

CITY OF ANAMOSA, IOWA

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2014

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CITY OF ANAMOSA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dale Barnes	Mayor	January 2016
Richard Stivers	Council Member	January 2016
Cody Shaffer	Council Member	January 2016
Bill Feldmann	Council Member	January 2018
Chuck Smith	Council Member	January 2018
Mike Dearborn	Council Member	January 2016
William Brady Reynolds	Council Member	January 2018
Alan Johnson	City Administrator	Indefinite
Tammy Coons	City Clerk	Indefinite
Penny Lode	Deputy City Clerk	Indefinite
Adrian Knuth	City Attorney	Indefinite

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, 2014, 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, 2014, 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. 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 supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Anamosa, Iowa's financial statements for the nine years ended June 30, 2013, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Those audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anamosa, Iowa's basic financial statements as a whole. The supplementary information included in Schedule 4 for the nine years ending June 30, 2013 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements for those nine years ending June 30, 2013. 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 nine years ending June 30, 2013 presented in Schedule 4 is fairly stated, in all material respects, in relation to the basic financial statements from which they have been derived.

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 December 30, 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.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
December 30, 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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts and other financing sources of the City's governmental activities decreased 2.16%, or approximately \$122,000, from fiscal year 2013 to fiscal year 2014. Intergovernmental decreased approximately \$1,548,000 and bond proceeds increased approximately \$1,356,000.
- Disbursements of the City's governmental activities decreased 13.78%, or approximately \$807,000, in fiscal year 2014 from fiscal year 2013. Debt service and capital projects disbursements decreased approximately \$52,000 and \$752,000, respectively.
- The City's total cash basis net position increased 20.33%, or approximately \$1,432,000, from June 30, 2013 to June 30, 2014. Of this amount, the assets of the governmental activities increased approximately \$478,000 and the assets of the business type activities increased approximately \$954,000.

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.

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, 2014 is \$3,426,852 increasing 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, 2014</u>	<u>Year Ended June 30, 2013</u>
Receipts:		
Property tax	\$ 1,682,126	\$ 1,539,742
Tax increment financing collections	388,890	408,257
Other city tax	690,933	684,667
Licenses and permits	9,895	15,476
Use of money and property	15,864	22,196
Intergovernmental	821,455	2,369,264
Charges for services	417,423	262,680
Special assessments	14,560	36,922
Miscellaneous	73,329	304,117
Total receipts	<u>4,114,475</u>	<u>5,643,321</u>
Disbursements:		
Public safety	918,592	891,994
Public works	802,874	788,481
Culture and recreation	743,149	703,839
Community and economic development	76,838	75,731
General government	457,783	542,223
Debt service	802,508	854,217
Capital projects	1,245,750	1,997,768
Total disbursements	<u>5,047,494</u>	<u>5,854,253</u>
Excess of disbursements over receipts	<u>(933,019)</u>	<u>(210,932)</u>
Other financing sources (uses):		
Bond proceeds	1,355,739	-
Bond premiums	-	-
Sale of capital assets	55,526	4,583
Payoff of refunded bonds	-	-
Transfers in	1,122,240	1,200,908
Transfers out	(1,122,240)	(1,200,908)
Net other financing sources	<u>1,411,265</u>	<u>4,583</u>
Net change in cash basis net position	478,246	(206,349)
Cash basis net position, beginning	<u>2,948,606</u>	<u>3,154,955</u>
Cash basis net position, ending	<u>\$ 3,426,852</u>	<u>\$ 2,948,606</u>

The City's total receipts and other financing sources for governmental activities were \$5,525,740, which included sale of capital assets.

The City increased property tax rates for 2014 by \$.799 per thousand of taxable valuation, from \$15.879 to \$16.678 per thousand of taxable valuation.

The cost of all governmental activities this year was just over \$5 million compared to approximately \$5.8 million last year. However, as shown in the Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was approximately \$2,762,000. Some of the cost was paid by those directly benefited from the programs (approximately \$431,983) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$875,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$2,867,000 to approximately \$2,902,000

Changes in Cash Basis Net Position of Business Type Activities

	<u>Year Ended June 30, 2014</u>	<u>Year Ended June 30, 2013</u>
Program Receipts:		
Charges for services:		
Water	\$ 722,557	\$ 717,322
Sewer	1,698,733	1,722,831
Capital grants, contributions and restricted interest	-	-
General Receipts:		
Interest on investments	5,850	11,854
Miscellaneous	82,408	182,599
Total receipts	<u>2,509,548</u>	<u>2,634,606</u>
Disbursements:		
Water	572,777	549,803
Sewer	815,668	807,976
Debt service	167,386	151,873
Total disbursements	<u>1,555,831</u>	<u>1,509,652</u>
Increase (decrease) in cash basis net position	953,717	1,124,954
Cash basis net position beginning of year	<u>4,093,616</u>	<u>2,968,662</u>
Cash basis net position end of year	<u>\$ 5,047,333</u>	<u>\$ 4,093,616</u>

Total business type activities receipts for the fiscal year were approximately \$2,510,000 compared to approximately \$2,635,000. This decrease was due primarily to the decrease in miscellaneous revenue. The cash balance increased by \$953,717 from the prior year. Total disbursements for the fiscal year were \$1,555,831, a 3.06% increase.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Anamosa completed the year, its governmental funds reported a combined fund balance of \$3,426,852, a increase of \$478,246 from the prior year's total of \$2,948,606. 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 \$235,803 from the prior year to \$2,060,409. This increase in the General Fund cash balance is due to in taxable valuations and a larger share of payroll for Streets Department paid from Road Use Tax Funds.
- The Special Revenue, Road Use Tax (RUT) cash balance increased by \$131,839 from the prior year to \$457,535. The increase is due to an increase in revenues received from the State of Iowa and lower costs for street repairs and snow removal.
- The Special Revenue, Employee Benefits Fund cash balance increased by \$3,658 as compared to a increase in FY 2013 of \$4,676. This is comparable to the prior year.
- The Debt Service Fund cash balance decreased \$44,740 to \$166,138 during the fiscal year. The decrease was due primarily to less transfers from the Road Use Tax fund and the Tax Increment Financing fund.
- The Capital Project, Water Projects Fund cash balance increased by \$232,383 from the prior year to \$(216,072). The increase is due to proceeds being received from the sale of Water Revenue notes.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$202,010 to \$1,057,677 compared to a prior year cash balance increase of \$203,810. The increase in the Water Fund is primarily due to continuing to keep expenditures down compared to revenues.
- The Enterprise, Sewer Fund cash balance increased by \$748,697 to \$3,675,544, as compared to a prior year cash balance increase of \$916,239. The increase in the Sewer Fund is primarily due to continuing to keep expenditures down compared to revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 27, 2014 and resulted in an increase in intergovernmental funds due to the receipt of federal FEMA funds and STEP Grant and increase in use of money and property is primarily due to the sale of city property.

The increase in budgeted disbursements occurred in public safety due to the unexpected flood expenditures in 2013. The increase in culture and recreation was due to the improvements made at the Lawrence Community Center and parking lot. Business Enterprise Activities increased due to the interest payment on the new Water SRF Loan.

DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$6,380,000 of bonds and other long-term debt outstanding, compared to \$5,829,000 last year, as shown below.

Outstanding Debt at Year-End

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
General obligation bonds & notes	\$ 3,585,000	\$ 4,290,000
Sewer revenue note	1,438,762	1,538,762
Water revenue note	1,355,739	-
Total	<u>\$ 6,379,501</u>	<u>\$ 5,828,762</u>

Debt increased as a result of issuing a new revenue note during the year.

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 \$6,379,501 is significantly below its constitutional debt limit of approximately \$10.1 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 4.3 percent in 2014. This compares with the State's average unemployment rate of 4.4 percent and the national rate of 6.1% in 2014.

The housing market remained primarily the same in Anamosa in fiscal year 2014. During fiscal year 2014, six 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, 2014

	Program Receipts			
<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	\$ 918,592	\$ 63,298	\$ 16,009	\$ 50,269
Public works	802,874	170,756	-	552,491
Culture and recreation	743,149	156,208	33,725	23
Community and economic development	76,838	3,440	-	-
General government	457,783	33,616	33,147	-
Debt service	802,508	-	-	14,560
Capital projects	1,245,750	-	-	156,877
	<u>5,047,494</u>	<u>427,318</u>	<u>82,881</u>	<u>774,220</u>
Business type activities:				
Water	588,200	722,557	-	3,098
Sewer	967,631	1,698,733	-	-
	<u>1,555,831</u>	<u>2,421,290</u>	<u>-</u>	<u>3,098</u>
Total	<u>\$ 6,603,325</u>	<u>\$ 2,848,608</u>	<u>\$ 82,881</u>	<u>\$ 777,318</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
 Unrestricted interest on investments
 Miscellaneous

Exhibit A

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

Governmental Activities	Business Type Activities	Total
\$ (789,016)	\$ -	\$ (789,016)
(79,627)	-	(79,627)
(553,193)	-	(553,193)
(73,398)	-	(73,398)
(391,020)	-	(391,020)
(787,948)	-	(787,948)
<u>(1,088,873)</u>	<u>-</u>	<u>(1,088,873)</u>
<u>(3,763,075)</u>	<u>-</u>	<u>(3,763,075)</u>
-	137,455	137,455
-	731,102	731,102
<u>-</u>	<u>868,557</u>	<u>868,557</u>
<u>(3,763,075)</u>	<u>868,557</u>	<u>(2,894,518)</u>
885,196	-	885,196
480,530	-	480,530
316,400	-	316,400
388,890	-	388,890
311,884	-	311,884
379,049	-	379,049
15,841	5,850	21,691
52,266	79,310	131,576

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

		Program Receipts		
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
GENERAL RECEIPTS AND TRANSFERS: (continued)				
Long-term debt issued				
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
\$ 1,355,739	\$ -	\$ 1,355,739
<u>55,526</u>	<u>-</u>	<u>55,526</u>
<u>4,241,321</u>	<u>85,160</u>	<u>4,326,481</u>
478,246	953,717	1,431,963
<u>2,948,606</u>	<u>4,093,616</u>	<u>7,042,222</u>
<u>\$ 3,426,852</u>	<u>\$ 5,047,333</u>	<u>\$ 8,474,185</u>
\$ 97,953	\$ -	\$ 97,953
153,655	-	153,655
529,765	326,399	856,164
457,535	-	457,535
457,631	314,112	771,743
<u>1,730,313</u>	<u>4,406,822</u>	<u>6,137,135</u>
<u>\$ 3,426,852</u>	<u>\$ 5,047,333</u>	<u>\$ 8,474,185</u>

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, 2014

		<u>Special Revenue</u>		
	<u>General</u>	<u>Employee Benefits</u>	<u>Road Use Tax</u>	<u>Debt Service</u>
RECEIPTS:				
Property tax	\$ 885,196	\$ 480,530	\$ -	\$ 316,400
Tax increment financing collections	-	-	-	-
Other city tax	295,816	5,967	-	10,101
Licenses and permits	9,895	-	-	-
Use of money and property	15,832	-	-	-
Intergovernmental	112,087	-	552,491	-
Charges for services	417,423	-	-	-
Special assessments	-	-	-	-
Miscellaneous	67,545	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total receipts	1,803,794	486,497	552,491	326,501
	<hr/>	<hr/>	<hr/>	<hr/>
DISBURSEMENTS:				
Current:				
Public safety	869,404	-	-	-
Public works	324,228	-	180,224	-
Culture and recreation	682,257	-	-	-
Community and economic development	-	-	-	-
General government	438,601	-	-	-
Debt service	-	-	-	802,508
Capital projects	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total disbursements	2,314,490	-	180,224	802,508
	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts over disbursements	(510,696)	486,497	372,267	(476,007)
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	55,526	-	-	-
Long-term debt issued	-	-	-	-
Transfers in	690,973	-	-	431,267
Transfers out	-	(482,839)	(240,428)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net other financing sources (uses)	746,499	(482,839)	(240,428)	431,267
	<hr/>	<hr/>	<hr/>	<hr/>

Exhibit B

<u>Capital Projects</u>			
<u>Water Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>	
\$ -	\$ -	\$ 1,682,126	
-	388,890	388,890	
-	379,049	690,933	
-	-	9,895	
-	32	15,864	
82,401	74,476	821,455	
-	-	417,423	
-	14,560	14,560	
-	5,784	73,329	
<u>82,401</u>	<u>862,791</u>	<u>4,114,475</u>	
-	49,188	918,592	
-	298,422	802,874	
-	60,892	743,149	
-	76,838	76,838	
-	19,182	457,783	
-	-	802,508	
<u>1,205,757</u>	<u>39,993</u>	<u>1,245,750</u>	
<u>1,205,757</u>	<u>544,515</u>	<u>5,047,494</u>	
<u>(1,123,356)</u>	<u>318,276</u>	<u>(933,019)</u>	
-	-	55,526	
1,355,739	-	1,355,739	
-	-	1,122,240	
-	(398,973)	(1,122,240)	
<u>1,355,739</u>	<u>(398,973)</u>	<u>1,411,265</u>	

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, 2014

		<u>Special Revenue</u>		
	<u>General</u>	<u>Employee Benefits</u>	<u>Road Use Tax</u>	<u>Debt Service</u>
NET CHANGE IN CASH BALANCES	\$ 235,803	\$ 3,658	\$ 131,839	\$ (44,740)
CASH BALANCES, BEGINNING OF YEAR,	<u>1,824,606</u>	<u>76,000</u>	<u>325,696</u>	<u>210,878</u>
CASH BALANCES, END OF YEAR	<u>\$ 2,060,409</u>	<u>\$ 79,658</u>	<u>\$ 457,535</u>	<u>\$ 166,138</u>
CASH BASIS FUND BALANCES:				
Non-expendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Urban renewal purposes	-	-	-	-
Debt service	-	-	-	166,138
Streets	-	-	457,535	-
Other purposes	-	79,658	-	-
Assigned for:				
Tree planting	-	-	-	-
Unassigned	<u>2,060,409</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 2,060,409</u>	<u>\$ 79,658</u>	<u>\$ 457,535</u>	<u>\$ 166,138</u>

Exhibit B

<u>Capital Projects</u>		
<u>Water Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
\$ 232,383	\$ (80,697)	\$ 478,246
<u>(448,455)</u>	<u>959,881</u>	<u>2,948,606</u>
<u>\$ (216,072)</u>	<u>\$ 879,184</u>	<u>\$ 3,426,852</u>
\$ -	\$ 97,953	\$ 97,953
-	153,655	153,655
-	363,627	529,765
-	-	457,535
-	377,973	457,631
-	6,640	6,640
<u>(216,072)</u>	<u>(120,664)</u>	<u>1,723,673</u>
<u>\$ (216,072)</u>	<u>\$ 879,184</u>	<u>\$ 3,426,852</u>

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, 2014

	<u>Enterprise</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Non major Consumer Deposits</u>	<u>Total</u>
OPERATING RECEIPTS:				
Use of money and property	\$ 828	\$ 4,966	\$ 56	\$ 5,850
Charges for services	722,557	1,698,733	-	2,421,290
Miscellaneous	66,681	12,629	3,098	82,408
Total operating receipts	<u>790,066</u>	<u>1,716,328</u>	<u>3,154</u>	<u>2,509,548</u>
OPERATING DISBURSEMENTS:				
Business type activities:				
Water	572,633	-	144	572,777
Sewer	-	815,668	-	815,668
Total operating disbursements	<u>572,633</u>	<u>815,668</u>	<u>144</u>	<u>1,388,445</u>
Excess of operating receipts over operating disbursements	<u>217,433</u>	<u>900,660</u>	<u>3,010</u>	<u>1,121,103</u>
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Debt service	<u>(15,423)</u>	<u>(151,963)</u>	<u>-</u>	<u>(167,386)</u>
NET CHANGE IN CASH BALANCES	202,010	748,697	3,010	953,717
CASH BALANCES, BEGINNING OF YEAR	<u>855,667</u>	<u>2,926,847</u>	<u>311,102</u>	<u>4,093,616</u>
CASH BALANCES, END OF YEAR	<u>\$ 1,057,677</u>	<u>\$ 3,675,544</u>	<u>\$ 314,112</u>	<u>\$ 5,047,333</u>
CASH BASIS FUND BALANCES:				
Restricted:				
Debt service	\$ -	\$ 326,399	\$ -	\$ 326,399
Other purposes	-	-	314,112	314,112
Unrestricted	<u>1,057,677</u>	<u>3,349,145</u>	<u>-</u>	<u>4,406,822</u>
Total cash basis fund balances	<u>\$ 1,057,677</u>	<u>\$ 3,675,544</u>	<u>\$ 314,112</u>	<u>\$ 5,047,333</u>

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2014

(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, 2014

(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 Employee Benefits Fund is used to account for the collection and disbursement of amounts levied for employee benefits.

Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

CITY OF ANAMOSA, IOWA
Notes to Financial Statements
June 30, 2014

(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, 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, 2014

(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, 2014, 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, 2012, to compute the amounts which became liens on property on July 1, 2013. These taxes were due and payable in two installments on September 30, 2013 and March 31, 2014, 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, 2014 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, 2014

(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.

At June 30, 2014, the City's deposits consisted of cash and certificates of deposit as follows:

	<u>Bank Value</u>	<u>Carrying Value</u>
Checking account	\$ 7,595,853	\$ 7,529,759
Payroll account	18,637	18,637
Certificates of deposit	<u>925,789</u>	<u>925,789</u>
 Total	 <u>\$ 8,540,279</u>	 <u>\$ 8,474,185</u>

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 payable for the year ended June 30, 2014 are summarized below:

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
General governmental activities					
General obligation bonds	<u>\$ 4,290,000</u>	<u>\$ -</u>	<u>\$ 705,000</u>	<u>\$ 3,585,000</u>	<u>\$ 685,000</u>
 Business-type activities					
Revenue Bonds	<u>\$ 1,538,762</u>	<u>\$ 1,355,739</u>	<u>\$ 100,000</u>	<u>\$ 2,794,501</u>	<u>\$ 189,000</u>

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2014

(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:

	General Obligation Bonds and Notes		Revenue Bonds and Notes		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 685,000	\$ 76,473	\$ 189,000	\$ 83,711	\$ 874,000	\$ 160,184
2016	1,060,000	63,203	194,000	78,970	\$ 1,254,000	\$ 142,173
2017	345,000	37,293	200,000	74,178	\$ 545,000	\$ 111,471
2018	225,000	32,443	204,000	69,248	\$ 429,000	\$ 101,691
2019	265,000	26,583	209,000	64,193	\$ 474,000	\$ 90,776
2020-2024	1,005,000	39,529	1,132,000	240,245	\$ 2,137,000	\$ 279,774
2025-2029	-	-	666,501	96,473	666,501	\$ 96,473
	<u>\$ 3,585,000</u>	<u>\$ 275,524</u>	<u>\$ 2,794,501</u>	<u>\$ 707,018</u>	<u>\$ 6,379,501</u>	<u>\$ 982,542</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 \$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.

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2014

(3) Bonds and Notes Payable (continued)

Pursuant to the Code of Iowa, the City's general obligation debt is limited to 5% of assessed value as follows:

Assessed value	<u>\$ 199,567,302</u>
Debt limit - 5% of assessed value	\$ 9,978,365
Debt outstanding	<u>3,585,000</u>
Debt margin	<u>\$ 6,393,365</u>

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer in:	Transfer out:	Amount:
General	Road Use Tax	\$ 158,000
	Employee Benefits	482,839
	Local Option Sales Tax	20,838
	Library	<u>29,296</u>
		<u>690,973</u>
Debt Service	Road Use Tax	82,428
	TIF	315,839
	Special Assessment	<u>33,000</u>
		<u>431,267</u>
Total		<u>\$ 1,122,240</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.

CITY OF ANAMOSA, IOWA

Notes to Financial Statements

June 30, 2014

(5) Pension and Retirement Benefits (continued)

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% 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, 2014, 2013, and 2012 were \$110,132, \$102,771, and \$97,882, 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, 2014, primarily relating to the General Fund, is \$53,620. This liability has been computed based on pay rates in effect at June 30, 2014.

(7) Related Party Transactions

The City had business transactions between the City and a business owned by a Council member's family totaling \$33,743 during the year ended June 30, 2014.

The City had business transactions between the City and a business owned by a Council member totaling \$80 during the year ended June 30, 2014.

(8) Construction Project Commitments

As of June 30, 2014, the City has various outstanding construction contracts totaling \$616,949. The City plans to finance the costs through State Revolving Fund loans.

(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.

(10) Deficit Balances

The Capital Projects, Water Projects Fund had a deficit balance of \$(216,072) at June 30, 2014. 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.

Notes to Financial Statements

June 30, 2014

The Capital Projects, Sewer Projects Fund had a deficit balance of \$(114,044) at June 30, 2014. The project was completed during 2014. The deficit is anticipated to be eliminated by a transfer of funds from another fund, which the City Council will approve of during fiscal year 2015.

The Capital Projects, Street Projects Fund had a deficit balance of \$(6,620) at June 30, 2013. The project was completed during 2014. The deficit is anticipated to be eliminated by a transfer of funds from another fund, which the City Council will approve of during fiscal year 2015.

(11) Subsequent Events

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

(12) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

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, 2014

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax	\$ 1,682,126	\$ -	\$ 1,682,126
Tax increment financing collections	388,890	-	388,890
Other city tax	690,933	-	690,933
Licenses and permits	9,895	-	9,895
Use of money and property	15,864	5,850	21,714
Intergovernmental	821,455	-	821,455
Charges for services	417,423	2,421,290	2,838,713
Special assessments	14,560	-	14,560
Miscellaneous	<u>73,329</u>	<u>82,408</u>	<u>155,737</u>
Total receipts	<u>4,114,475</u>	<u>2,509,548</u>	<u>6,624,023</u>
DISBURSEMENTS:			
Public safety	918,592	-	918,592
Public works	802,874	-	802,874
Culture and recreation	743,149	-	743,149
Community and economic development	76,838	-	76,838
General government	457,783	-	457,783
Debt service	802,508	-	802,508
Capital projects	1,245,750	-	1,245,750
Business type activities	<u>-</u>	<u>1,555,831</u>	<u>1,555,831</u>
Total disbursements	<u>5,047,494</u>	<u>1,555,831</u>	<u>6,603,325</u>
Excess (deficiency) of receipts over disbursements	(933,019)	953,717	20,698
OTHER FINANCING SOURCES, NET	<u>1,411,265</u>	<u>-</u>	<u>1,411,265</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	478,246	953,717	1,431,963
BALANCE, BEGINNING OF YEAR	<u>2,948,606</u>	<u>4,093,616</u>	<u>7,042,222</u>
BALANCE, END OF YEAR	<u>\$ 3,426,852</u>	<u>\$ 5,047,333</u>	<u>\$ 8,474,185</u>

Budgeted Amounts		Final to
Original	Final	Total
		Variance
\$ 1,855,737	\$ 1,855,737	\$ (173,611)
403,222	403,222	(14,332)
532,037	532,037	158,896
5,525	5,525	4,370
38,050	99,050	(77,336)
616,926	673,526	147,929
2,685,255	2,685,255	153,458
-	-	14,560
<u>230,205</u>	<u>230,205</u>	<u>(74,468)</u>
<u>6,366,957</u>	<u>6,484,557</u>	<u>139,466</u>
876,815	973,815	55,223
910,949	910,949	108,075
723,869	783,869	40,720
76,838	76,838	-
504,761	504,761	46,978
802,508	802,508	-
1,695,000	1,695,000	449,250
<u>1,862,638</u>	<u>1,878,062</u>	<u>322,231</u>
<u>7,453,378</u>	<u>7,625,802</u>	<u>1,022,477</u>
(1,086,421)	(1,141,245)	1,161,943
<u>1,695,000</u>	<u>1,695,000</u>	<u>(283,735)</u>
608,579	553,755	878,208
<u>6,454,367</u>	<u>6,454,367</u>	<u>587,855</u>
<u>\$ 7,062,946</u>	<u>\$ 7,008,122</u>	<u>\$ 1,466,063</u>

CITY OF ANAMOSA, IOWA

Notes to Other Information - Budgetary Reporting

June 30, 2014

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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, 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 \$117,600 and budgeted disbursements by \$172,424. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, 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, 2014

	Special Revenue						Tax Increment Financing
	Local Option Sales Tax	Library Special Gift	Police Department Forfeiture	Police Canine	Anamosa/ Monticello Local Access	Wetlands Project	
RECEIPTS:							
Tax increment financing collections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 388,890
Other city tax	379,049	-	-	-	-	-	-
Use of money and property	-	23	-	3	6	-	-
Intergovernmental	-	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-	-
Miscellaneous	-	-	-	4,284	-	-	-
Total receipts	379,049	23	-	4,287	6	-	388,890
DISBURSEMENTS:							
Current:							
Public safety	48,271	-	-	917	-	-	-
Public works	298,422	-	-	-	-	-	-
Culture and recreation	60,892	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	76,838
General government	19,182	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total disbursements	426,767	-	-	917	-	-	76,838
Excess (deficiency) of receipts over disbursements	(47,718)	23	-	3,370	6	-	312,052
OTHER FINANCING USES:							
Transfers out	(20,838)	(29,296)	-	-	-	-	(315,839)
NET CHANGE IN CASH BALANCES	(68,556)	(29,273)	-	3,370	6	-	(3,787)
CASH BALANCES, BEGINNING OF YEAR	433,366	29,273	618	1,249	7,119	801	157,442
CASH BALANCES, END OF YEAR	\$ 364,810	\$ -	\$ 618	\$ 4,619	\$ 7,125	\$ 801	\$ 153,655

Capital Projects				Permanent		Totals
<u>Special Assessment</u>	<u>Park & Recreation Project</u>	<u>Street Projects</u>	<u>Sewer Projects</u>	<u>Cemetery Operations</u>	<u>Cemetery Perpetual Care</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 388,890
-	-	-	-	-	-	379,049
-	-	-	-	-	-	32
-	1,000	39,400	34,076	-	-	74,476
14,560	-	-	-	-	-	14,560
-	-	-	-	-	1,500	5,784
<u>14,560</u>	<u>1,000</u>	<u>39,400</u>	<u>34,076</u>	<u>-</u>	<u>1,500</u>	<u>862,791</u>
-	-	-	-	-	-	49,188
-	-	-	-	-	-	298,422
-	-	-	-	-	-	60,892
-	-	-	-	-	-	76,838
-	-	-	-	-	-	19,182
-	5,000	34,943	50	-	-	39,993
<u>-</u>	<u>5,000</u>	<u>34,943</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>544,515</u>
<u>14,560</u>	<u>(4,000)</u>	<u>4,457</u>	<u>34,026</u>	<u>-</u>	<u>1,500</u>	<u>318,276</u>
<u>(33,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(398,973)</u>
(18,440)	(4,000)	4,457	34,026	-	1,500	(80,697)
<u>382,067</u>	<u>10,640</u>	<u>(11,077)</u>	<u>(148,070)</u>	<u>10,000</u>	<u>86,453</u>	<u>959,881</u>
<u>\$ 363,627</u>	<u>\$ 6,640</u>	<u>\$ (6,620)</u>	<u>\$ (114,044)</u>	<u>\$ 10,000</u>	<u>\$ 87,953</u>	<u>\$ 879,184</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, 2014

	<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	-	-	-	-	-	-	153,655
Debt Service	-	-	-	-	-	-	-
Other purposes	364,810	-	618	4,619	7,125	801	-
Assigned for:							
Tree planting	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
 Total cash basis fund balances	 <u>\$ 364,810</u>	 <u>\$ -</u>	 <u>\$ 618</u>	 <u>\$ 4,619</u>	 <u>\$ 7,125</u>	 <u>\$ 801</u>	 <u>\$ 153,655</u>

<u>Capital Projects</u>				<u>Permanent</u>		
<u>Special Assessment</u>	<u>Park & Recreation Project</u>	<u>Street Projects</u>	<u>Sewer Projects</u>	<u>Cemetery Operations</u>	<u>Cemetery Perpetual Care</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,000	\$ 87,953	\$ 97,953
-	-	-	-	-	-	153,655
363,627	-	-	-	-	-	363,627
-	-	-	-	-	-	377,973
-	6,640	-	-	-	-	6,640
-	-	(6,620)	(114,044)	-	-	(120,664)
<u>\$ 363,627</u>	<u>\$ 6,640</u>	<u>\$ (6,620)</u>	<u>\$ (114,044)</u>	<u>\$ 10,000</u>	<u>\$ 87,953</u>	<u>\$ 879,184</u>

CITY OF ANAMOSA, IOWA

Schedule of Indebtedness

Year ended June 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Refunding notes - Series 2010A	April 1, 2010	1.75-2.55%	\$ 1,925,000
Public Works Facility Note	November 23, 2010	2.85%	400,000
Corporate purpose note 2011	October 18, 2011	1.40-3.80%	700,000
Refunding notes- Series 2012A	May 15, 2012	2.25%	2,625,000
Total			5,650,000
Revenue notes:			
Sewer revenue notes	February 12, 2008	3.00%	2,320,000
Water revenue notes	September 13, 2013	1.75%	2,020,000
Total			<u>4,340,000</u>
Total indebtedness			<u><u>\$ 9,990,000</u></u>

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>
\$ 1,210,000	\$ -	\$ 250,000	\$ 960,000	\$ 27,975
160,000	-	80,000	80,000	4,560
630,000	-	70,000	560,000	17,220
<u>2,290,000</u>	<u>-</u>	<u>305,000</u>	<u>1,985,000</u>	<u>46,753</u>
<u>4,290,000</u>	<u>-</u>	<u>705,000</u>	<u>3,585,000</u>	<u>96,508</u>
1,538,762	-	100,000	1,438,762	51,963
<u>-</u>	<u>1,355,739</u>	<u>-</u>	<u>1,355,739</u>	<u>15,423</u>
<u>1,538,762</u>	<u>1,355,739</u>	<u>100,000</u>	<u>2,794,501</u>	<u>67,386</u>
<u>\$ 5,828,762</u>	<u>\$ 1,355,739</u>	<u>\$ 805,000</u>	<u>\$ 6,379,501</u>	<u>\$ 163,894</u>

**CITY OF ANAMOSA
DEBT MATURITIES
June 30, 2014**

Schedule 3

Year Ending June 30,	<u>GO Note</u> Issued November 23, 2010		<u>GO Refunding Bonds, Series 2010A</u> Issued April 1, 2010		<u>GO Corporate Purpose Note</u> Issued October 18, 2011		<u>GO Refunding Bonds, Series 2012A</u> Issued May 15, 2012	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2015	2.85%	\$ 80,000	2.15%	\$ 220,000	1.80%	\$ 70,000	2.00%	\$ 315,000
2016			2.55%	740,000	2.20%	70,000	2.00%	250,000
2017				-	2.50%	70,000	2.00%	275,000
2018				-	2.80%	70,000	2.00%	155,000
2019				-	3.10%	70,000	2.00%	195,000
2020				-	3.40%	70,000	2.00%	255,000
2021				-	3.60%	70,000	2.10%	265,000
2022				-	3.80%	70,000	2.25%	275,000
		<u>\$ 80,000</u>		<u>\$ 960,000</u>		<u>\$ 560,000</u>		<u>\$ 1,985,000</u>

Year Ending June 30,	Revenue Debt			
	<u>Sewer Revenue</u> Issued February 12, 2008		<u>Water Revenue</u> Issued September 13, 2013	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2015	3.00%	\$ 106,000	1.75%	\$ 83,000
2016	3.00%	109,000	1.75%	85,000
2017	3.00%	113,000	1.75%	87,000
2018	3.00%	116,000	1.75%	88,000
2019	3.00%	119,000	1.75%	90,000
2020	3.00%	123,000	1.75%	92,000
2021	3.00%	127,000	1.75%	94,000
2022	3.00%	131,000	1.75%	96,000
2023	3.00%	134,000	1.75%	97,000
2024	3.00%	139,000	1.75%	99,000
2025	3.00%	143,000	1.75%	101,000
2026	3.00%	78,762	1.75%	103,000
2027			1.75%	105,000
2028			1.75%	108,000
2029			1.75%	27,739
2030			1.75%	
2031			1.75%	
2032			1.75%	
2033			1.75%	
2034			1.75%	
		<u>\$ 1,438,762</u>		<u>\$ 1,355,739</u>

CITY OF ANAMOSA, IOWA

Schedule 4

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

For the Last Eight Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
RECEIPTS:								
Property tax	\$ 1,682,126	\$ 1,539,742	\$ 1,481,339	\$ 1,400,549	\$ 1,308,682	\$ 1,266,102	\$ 1,214,874	\$ 1,017,808
Tax increment financing collections	388,890	408,257	489,084	352,582	379,144	348,260	295,829	577,134
Other city tax	690,933	684,667	648,300	663,602	633,658	552,180	551,285	518,050
Licenses and permits	9,895	15,476	17,955	18,964	21,356	19,365	5,115	8,104
Use of money and property	15,864	22,195	28,639	49,346	53,078	128,162	76,628	97,821
Intergovernmental	821,455	2,371,767	5,156,872	1,563,116	2,480,563	2,436,571	738,312	977,348
Charges for service	417,423	262,680	259,461	388,069	137,348	396,397	272,711	130,396
Special assessments	14,560	36,922	26,754	39,568	31,838	34,359	43,721	49,634
Miscellaneous	73,329	301,615	288,067	234,884	157,665	197,900	278,930	218,597
Total	<u>\$ 4,114,475</u>	<u>\$ 5,643,321</u>	<u>\$ 8,396,471</u>	<u>\$ 4,710,680</u>	<u>\$ 5,203,332</u>	<u>\$ 5,379,296</u>	<u>\$ 3,477,405</u>	<u>\$ 3,594,892</u>
DISBURSEMENTS:								
Operating:								
Public safety	\$ 918,592	\$ 891,994	\$ 681,310	\$ 929,825	\$ 1,281,885	\$ 4,851,603	\$ 827,013	\$ 688,777
Public works	802,874	788,481	768,386	814,898	828,623	787,526	576,526	790,967
Culture and recreation	743,149	703,839	856,699	697,926	771,788	679,816	709,517	719,342
Community and economic development	76,838	75,730	149,609	19,085	38,207	502,638	352,173	81,771
General government	457,783	542,223	511,355	499,927	510,517	512,847	496,666	459,458
Debt service	802,508	854,216	3,550,461	2,696,820	5,038,860	717,230	630,079	724,011
Capital projects	<u>1,245,750</u>	<u>1,997,768</u>	<u>5,165,467</u>	<u>1,341,948</u>	<u>163,245</u>	<u>288,473</u>	<u>2,432,424</u>	<u>840,872</u>
Total	<u>\$ 5,047,494</u>	<u>\$ 5,854,251</u>	<u>\$ 11,683,287</u>	<u>\$ 7,000,429</u>	<u>\$ 8,633,125</u>	<u>\$ 8,340,133</u>	<u>\$ 6,024,398</u>	<u>\$ 4,305,198</u>



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
City of Anamosa
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, 2014, 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 December 30, 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 to determine the audit procedures 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 II-A-14 and II-B-14 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, 2014 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
December 30, 2014

CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Part I - Summary of Auditors' Results

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The City clerk can perform all duties within the accounting function.

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-14 Preparation of Financial Statements – The City Council and management share the ultimate responsibility for the City's financial statements.

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.

**CITY OF ANAMOSA, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

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

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.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-14 Certified Budget - No disbursements during the year ended June 30, 2014 exceeded the amended certified budget amounts.

IV-B-14 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-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-14 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, Furnance, & A/C related	\$ 33,743
Bill Feldman, council member, owner of Feldman's Yard-n-Garden	Lawn mowing	\$ 80

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, furnace, and A/C 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-14 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, 2014

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

- IV-F-14 Revenue Notes - As of June 30, 2014, the City was in compliance with the funding and payment provisions of the revenue note resolutions.
- IV-G-14 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.
- IV-H-14 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-14 Financial Condition – The Water Projects Fund, Street Projects Fund, and Sewer Projects Fund had deficit balances at June 30, 2014. Water Projects had a deficit of (\$216, 072), Sewer Projects of (\$114,044), and Streets Projects of (\$6,620).

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's deficits were all due to costs being incurred before grant and bond proceeds were received or costs being in excess of budget. These deficits will be eliminated with the receipt of State Revolving Fund loan proceeds or transfers from another fund.

Conclusion: Response accepted.

- IV-J-14 Annual Urban Renewal Report – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.