



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

August 17, 2009

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Anita, Iowa.

The City's receipts totaled \$823,066 for the year ended June 30, 2008. The receipts included \$249,059 in property tax, \$121,106 from charges for service, \$210,598 from operating grants, contributions and restricted interest, \$88,636 from local option sales tax, \$857 from unrestricted interest on investments, \$120,000 from note proceeds, \$30,000 from loan proceeds and \$2,810 from other general receipts.

Disbursements for the year totaled \$747,497, and included \$225,899 for public safety, \$135,477 for public works and \$131,637 for community and economic development. Also, disbursements for business type activities totaled \$57,334.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF ANITA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2008

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City of Anita

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Michael Kraus	Mayor	Jan 2008
Linda Firebaugh	Council Member	Jan 2008
Marcia Hockenberry	Council Member	Jan 2008
William Brenton	Council Member	Jan 2010
Justin Larsen	Council Member	Jan 2010
Jamie Stokley	Council Member	Jan 2010
Bette Dory	Clerk/Treasurer	Indefinite
James Mailander	Attorney	Indefinite
(After January 2008)		
Mitchell K Holmes	Mayor	Jan 2012
William Brenton	Council Member	Jan 2010
Justin Larsen	Council Member	(Resigned)
Sheri Karns (Appointed)	Council Member	Nov 2009
Jamie Stokley	Council Member	Jan 2010
Linda Firebaugh	Council Member	Jan 2012
Marcia Hockenberry	Council Member	Jan 2012
Bette Dory	Clerk/Treasurer	(Resigned Feb 2008)
Lindsay Jahde	Clerk/Treasurer	Indefinite
James Mailander	Attorney	Indefinite

City of Anita



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

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 Anita, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Anita's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007.

In our opinion, based on our audit and the report of the other auditor, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, 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 Anita as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 8, 2009 on our consideration of the City of Anita's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anita's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 8, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Anita 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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2008 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's government activities increased approximately \$48,000, due primarily to unspent local option sales tax receipts.
- The cash basis net assets of the City's business type activities increased approximately \$28,000, due primarily to receipts exceeding disbursements in the Enterprise, Sewer Fund.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. 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.

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

Other 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 U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, 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 airport and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) 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 and 2) the Special Revenue Funds, such as Road Use Tax and Housing Urban Renewal. 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.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the airport and sewer funds, considered to be major funds of the City.

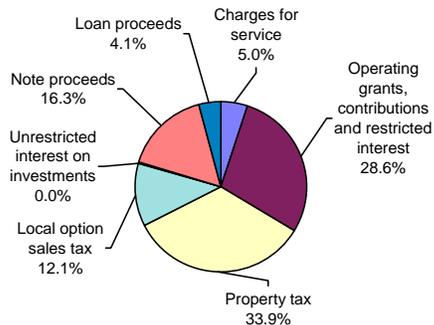
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

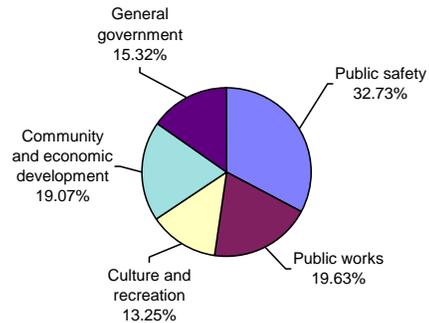
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$112,142 to \$160,053. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
Year ended June 30, 2008	
Receipts:	
Program receipts:	
Charges for service	\$ 36,658
Operating grants, contributions and restricted interest	210,598
General receipts:	
Property tax	249,059
Local option sales tax	88,636
Unrestricted interest on investments	313
Note proceeds	120,000
Loan proceeds	30,000
Other general receipts	2,810
Total receipts	<u>738,074</u>
Disbursements:	
Public safety	225,899
Public works	135,477
Culture and recreation	91,423
Community and economic development	131,637
General government	105,727
Total disbursements	<u>690,163</u>
Change in cash basis net assets	47,911
Cash basis net assets beginning of year	<u>112,142</u>
Cash basis net assets end of year	<u>\$ 160,053</u>

Receipts by Source



Disbursements by Function



<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2008</u>
Receipts:	
Program receipts:	
Charges for service:	
Airport	\$ 2,925
Sewer	81,523
General receipts:	
Unrestricted interest on investments	544
Total receipts	<u>84,992</u>
Disbursements:	
Airport	4,440
Sewer	52,894
Total disbursements	<u>57,334</u>
Change in cash basis net assets	27,658
Cash basis net assets beginning of year	<u>156,691</u>
Cash basis net assets end of year	<u><u>\$ 184,349</u></u>

Total business type activities cash basis net assets increased from a year ago, increasing from \$156,691 to \$184,349. The increase is due to primarily to receipts exceeding disbursements in the Enterprise, Sewer Fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Anita completed the year, its governmental funds reported a combined fund balance of \$160,053, an increase of \$47,911 above last year's total of \$112,142. 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 increased \$742 over the prior year to a year-end balance of \$63,832
- The Special Revenue, Road Use Tax Fund cash balance increased \$5,922 to \$30,397 during the fiscal year. This change was attributable to an increase in road use tax allocations received and a decrease in total operating disbursements.
- The Special Revenue, Housing Urban Renewal Fund cash balance decreased \$5,177 to \$(159,327) during the fiscal year, primarily due to the City not yet certifying the disbursements as tax increment financing debt.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$82,236 to \$213,058 during the fiscal year, primarily due to a decrease in disbursements.
- The Special Revenue, Volunteer Fireman's Association Fund cash balance increased \$13,340 to \$125,551 during the fiscal year. The increase is the result of donations and other receipts exceeding disbursements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Airport Fund cash balance decreased \$971 from the prior year to a year-end balance of \$19,880.
- The Sewer Fund cash balance increased \$28,629 to \$164,469, due primarily to collections exceeding disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 14, 2008 and resulted in an increase in operating receipts, disbursements and other financing sources related to the Deer Ridge Urban Renewal project, Anita Municipal Utilities Well project, new police vehicle, purchase of property and donation to the culture center.

The City's receipts were \$173,963 more than budgeted. This was primarily due to the City receiving more than anticipated for charges for services, local option sales tax and use of money and property from the Anita Municipal Utilities.

The City exceeded the amounts budgeted in the public safety, culture and recreation and general government functions for the year ended June 30, 2008 due to higher costs for police services, library services and utilities not budgeted.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$222,682 in bonds and other long-term debt outstanding, compared to \$110,934 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2008	2007
General obligation notes	\$ 120,000	-
Revenue notes	63,000	77,000
Lease purchase agreement	9,682	18,934
Loan agreement	30,000	15,000
Total	\$ 222,682	110,934

Debt increased as a result of issuing general obligation notes for a street project. In addition, the City entered into a loan agreement to finance the purchase of a police vehicle.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$159,682 is significantly below its constitutional debt limit of \$1,449,785.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Anita's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities. The City's fiscal year 2009 assessed taxable valuation increased 16%, or approximately \$34,000, over the fiscal year 2008 level.

The fiscal year 2009 budget includes total receipts of \$1,566,728 and disbursements of \$1,420,339.

The FY2009 property tax levy rate is \$13.09028 per \$1,000 of taxable valuation, which is a slight decrease from FY2008.

These parameters were taken into account when adopting the budget for FY2009.

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 questions about this report or need additional financial information, contact Lindsay Jahde, City Clerk, PO Box 246, Anita, Iowa 50020-0246.

Basic Financial Statements

City of Anita

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 225,899	20,629	99,747
Public works	135,477	3,534	95,751
Culture and recreation	91,423	300	15,100
Community and economic development	131,637	-	-
General government	105,727	12,195	-
Total governmental activities	690,163	36,658	210,598
Business type activities:			
Airport	4,440	2,925	-
Sewer	52,894	81,523	-
Total business type activities	57,334	84,448	-
Total Primary Government	\$ 747,497	121,106	210,598
Component Unit			
Anita Municipal Utilities	\$ 982,788	937,778	-
General Receipts:			
Property and other city tax levied for general purposes			
Local option sales tax			
Unrestricted interest on investments			
Note proceeds			
Loan proceeds			
Miscellaneous			
Total general receipts			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Volunteer Fireman's Association			
Streets			
Local option sales tax			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit
Governmental Activities	Business Type Activities	Total	Anita Municipal Utilities
(105,523)	-	(105,523)	-
(36,192)	-	(36,192)	-
(76,023)	-	(76,023)	-
(131,637)	-	(131,637)	-
(93,532)	-	(93,532)	-
(442,907)	-	(442,907)	-
-	(1,515)	(1,515)	-
-	28,629	28,629	-
-	27,114	27,114	-
(442,907)	27,114	(415,793)	-
-	-	-	(45,010)
249,059	-	249,059	-
88,636	-	88,636	-
313	544	857	73,543
120,000	-	120,000	-
30,000	-	30,000	-
2,810	-	2,810	89,421
490,818	544	491,362	162,964
47,911	27,658	75,569	117,954
112,142	156,691	268,833	1,567,029
\$ 160,053	184,349	344,402	1,684,983
\$ 125,551	-	125,551	-
30,397	-	30,397	-
213,058	-	213,058	-
13,948	-	13,948	-
(222,901)	184,349	(38,552)	1,684,983
\$ 160,053	184,349	344,402	1,684,983

City of Anita

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

As of and for the year ended June 30, 2008

	Special Revenue			
	General	Road Use Tax	Housing Urban Renewal	Local Option Sales Tax
Receipts:				
Property tax	\$ 201,949	-	-	-
Other city tax	38,373	-	-	88,636
Licenses and permits	5,352	-	-	-
Use of money and property	613	-	-	-
Intergovernmental	23,137	89,870	-	-
Charges for service	8,300	-	-	-
Miscellaneous	26,017	-	-	-
Total receipts	<u>303,741</u>	<u>89,870</u>	<u>-</u>	<u>88,636</u>
Disbursements:				
Operating:				
Public safety	157,249	-	-	-
Public works	51,529	83,948	-	-
Culture and recreation	18,434	-	-	-
Community and economic development	60	-	125,177	6,400
General government	105,727	-	-	-
Total disbursements	<u>332,999</u>	<u>83,948</u>	<u>125,177</u>	<u>6,400</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(29,258)</u>	<u>5,922</u>	<u>(125,177)</u>	<u>82,236</u>
Other financing sources:				
Note proceeds	-	-	120,000	-
Loan proceeds	30,000	-	-	-
Total other financing sources	<u>30,000</u>	<u>-</u>	<u>120,000</u>	<u>-</u>
Net change in cash balances	742	5,922	(5,177)	82,236
Cash balances beginning of year	63,090	24,475	(154,150)	130,822
Cash balances end of year	<u>\$ 63,832</u>	<u>30,397</u>	<u>(159,327)</u>	<u>213,058</u>
Cash Basis Fund Balances				
Unreserved:				
General fund	\$ 63,832	-	-	-
Special revenue funds	-	30,397	(159,327)	213,058
Total cash basis fund balances	<u>\$ 63,832</u>	<u>30,397</u>	<u>(159,327)</u>	<u>213,058</u>

See notes to financial statements.

Volunteer Fireman's Association	Nonmajor	Total
-	8,737	210,686
-	-	127,009
-	-	5,352
2,653	129	3,395
-	-	113,007
-	-	8,300
79,337	14,971	120,325
81,990	23,837	588,074
68,650	-	225,899
-	-	135,477
-	72,989	91,423
-	-	131,637
-	-	105,727
68,650	72,989	690,163
13,340	(49,152)	(102,089)
-	-	120,000
-	-	30,000
-	-	150,000
13,340	(49,152)	47,911
112,211	(64,306)	112,142
125,551	(113,458)	160,053
-	-	63,832
125,551	(113,458)	96,221
125,551	(113,458)	160,053

City of Anita

City of Anita

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise		Total
	Airport	Sewer	
Operating receipts:			
Charges for service	\$ 2,925	81,523	84,448
Operating disbursements:			
Business type activities	4,440	36,545	40,985
Excess (deficiency) of operating receipts over (under) operating disbursements	(1,515)	44,978	43,463
Non-operating receipts (disbursements):			
Interest on investments	544	-	544
Debt service	-	(16,349)	(16,349)
Net non-operating receipts (disbursements)	544	(16,349)	(15,805)
Excess (deficiency) of receipts over (under) disbursements	(971)	28,629	27,658
Cash balances beginning of year	20,851	135,840	156,691
Cash balances end of year	\$ 19,880	164,469	184,349
Cash Basis Fund Balances			
Unreserved	\$ 19,880	164,469	184,349

See notes to financial statements.

City of Anita

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Anita is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1875 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, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Anita 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.

These financial statements present the City of Anita (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City

Discretely Presented Component Unit

The Anita Municipal Utilities Board, established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Utilities is governed by a three-member board appointed by the Mayor and approved by the City Council and its budget is subject to approval of the City Council. In accordance with criteria set by the Governmental Accounting Standards Board, the Municipal Utilities meets the definition of a component unit which should be discretely presented. Complete financial statements can be obtained from the Anita Municipal Utilities, 828 Main Street, PO Box 426, Anita, Iowa 50020.

Blended Component Unit

The Anita Volunteer Fireman's Association is legally separate from the City but is so intertwined with the City it is, in substance, part of the City. The Anita Volunteer Fireman's Association was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Association collects donations which are to be used to purchase items not included in the City's budget and to make donations to the City to help finance fire equipment. The financial transactions have been reported as a Special Revenue Fund of the City.

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: Cass County Assessor's Conference Board, Cass County Emergency Management Commission, Cass County Landfill Commission and Cass County Joint E911 Service Board.

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

The Statement of Activities and Net Assets 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 are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Housing Urban Renewal Fund is used to account for tax increment financing collections and the payment of debt for urban renewal projects.

The Local Option Sales Tax Fund is used to account for local sales and services tax receipts received and related disbursements.

The Volunteer Fireman's Association Fund is used to account for receipts and disbursements of the Anita Volunteer Fireman's Association.

The City reports the following major proprietary funds:

The Airport Fund accounts for the operation and maintenance of the City's Airport.

The 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 of Anita 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 U.S. generally accepted accounting principles.

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

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and general government functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 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 ensure there will be no loss of public funds.

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-end 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.

(3) Long Term Debt

Annual debt service requirements to maturity for general obligation and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 9,430	6,300	15,000	1,890	24,430	8,190
2010	9,925	5,805	15,000	1,440	24,925	7,245
2011	10,446	5,284	16,000	990	26,446	6,274
2012	10,995	4,735	17,000	510	27,995	5,245
2013	11,572	4,158	-	-	11,572	4,158
2014 - 2018	67,632	11,015	-	-	67,632	11,015
Total	\$ 120,000	37,297	63,000	4,830	183,000	42,127

General Obligation Notes

On July 3, 2007, the City issued \$120,000 of general obligation street improvement notes at an interest rate of 5.25% per annum. The notes were issued for the purpose of paying the cost of constructing street improvements.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$225,000 of sewer revenue notes issued in May 1992. Proceeds from the notes provided financing for construction or other services relating to the project. The notes are payable solely from sewer customer net receipts and are payable through 2012. Annual principal and interest payments on the notes are expected to require less than 37 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$67,830. For the current year, principal and interest paid and total customer net receipts were \$16,310 and \$44,978, respectively.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- (a) The City shall maintain the wastewater treatment system in good repair, working order and operating condition.
- (b) The City shall establish, levy and collect rents, rates and other charges for the products and services provided by its wastewater treatment system, which rents, rates and other charges shall be at least sufficient to:
 - 1. Meet the operation and maintenance expenses of the wastewater treatment system
 - 2. Produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue notes and any obligations issued.
- (c) The City shall maintain insurance and fidelity bond coverage.
- (d) The City shall keep proper books and cause the books to be audited annually by an independent auditor.

During the year ended June 30, 2008, the City was in compliance with the note provisions except for the requirement to have the books audited annually by an independent auditor.

Capital Lease Purchase Agreement

On March 25, 2003, the City entered into a lease purchase agreement for a dump truck. The lease term is for seven years, with interest at 4.65% per annum, and requires annual payments of \$10,132. The present value of net minimum lease payments under the agreement in effect at June 30, 2008 is as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2009	\$ 10,132
Less amount representing interest	<u>(450)</u>
Present value of net minimum lease payments	<u><u>\$ 9,682</u></u>

Payments under the lease purchase agreement for the year ended June 30, 2008 were \$9,252 of principal and \$880 of interest.

Loan Agreements

On May 23, 2006, the City entered into a loan agreement of \$30,000 for an ambulance. The loan is for two years, with interest at 5.25% per annum, and requires annual payments of \$16,229. During the year ended June 30, 2008, the final payment of \$15,000 of principal and \$1,229 of interest was paid.

On January 1, 2008, the City entered into a loan agreement of \$30,000 for a police vehicle, with interest at 5.014% per annum, which requires three annual payments of \$10,756 starting July 1, 2008. Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 10,006	750	10,756
2010	9,754	1,002	10,756
2011	10,240	516	10,756
Total	\$ 30,000	2,268	32,268

(4) 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, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% 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 contribution to IPERS for the year ended June 30, 2008 was \$9,277, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 1,400
Compensatory time	700
Total	\$ 2,100

This liability has been computed based on rates of pay in effect at June 30, 2008. The City does not have an approved personnel policy but, in fiscal year 2007, started following a draft copy. The City's approximate liability for sick leave was unable to be determined as the draft copy allows City employees to carry sick leave forward from year to year. However, balances from prior years were not properly maintained.

(6) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2008 were \$17,547.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhaust total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, employee blanket bond, boiler and machinery and aviation liability. The City assumes liability for any deductibles and claims in excess of coverage limitations. The City assumes responsibility for workers compensation, employee blanket bond, and aviation liability claims in excess of \$1,000,000, \$75,000 and \$2,000,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Deficit Balances

At June 30, 2008, the Special Revenue, Housing Urban Renewal, Parks, Library and Community Center Funds had deficit balances of \$159,327, \$9,625, \$109,622 and \$8,219, respectively. The deficit balances were the result of costs exceeding receipts. As soon as the City certifies the TIF debt and starts receiving funds, the Special Revenue, Housing Urban Renewal Fund deficit will begin to be eliminated. The City will also transfer the proposed budget of \$6,000 from the General Fund to the Special Revenue, Parks Fund at the end of the fiscal year to eventually alleviate the deficit in the Special Revenue, Parks Fund. The City will make a transfer from the General Fund to the Special Revenue, Library Fund at the end of the fiscal year for the amount budgeted to the Library for the year, plus additional funds if available, to eventually eliminate the deficit. The City will also work to reduce the deficit in the Special Revenue, Community Center Fund by reducing expenses paid out of this fund and use more local option sales tax funds for community betterment.

(8) Subsequent Event

In December 2008, the City authorized an advance of \$47,190 from the Special Revenue, Local Option Sales Tax Fund to the Special Revenue, Housing Urban Renewal Fund for project costs relating to the Deer Ridge TIF district with the amount to be repaid as quickly as possible with incremental property tax receipts.

City of Anita

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Component Unit Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 210,686	-	-	-
Other city tax	127,009	-	-	-
Licenses and permits	5,352	-	-	-
Use of money and property	3,395	544	73,543	2,653
Intergovernmental	113,007	-	-	-
Charges for service	8,300	84,448	937,778	-
Miscellaneous	120,325	-	89,421	79,337
Total receipts	588,074	84,992	1,100,742	81,990
Disbursements:				
Public safety	225,899	-	-	68,650
Public works	135,477	-	-	-
Culture and recreation	91,423	-	-	-
Community and economic development	131,637	-	-	-
General government	105,727	-	-	-
Debt service	-	-	-	-
Business type activities	-	57,334	982,788	-
Total disbursements	690,163	57,334	982,788	68,650
Excess (deficiency) of receipts over (under) disbursements	(102,089)	27,658	117,954	13,340
Other financing sources, net	150,000	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	47,911	27,658	117,954	13,340
Balances beginning of year	112,142	156,691	1,567,029	112,211
Balances end of year	\$ 160,053	184,349	1,684,983	125,551

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
210,686	206,709	206,709	3,977
127,009	87,830	87,830	39,179
5,352	2,000	2,000	3,352
74,829	35,500	35,500	39,329
113,007	126,063	131,943	(18,936)
1,030,526	990,000	990,000	40,526
130,409	5,000	63,873	66,536
<u>1,691,818</u>	<u>1,453,102</u>	<u>1,517,855</u>	<u>173,963</u>
157,249	106,000	136,241	(21,008)
135,477	158,500	158,500	23,023
91,423	66,600	85,600	(5,823)
131,637	25,500	137,000	5,363
105,727	57,700	71,200	(34,527)
-	10,133	10,133	10,133
<u>1,040,122</u>	<u>950,375</u>	<u>1,117,748</u>	<u>77,626</u>
<u>1,661,635</u>	<u>1,374,808</u>	<u>1,716,422</u>	<u>54,787</u>
30,183	78,294	(198,567)	228,750
<u>150,000</u>	<u>-</u>	<u>120,000</u>	<u>30,000</u>
180,183	78,294	(78,567)	258,750
<u>1,723,651</u>	<u>1,576,092</u>	<u>1,576,092</u>	<u>147,559</u>
<u>1,903,834</u>	<u>1,654,386</u>	<u>1,497,525</u>	<u>406,309</u>

City of Anita

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. 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 and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$341,614. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and general government functions.

Other Supplementary Information

City of Anita

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2008

	Special Revenue		
		Library	Community Center
	Parks		
Receipts:			
Property tax	\$ -	4,334	4,403
Use of money and property	60	69	-
Miscellaneous	3,000	9,900	-
Total receipts	3,000	14,303	4,403
Disbursements:			
Operating:			
Culture and recreation	8,351	54,103	6,135
Deficiency of receipts under disbursements	(5,351)	(39,800)	(1,732)
Cash balances beginning of year	(4,274)	(69,822)	(6,487)
Cash balances end of year	\$ (9,625)	(109,622)	(8,219)
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ (9,625)	(109,622)	(8,219)

See accompanying independent auditor's report.

Library Trust	Total
-	8,737
-	129
2,071	14,971
<u>2,071</u>	<u>23,837</u>
4,400	72,989
<u>(2,329)</u>	<u>(49,152)</u>
16,277	(64,306)
<u>13,948</u>	<u>(113,458)</u>
<u>13,948</u>	<u>(113,458)</u>

City of Anita
 Schedule of Indebtedness
 Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes: Street improvements	Jul 3, 2007	5.25%	\$ 120,000
Sewer revenue capital loan notes: Sewer improvements	May 14, 1992	3.00%	\$ 225,000
Lease purchase agreement: Dump truck	Mar 25, 2003	4.65%	\$ 62,144
Loan agreements: Ambulance	May 23, 2006	5.25%	\$ 30,000
Vehicle	Jan 1, 2008	5.014%	30,000
Total			

* Interest was subsequently paid in August 2008.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
-	120,000	-	120,000	-	5,845*
77,000	-	14,000	63,000	2,310	-
18,934	-	9,252	9,682	880	-
15,000	-	15,000	-	1,229	-
-	30,000	-	30,000	-	-
\$ 15,000	30,000	15,000	30,000	1,229	-

Schedule 3

City of Anita
Note Maturities
June 30, 2008

Year Ending June 30,	General Obligation Notes		Revenue Notes	
	Street Improvement		Sewer	
	Issued Jul 3, 2007		Issued May 14, 1992	
	Interest Rates	Amount	Interest Rates	Amount
2009	5.25%	\$ 9,430	3.00%	15,000
2010	5.25	9,925	3.00	15,000
2011	5.25	10,446	3.00	16,000
2012	5.25	10,995	3.00	17,000
2013	5.25	11,572		-
2014	5.25	12,179		-
2015	5.25	12,818		-
2016	5.25	13,491		-
2017	5.25	14,199		-
2018	5.25	14,945		-
Total		<u>\$ 120,000</u>		<u>\$ 63,000</u>

See accompanying independent auditor's report.

City of Anita

**Independent Auditor's 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**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's 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:

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 Anita, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated July 8, 2009. Our report was modified to include a reference to another auditor. Also, our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007. Except as noted in the Independent Auditor's report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Anita's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Anita's financial statements that is more than inconsequential will not be prevented or detected by the City of Anita's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Anita's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 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.

The City of Anita's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Anita's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Anita and other parties to whom the City of Anita may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Anita during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 8, 2009

City of Anita

Schedule of Findings

Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas:

City

- (1) Accounting system – performing all general accounting functions, having custody of assets and being involved in purchasing.
- (2) Cash – initiating cash receipt and disbursement functions, handling and recording cash and bank reconciliations.
- (3) Receipts – opening mail, collecting, depositing, journalizing and posting.
- (4) Disbursements – check preparation, purchasing, reconciling, access to credit cards, controlling blank purchase orders, check signing and recording.
- (5) Long Term Debt – recording, reconciling and performing cash functions.
- (6) Payroll – preparing and distributing

Library

- (1) Cash – initiating cash receipt and disbursement functions, handling and recording cash and bank reconciliations.
- (2) Disbursements – check preparation, reconciling, check signing and recording.

Anita Volunteer Fireman’s Association

- (1) Receipts – receiving, recording and custody.
- (2) Disbursements – purchasing, preparing checks and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, Library and the Anita Volunteer Fireman’s Association should review their control procedures to obtain the maximum internal control possible under the circumstances.

Responses –

City – We will review our procedures to maximize internal control to the highest potential based on limited staff and funds.

City of Anita

Schedule of Findings

Year ended June 30, 2008

Library – We will consider your recommendation. However, we have a limited number of people (employees) which makes segregation of duties difficult. We will review our control procedures to gain as much internal control as possible.

Anita Volunteer Fireman’s Association – We will evaluate our procedures and have a third party check over our checks/balances.

Conclusions – Responses accepted.

- (B) Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – A policy will be established.

Conclusion – Response accepted.

- (C) Information System – The following weaknesses in the City’s information system were noted:

The City does not have written policies for:

- (1) Requiring the use of a user name or password.
- (2) Requiring the maintenance of password privacy and confidentiality.
- (3) Requiring passwords to be changed at least every 60 to 90 days.
- (4) Requiring password history to be maintained to prevent employees from using the same password.
- (5) Usage of the internet.

Also, the City does not have a written disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer based financial systems. Also, a written disaster recovery plan should be developed and tested periodically.

Response – Password protection will be installed on computer system. An internet policy will be addressed and a disaster recovery plan will be put in place.

Conclusion – Response accepted.

City of Anita

Schedule of Findings

Year ended June 30, 2008

- (D) Investments – The City does not maintain an investment register which shows the cost, description, date purchased, interest rate, maturity date and identifying number of each investment.

Recommendation – The City should develop a register showing the cost, description, date purchased, interest rate, maturity date and identifying number of each investment.

Response – A register of investments will be established and items recorded.

Conclusion – Response accepted.

- (E) Accounting Policies and Procedures Manual – The City and Library do not have an accounting policies and procedures manual.

Additionally, a City employee was inappropriately using the City’s account for personal purchases and reimbursing the City for these charges to avoid sales tax.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure city accounts are appropriately utilized.

Additionally, the City should develop a policy to prohibit personal purchases which are reimbursed to the City.

Responses –

City – The City Council has set a date for a work session to establish a policy.

Library – We will work on developing an accounting policies and procedures manual for the library.

Conclusions – Responses accepted.

- (F) Disbursements – Invoices and other supporting documentation were not always available to support disbursements.

Recommendation – All disbursements should be supported by invoices or other supporting documentation.

City of Anita

Schedule of Findings

Year ended June 30, 2008

Response – All invoices and warrants will be filed by month and year.

Conclusion – Response accepted.

- (G) Record Retention – The City did not properly retain all reports and records as required. Specifically, the Clerk/Treasurer reports and bank reconciliations for July 2007 to September 2007 could not be located.

Recommendation – The City should maintain all required reports and records.

Response – All current records after September 2007 are maintained. Missing records were under the authority of the previous clerk and administration.

Conclusion – Response accepted.

- (H) Debt Payments – The City did not maintain a debt register for the payment of principal and interest.

Recommendation – A debt register should be maintained on a current basis to account for all transactions of each debt issue and should indicate the date principal and interest were paid.

Response – A debt register will be established.

Conclusion – Response accepted.

- (I) Insurance Payments – The City's former City Clerk has requested payment from the City for an unspecified amount of health insurance premiums for herself and her husband. The former City Clerk previously received \$12,404 in additional payments for health insurance premiums from December 2004 to February 2008. Of the \$12,404, \$7,500 was paid for her Medigap insurance premium of \$192 per month and \$4,904 was paid for a portion of her husband's Medigap insurance premium of \$160 per month as she and her husband were not on the City's insurance policy during the period in question.

Although the Council approved the additional payments as a part of the Clerk's salary when it approved the monthly claims from December 2004 to February 2008, the City had no policy addressing additional payments for employees not on the City's insurance policy. Also, no other full time City employees not on the City's insurance plan during this period received similar payments.

Recommendation – The City should consult the City Attorney regarding the former City Clerk's request for additional payment of Medigap insurance premiums.

Response – Will confer with City Attorney.

Conclusion – Response accepted.

City of Anita

Schedule of Findings

Year ended June 30, 2008

- (J) Anita Volunteer Fireman's Association Receipts – Prenumbered receipts were not issued for all collections.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money. The receipts should be recorded and reconciled with timely deposits and the reconciliation should be reviewed periodically by an independent person.

Response – We will try to use prenumbered tickets to have better control of our money in and out.

Conclusion – Response accepted.

- (K) Anita Volunteer Fireman's Association Bank Reconciliations – Monthly reconciliations of the Association's book balances to the bank accounts and investments were not prepared. A list of outstanding checks was not always prepared for each month and retained.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained. An independent review of the reconciliation should be reviewed periodically for propriety.

Response – We will start doing a monthly bank reconciliation and have it reviewed by an independent person.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Anita

Schedule of Findings

Year ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded budgeted amounts for the public safety, culture and recreation, and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.” Also, the City does not receive a monthly financial report from the Anita Municipal Utilities.

Recommendation – The budget should have been amended in sufficient amount as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, the City should receive a monthly financial report from the Anita Municipal Utilities to help monitor budgetary compliance.

Response – Amendments will be done prior to funds exceeding the budget. A copy of Anita Municipal Utilities’ monthly budget reports will be requested to help eliminate exceeding budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name Title, and Business Connection	Transaction Description	Amount
Michael Kraus, Mayor, owner of Mike’s Auto Body	General vehicle and accident repair	\$ 502

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transaction does not appear to represent a conflict of interest since the cumulative amount was less than \$1,500 during the year.

- (5) 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 ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Certain minutes of Council meetings were not signed as required by Chapter 380.7 of the Code of Iowa.

City of Anita

Schedule of Findings

Year ended June 30, 2008

Minutes from the July 16, 2007 Council meeting were not documented as required by Chapter 380.7 of the Code of Iowa

Recommendation – The City should comply with Chapter 380.7 of the Code of Iowa and should properly record and sign minutes to authenticate the record.

Response – Will get signatures on all minutes and record minutes of every meeting.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Response – A model investment policy is being reviewed by the Council and the City Attorney.

Conclusion – Response accepted.

- (8) Revenue Notes – No instances of non-compliance with the revenue note resolution were noted, except the City has not complied with the provision which states the City will cause the books to be audited annually by an independent auditor.

Recommendation – The City should review the note provisions and comply with the audit requirement.

Response – The City will comply with the provision set forth in the contract by scheduling an audit for the sewer fund on an annual basis.

Conclusion – Response accepted.

- (9) Local Option Sales Tax – The ballot for the local option sales tax authorized the City to collect the tax and to allocate 20% of the collections to community development and 80% to community betterment. The City does not maintain adequate records to document the proper expenditure of local option sales tax for authorized uses. Also, a City ordinance addressing the allocation of the local sales and services tax receipts does not agree with the ballot.

Recommendation – The City should establish procedures to accumulate and document local option sales tax disbursements to demonstrate compliance with the ballot requirements. The City should amend the City ordinance addressing the allocation of local sales and services tax revenues to agree with the ballot.

City of Anita

Schedule of Findings

Year ended June 30, 2008

Response – Council has passed a resolution to establish two separate funds to allocate local option sales tax funds as well as amend the ordinance. The City ordinance also defines community betterment.

Conclusion – Response accepted.

- (10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City and Library do not retain the actual cancelled checks or retain an image of the front and back of cancelled checks through electronic image.

Recommendation – Since the City and Library do not receive cancelled checks, the City and Library should obtain and retain an image of both the front and back of each cancelled check as required.

Responses –

City – Will request the bank send both front and back side of checks.

Library – We will contact the bank and ask them to send us the image of both front and back of all our cancelled checks.

Conclusion – Responses accepted.

- (11) Special Revenue Levies – The City levied property tax for employee benefits, as allowed by Chapter 384.6 of the Code of Iowa, and recorded the property tax collections in the General Fund rather than establishing a Special Revenue Fund.

Recommendation - The City should establish a Special Revenue Fund for the employees benefits property tax collections.

Response – The Council has passed a resolution to establish a Special Revenue Fund for employee benefits.

Conclusion – Response accepted.

- (12) Financial Condition – The Special Revenue, Housing Urban Renewal, Parks, Library and Community Center Funds had deficit balances of \$159,327, \$9,625, \$109,622 and \$8,219, respectively, at June 30, 2008.

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

Response – We will work to eliminate deficit balances. As soon as we certify the TIF debt and start receiving funds, the Special Revenue, Housing Urban Renewal Fund deficit will begin to be eliminated. We will also transfer the proposed budget of \$6,000 from the General Fund to the Special Revenue, Parks Fund at the end of the fiscal year to eventually alleviate the deficit in the Special Revenue, Parks Fund. We will make a transfer from the General Fund to the Special

City of Anita

Schedule of Findings

Year ended June 30, 2008

Revenue, Library Fund at the end of the fiscal year for the amount we budgeted to the Library for the year, plus additional funds if available, to eventually eliminate the deficit. We will also work to reduce the deficit in the Special Revenue, Community Center Fund by reducing expenses paid out of this fund and use more local option sales tax funds for community betterment.

Conclusion – Response accepted.

- (13) Official Depositories – A resolution naming official depositories was not located.

Recommendation – The Council should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

Response – A resolution will be prepared to name depositories as well as define the maximum amount of deposits.

Conclusion – Response accepted.

- (14) Liability, Property and Self-Insurance Levy – The City levied \$28,145 for liability, property and self-insurance purposes as part of the General Fund tax levy, while the City expended \$22,701 for this purpose. The amount levied exceeded the amount disbursed by \$5,444 during the year.

Recommendation – The City should decrease the levy for liability, property and self insurance.

Response – A calculation of insurance cost will be evaluated for the correct levy request.

Conclusion – Response accepted.

- (15) Annual Financial Report - The City prepared the annual financial report for the fiscal year ended June 30, 2008. However, the report did not include all separately maintained Library activities for the year as required by Chapter 384.22 of the Code of Iowa and reported fund balances do not materially agree with City records.

Recommendation - The annual financial report should be amended to correct material errors and the amounts reported should be supported by the City's records.

Response – The Annual Financial Report for the year ended June 30, 2008 will reflect all Library activities as well as reporting the individual fund balances correctly refiled.

Conclusion – Response accepted.

City of Anita

Schedule of Findings

Year ended June 30, 2008

- (16) Separately Maintained Records – The bookkeeping and custody of the Special Revenue, Library Fund is under the control of the Library Board of Directors in a location separate from the City Clerk's office. This account was not reflected in the City's accounting system and has not been included in the City's annual budget or monthly financial reports.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose." Monthly Special Revenue, Library Fund financial transactions should be included in the Clerk's monthly financial reports. Internal control could be strengthened and operating efficiency could be increased by integrating the Special Revenue, Library Fund receipts and disbursements with the City accounting records in the Clerk's office.

Response – Monthly reports for this fund are received and will be incorporated into the Clerk/Treasurer's report each month.

Conclusion – Response accepted.

- (17) Bank Loan – On January 1, 2008, the City entered into a bank loan for \$30,000 to purchase a police vehicle. The City did not publish notice and hold a public hearing before entering into the loan agreement.

Recommendation – Chapter 384.24A(3) of the Code of Iowa states "The governing body shall follow substantially the same authorization procedure required for the issuance of general obligation bonds issued for the same purpose to authorize a loan agreement made payable from the debt service fund." Pursuant to Chapter 384.25 of the Code of Iowa, the City should have published notice of and held a public hearing prior to entering into the loan agreement. In the future, the City should comply with the requirements of Chapters 384.24A and 384.25 of the Code of Iowa before entering into bank loans.

Response – The City of Anita will in the future publish a public hearing notice and hold the public hearing prior to entering into a loan agreement.

Conclusion – Response accepted.

City of Anita

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Brett M. Zeller, Staff Auditor
Tiffany M. Ainger, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and a distinct dot over the 'i' in Nielsen.

Andrew E. Nielsen, CPA
Deputy Auditor of State