<u>415,005</u>
		<u>540,005</u>
Debt Service	Nonmajor Special Revenue:	
	Tax Increment Financing	375,134
	Road Use Tax	116,749
	Local Option Sales Tax	<u>169,020</u>
		<u>660,903</u>
Total		<u>\$1,200,908</u>

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

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2013

(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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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, 2013, 2012, and 2011 were \$102,771, \$97,882, and \$89,791, 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, 2013, primarily relating to the General Fund, is \$45,248. This liability has been computed based on pay rates in effect at June 30, 2013.

(7) Related Party Transactions

The City had business transactions between the City and a business owned by a Council member's family totaling \$20,252 during the year ended June 30, 2013.

The City had business transactions between the City and a business owned by a Council member totaling \$701 during the year ended June 30, 2013.

(8) Construction Project Commitments

As of June 30, 2013, the City has various outstanding construction contracts totaling \$1,448,166. The City plans to finance the costs through State Revolving Fund loans.

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2013

(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 \$(448,453) at June 30, 2013. 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 State Revolving Fund loan proceeds.

The Capital Projects, Sewer Projects Fund had a deficit balance of \$(148,070) at June 30, 2013. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit's elimination is anticipated with the use of Sewer cash reserves.

The Capital Projects, Street Projects Fund had a deficit balance of \$(11,077) at June 30, 2013. 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 State Revolving Fund loan proceeds.

(11) Subsequent Events

In September 2013, the City issued \$2,020,000 in water revenue bonds through Iowa Finance Authority for the water project.

Management evaluated subsequent events through February 27, 2014, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to February 27, 2014, that provided additional evidence about conditions that existed at June 30, 2013, have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, 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, 2013.

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, 2013

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax	\$ 1,539,742	\$ -	\$ 1,539,742
Tax increment financing collections	408,257	-	408,257
Other city tax	684,667	-	684,667
Licenses and permits	15,476	-	15,476
Use of money and property	22,196	11,854	34,050
Intergovernmental	2,369,264	-	2,369,264
Charges for services	262,680	2,440,153	2,702,833
Special assessments	36,922	-	36,922
Miscellaneous	<u>304,117</u>	<u>182,599</u>	<u>486,716</u>
Total receipts	<u>5,643,321</u>	<u>2,634,606</u>	<u>8,277,927</u>
DISBURSEMENTS:			
Public safety	891,994	-	891,994
Public works	788,481	-	788,481
Culture and recreation	703,839	-	703,839
Community and economic development	75,731	-	75,731
General government	542,223	-	542,223
Debt service	854,217	-	854,217
Capital projects	1,997,768	-	1,997,768
Business type activities	<u>-</u>	<u>1,509,652</u>	<u>1,509,652</u>
Total disbursements	<u>5,854,253</u>	<u>1,509,652</u>	<u>7,363,905</u>
Excess (deficiency) of receipts over disbursements	(210,932)	1,124,954	914,022
OTHER FINANCING SOURCES, NET	<u>4,583</u>	<u>-</u>	<u>4,583</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(206,349)	1,124,954	918,605
BALANCE, BEGINNING OF YEAR	<u>3,154,957</u>	<u>2,968,662</u>	<u>6,123,619</u>
BALANCE, END OF YEAR	<u>\$ 2,948,608</u>	<u>\$ 4,093,616</u>	<u>\$ 7,042,224</u>

<u>Budgeted Amounts</u>		<u>Final to</u>
<u>Original</u>	<u>Final</u>	<u>Total</u>
		<u>Variance</u>
\$ 1,696,729	\$ 1,696,729	\$ (156,987)
375,135	375,135	33,122
490,600	490,600	194,067
5,000	5,000	10,476
40,500	40,500	(6,450)
1,214,709	1,287,114	1,082,150
2,644,183	2,659,183	43,650
-	35,200	1,722
<u>220,398</u>	<u>238,648</u>	<u>248,068</u>
<u>6,687,254</u>	<u>6,828,109</u>	<u>1,449,818</u>
776,132	930,482	38,488
868,552	868,552	80,071
711,949	760,949	57,110
77,020	77,020	1,289
515,783	618,283	76,060
799,191	869,191	14,974
2,373,000	2,373,000	375,232
<u>1,990,877</u>	<u>1,990,877</u>	<u>481,225</u>
<u>8,112,504</u>	<u>8,488,354</u>	<u>1,124,449</u>
(1,425,250)	(1,660,245)	2,574,267
<u>1,756,000</u>	<u>1,756,000</u>	<u>(1,751,417)</u>
330,750	95,755	822,850
<u>6,669,461</u>	<u>6,669,461</u>	<u>(545,842)</u>
<u>\$ 7,000,211</u>	<u>\$ 6,765,216</u>	<u>\$ 277,008</u>

See accompanying independent auditor's report.

CITY OF ANAMOSA, IOWA

**Notes to Other Information -
Budgetary Reporting**

June 30, 2013

The budgetary comparison is presented 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 functional 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 \$140,855 and budgeted disbursements by \$375,850. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements did not exceed budgeted amounts.

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, 2013

	<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>
RECEIPTS:							
Property tax	\$ 418,923	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	-	-	-	408,257
Other city tax	758	-	-	-	-	-	-
Use of money and property	-	210	-	5	7	-	-
Intergovernmental	-	-	-	-	-	-	-
Miscellaneous	-	-	-	6,947	-	-	-
	<u>419,681</u>	<u>210</u>	<u>-</u>	<u>6,952</u>	<u>7</u>	<u>-</u>	<u>408,257</u>
Total receipts							
DISBURSEMENTS:							
Current:							
Public safety	-	-	-	11,511	-	-	-
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	430	-	-
Community and economic development	-	-	-	-	-	-	75,731
Capital projects	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,511</u>	<u>430</u>	<u>-</u>	<u>75,731</u>
Total disbursements							
Excess (deficiency) of receipts over disbursements	<u>419,681</u>	<u>210</u>	<u>-</u>	<u>(4,559)</u>	<u>(423)</u>	<u>-</u>	<u>332,526</u>
OTHER FINANCING USES:							
Transfers out	<u>(415,005)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(375,134)</u>
NET CHANGE IN CASH BALANCES	4,676	210	-	(4,559)	(423)	-	(42,608)
CASH BALANCES, BEGINNING 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>
CASH BALANCES, END OF YEAR	<u>\$ 76,000</u>	<u>\$ 29,273</u>	<u>\$ 618</u>	<u>\$ 1,249</u>	<u>\$ 7,119</u>	<u>\$ 801</u>	<u>\$ 157,442</u>

Capital Projects			Permanent		
Road Use Tax	Park & Recreation Project	Street Projects	Cemetery Operations	Cemetery Perpetual Care	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 418,923
-	-	-	-	-	408,257
-	-	-	-	-	758
-	-	-	-	-	222
529,873	-	-	-	-	529,873
-	8,501	-	-	1,501	16,949
<u>529,873</u>	<u>8,501</u>	<u>-</u>	<u>-</u>	<u>1,501</u>	<u>1,374,982</u>
-	-	-	-	-	11,511
192,495	-	-	-	-	192,495
-	-	-	-	-	430
-	-	-	-	-	75,731
-	-	34,057	-	-	34,057
<u>192,495</u>	<u>-</u>	<u>34,057</u>	<u>-</u>	<u>-</u>	<u>314,224</u>
<u>337,378</u>	<u>8,501</u>	<u>(34,057)</u>	<u>-</u>	<u>1,501</u>	<u>1,060,758</u>
<u>(241,749)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,031,888)</u>
95,629	8,501	(34,057)	-	1,501	28,870
<u>230,067</u>	<u>2,139</u>	<u>22,980</u>	<u>10,000</u>	<u>84,952</u>	<u>665,344</u>
<u>\$ 325,696</u>	<u>\$ 10,640</u>	<u>\$ (11,077)</u>	<u>\$ 10,000</u>	<u>\$ 86,453</u>	<u>\$ 694,214</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, 2013

	<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	-	-	-	-	-	-	157,442
Streets	-	-	-	-	-	-	-
Other purposes	76,000	29,273	618	1,249	7,119	801	-
Assigned for:							
Tree planting	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 76,000</u>	<u>\$ 29,273</u>	<u>\$ 618</u>	<u>\$ 1,249</u>	<u>\$ 7,119</u>	<u>\$ 801</u>	<u>\$ 157,442</u>

Capital Projects			Permanent		
Road Use Tax	Park & Recreation Project	Street Projects	Cemetery Operations	Cemetery Perpetual Care	Totals
\$ -	\$ -	\$ -	\$ 10,000	\$ 86,453	\$ 96,453
-	-	-	-	-	157,442
325,696	-	-	-	-	325,696
-	-	-	-	-	115,060
-	10,640	-	-	-	10,640
-	-	(11,077)	-	-	(11,077)
<u>\$ 325,696</u>	<u>\$ 10,640</u>	<u>\$ (11,077)</u>	<u>\$ 10,000</u>	<u>\$ 86,453</u>	<u>\$ 694,214</u>

CITY OF ANAMOSA, IOWA

Schedule of Indebtedness

Year ended June 30, 2013

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Refunding notes- Series 2012A	May 15, 2012	2.25%	\$ 2,625,000
Corporate purpose note 2011	October 18, 2011	1.40-3.80%	700,000
Refunding notes - Series 2010A	April 1, 2010	1.75-2.55%	1,925,000
Public Works Facility Note	November 8, 2010	2.85%	400,000
Total			
Revenue notes:			
Sewer revenue notes	February 12, 2008	3.00%	\$ 2,320,000
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>
\$ 2,625,000	\$ -	\$ 335,000	\$ 2,290,000	\$ 55,828
700,000	-	70,000	630,000	29,020
1,455,000	-	245,000	1,210,000	31,528
<u>240,000</u>	<u>-</u>	<u>80,000</u>	<u>160,000</u>	<u>6,840</u>
<u>5,020,000</u>	<u>-</u>	<u>730,000</u>	<u>4,290,000</u>	<u>123,216</u>
<u>1,635,762</u>	<u>-</u>	<u>97,000</u>	<u>1,538,762</u>	<u>54,873</u>
<u>\$ 6,655,762</u>	<u>\$ -</u>	<u>\$ 827,000</u>	<u>\$ 5,828,762</u>	<u>\$ 178,089</u>

CITY OF ANAMOSA, IOWA

Bond and Note Maturities

June 30, 2013

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	
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		\$ 160,000		\$1,210,000		\$ 630,000		\$2,290,000	\$ 4,290,000

Year Ending June 30,	Revenue Notes Sewer Revenue Issued Feb. 12, 2008	
	Interest Rates	Amount
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 %	75,762
Total		\$1,538,762

CITY OF ANAMOSA, IOWA

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

For the Last Eight Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
RECEIPTS:								
Property tax	\$ 1,539,742	\$ 1,481,339	\$ 1,400,549	\$ 1,266,102	\$ 1,214,875	\$ 1,017,807	\$ 973,794	\$ 914,511
Tax increment financing collections	408,257	489,084	352,582	348,260	295,829	577,134	576,509	565,948
Other city tax	684,667	648,300	663,601	552,180	551,285	518,050	413,792	427,377
Licenses and permits	15,476	17,955	18,964	19,365	5,115	8,546	10,370	7,460
Use of money and property	22,196	28,639	49,345	128,162	76,628	97,380	80,686	63,342
Intergovernmental	2,369,264	5,156,872	1,703,118	2,296,571	738,312	977,347	888,072	768,030
Charges for service	262,680	259,461	248,069	536,397	272,711	130,396	117,672	137,328
Special assessments	36,922	26,754	39,568	34,359	43,721	49,634	82,155	82,810
Miscellaneous	304,117	288,067	234,884	197,900	278,929	218,598	272,888	325,446
Total	<u>\$ 5,643,321</u>	<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	\$ 891,994	\$ 681,310	\$ 929,824	\$ 4,851,603	\$ 827,012	\$ 688,777	\$ 566,170	\$ 531,939
Public works	788,481	768,386	814,899	787,526	576,527	790,968	456,399	477,866
Culture and recreation	703,839	856,699	697,926	679,815	709,517	719,341	647,769	499,851
Community and economic development	75,731	149,609	19,085	502,638	352,173	81,771	141,556	190,267
General government	542,223	511,355	499,927	512,849	496,667	459,458	355,676	296,893
Debt service	854,217	3,550,467	2,696,820	717,230	630,080	724,012	1,046,488	840,653
Capital projects	1,997,768	5,165,467	1,341,948	288,472	2,432,424	840,872	1,284,894	1,052,322
Total	<u>\$ 5,854,253</u>	<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, 2013**

<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>676,936</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>47,570</u>
U.S. Department of Transportation: Iowa Department of Transportation: Surface Transportation Program Project	20.205	6-10-STPU-35	<u>34,057</u>
Total Federal Expenditures			\$ <u>758,563</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, 2013

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Anamosa, Iowa 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, 2013. In addition, there were no non-cash assistance, loans or loan guarantees outstanding as of and for the year ended June 30, 2013.

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



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, in accordance with the 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Anamosa, Iowa's basic financial statements, and have issued our report thereon dated February 27, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Anamosa, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Anamosa, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Anamosa, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control 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's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questions Costs as items 2013-001 and 2013-002 to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Anamosa, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 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 comments 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

The City of Anamosa, Iowa's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Anamosa, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
February 27, 2014



**Independent Auditors' Report on Compliance With Requirements
That Could Have a Direct and Material Effect on Each Major
Program, on Internal Control over Compliance and on the
Schedule of Expenditures of Federal Awards
in Accordance with OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Anamosa, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Anamosa, Iowa's major federal programs for the year ended June 30, 2013. The City of Anamosa, Iowa's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Anamosa, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Anamosa, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Anamosa, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Anamosa, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Anamosa, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 of Anamosa, Iowa'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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 that we consider to be material weaknesses.

The City of Anamosa, Iowa's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and corrective action plan. The City of Anamosa, Iowa's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
February 27, 2014

**CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Part I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued Modified

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 Unmodified

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

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, 2013**

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2013-001: 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.

CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

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

2013-002: Preparation of Financial Statements

Criteria:

The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures and the schedule of expenditures of federal awards.

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 and in the schedule of expenditures of federal awards.

Conclusion:

Response accepted.

**CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Part III: Findings and Questioned Costs for Federal Awards:

Findings 2013-001 and 2013-002 also apply to federal awards.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 Certified Budget - No disbursements during the year ended June 30, 2013 exceeded the amended certified budget amounts.

IV-B-13 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-13 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-13 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	\$ 20,252
Bill Feldman, council member, owner of Feldman's Yard-n-Garden	Lawn mowing	\$ 701

The transactions for lawn mowing with the council member 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 do not appear to represent a conflict of interest since, where applicable, it was entered in through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

IV-E-13 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.

CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

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

- IV-F-13 Revenue Notes - As of June 30, 2013, the City was in compliance with the funding and payment provisions of the revenue note resolutions.
- IV-G-13 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.
- IV-H-13 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-13 Financial Condition - The Capital Projects, Water Projects Fund, the Capital Projects, Street Projects Fund, and the Capital Projects, Sewer Projects Fund had deficit balances at June 30, 2013.

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 with the receipt of State Revolving Fund loan proceeds or cash reserves from the Sewer Fund.

Conclusion: Response accepted.

**CITY OF ANAMOSA, IOWA
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013**

<u>Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, planned corrective action or other explanation</u>
II-A-12	Segregation of duties	Not corrected; reported as finding II-A-13 in the current year.	Segregation of duties is not ideal with the size of staff, however results are monitored monthly by management.
II-B-12	Preparation of financial statements	Not corrected; reported as finding II-B-13 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-12	Federal Award Reporting	Corrected.	