



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE June 17, 2005

Contact: Andy Nielsen  
515/281-5834

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

The Utilities' receipts totaled \$914,229 for the year ended June 30, 2004, an 18 percent increase from 2003. The receipts included \$654,229 in charges for service and \$40,138 in interest on investments.

Disbursements for the year totaled \$830,982, a 41 percent decrease from the prior year, and included \$639,918 for operating disbursements, \$81,119 for sewer rental fees remitted to the City, \$78,570 for debt service and \$31,375 for payments in lieu of taxes.

The significant increase in receipts is due to a purchased power transmission refund received during the year. The significant decrease in disbursements is due to the purchase of a generator during fiscal year 2003.

This report contains recommendations to the Utilities Trustees and other Utility officials to prepare reconciliations of utility billings, collections and delinquencies and maintain detailed financial statements. Utilities officials responded they will comply with the recommendations.

A copy of the audit report is available for review in the Office of Auditor of State and the Utilities' office.

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**ANITA MUNICIPAL UTILITIES**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENT AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2004**

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**Anita Municipal Utilities**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Retz	Trustee	July 2005
Larry Phillips	Trustee	July 2007
Lee Poeppe	Trustee	July 2009
Mark Schultz	Superintendent	Indefinite
Diane Harrison	Clerk/Cashier	Indefinite

**Anita Municipal Utilities**



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Independent Auditor's Report

To the Board of Trustees of the  
Anita Municipal Utilities:

We have audited the accompanying financial statement of the Anita Municipal Utilities, Anita, Iowa, as of and for the year ended June 30, 2004. This financial statement is the responsibility of Utilities' officials. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was 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 discussed in Note 1, the financial statement of the Anita Municipal Utilities is intended to present only the results of the transactions of that portion of the financial reporting entity of the City of Anita that is attributable to the transactions of the Utilities.

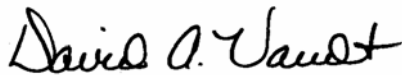
In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Anita Municipal Utilities as of June 30, 2004, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 7, during the year ended June 30, 2004, the Anita Municipal Utilities adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

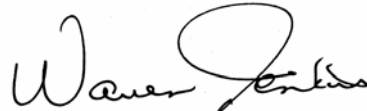
In accordance with Government Auditing Standards, we have also issued our report dated April 12, 2005 on our consideration of the Anita Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 9 and 18 through 20 are not required parts of the basic financial statement, 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 thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statement. Other supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 12, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Anita Municipal Utilities provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Utilities' financial statement, which follows.

### 2004 FINANCIAL HIGHLIGHTS

- The Utilities' total receipts increased 18%, or approximately \$138,300, from fiscal 2003 to fiscal 2004. The increase is due, in part, to a transmission refund for purchased power of approximately \$124,500.
- The Utilities' total disbursements decreased approximately 41%, or \$581,000, from fiscal 2003 to fiscal 2004. The decrease is due to the purchase of the new generator in fiscal year 2003.
- The Utilities' total cash basis net assets increased approximately 7%, or \$83,000, from June 30, 2003 to June 30, 2004.

### USING THIS ANNUAL REPORT

The Anita Municipal Utilities has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Anita Municipal Utilities' cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. 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.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Anita Municipal Utilities' cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Anita Municipal Utilities' financial statement. The annual report consists of a financial statement and other information, as follows:

Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Utilities' financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Anita Municipal Utilities' receipts and disbursements and whether the Utilities' cash basis financial position has improved or deteriorated as a result of the year's activities.

The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.



Required Supplementary Information further explains and supports the financial statement with a comparison of the Utilities' budget for the year.

Other Supplementary Information provides detailed information about the individual Enterprise Funds. In addition, the Schedule of Indebtedness provides details of the Utilities' debt at June 30, 2004.

## FINANCIAL ANALYSIS OF THE ANITA MUNICIPAL UTILITIES

### *Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets*

The purpose of the statement is to present the receipts received by the Anita Municipal Utilities and the disbursements paid by the Utilities, both operating and non-operating. The statement also presents a fiscal snapshot of the Utilities' cash balances at year end. Over time, readers of the financial statement are able to determine the Anita Municipal Utilities' financial position by analyzing the increase and decrease in cash basis net assets.

Receipts include metered and bulk water sales, metered electric sales, connect/disconnect fees, rent for space on the water tower and miscellaneous fees. Anita Municipal Utilities also collects sewer fees on behalf of the City of Anita. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2004 and June 30, 2003 are presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2004	2003
<b>Receipts:</b>		
Use of money and property	\$ 40,138	62,669
Charges for service	654,229	587,513
Sewer fees collected for City	81,119	87,353
Miscellaneous	138,743	38,404
Total receipts	<u>914,229</u>	<u>775,939</u>
<b>Disbursements:</b>		
Plant operation and maintenance	391,957	387,356
Distribution operation, maintenance and generator	154,701	756,366
Accounting and collection	36,071	34,379
Administration	57,189	36,107
Sewer fees remitted to City	81,119	87,353
Payment in lieu of taxes remitted to City	31,375	30,549
Debt service:		
Principal redeemed	40,000	40,000
Interest paid	38,570	39,870
Total disbursements	<u>830,982</u>	<u>1,411,980</u>
Net change in cash basis net assets	83,247	(636,041)
Cash basis net assets beginning of year	<u>1,186,943</u>	<u>1,822,984</u>
Cash basis net assets end of year	<u>\$1,270,190</u>	<u>1,186,943</u>

The largest portion of the Utilities' net assets (88%) are unrestricted assets available for use in the routine operations for the plant, distribution and administrative areas of the Utilities and for capital improvements to the plant and distribution areas. The remaining net assets (12%) are restricted funds for the repayment of the revenue bonds issued in 2002 and customer water deposits.

## **DEBT ADMINISTRATION**

At June 30, 2004, the Anita Municipal Utilities had \$740,000 of revenue note debt outstanding. The revenue bonds were issued May 1, 2002.

## **ECONOMIC FACTORS**

The Anita Municipal Utilities assesses its billing rates for electricity and water on a monthly basis. The billing rate has been broken down into four components: product cost, operation and maintenance, emergency fund and bond payments. Product cost and bond payments are automatically analyzed by the computerized billing system. Operation and maintenance and emergency fund are assessed by the Board annually. Based on the results of the component analysis, the energy adjustment rate is recomputed by the billing system to meet current needs. Current economic conditions beyond the Anita Municipal Utilities Trustees' control play a significant role in the daily operations of the water plant and distribution services. These conditions include, but are not limited to:

- the need to constantly maintain facilities, vehicles and machinery.
- the need to comply with federal and state regulations for the production of water and well-head protection, as well as the purchase and production of electricity.
- the fluctuation of the cost of the chemicals and energy used to produce quality water.

## **CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Anita Municipal Utilities' finances and to show the Utilities' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Anita Municipal Utilities, 828 Main Street, PO Box 426, Anita, Iowa 50020.

**Anita Municipal Utilities**

Anita Municipal Utilities

Statement of Cash Receipts, Disbursements and  
Changes in Cash Basis Net Assets

As of and for the year ended June 30, 2004

Operating receipts:	
Charges for service	\$ 654,229
Miscellaneous	138,743
Total operating receipts	<u>792,972</u>
Operating disbursements:	
Business type activities:	
Plant operation and maintenance	391,957
Distribution operation and maintenance	154,701
Accounting and collection	36,071
Administration	57,189
Total operating disbursements	<u>639,918</u>
Excess of operating receipts over operating disbursements	<u>153,054</u>
Non-operating receipts (disbursements):	
Interest on investments	40,138
Sewer fees collected for City	81,119
Sewer fees remitted to City	(81,119)
Payment in lieu of taxes remitted to City	(31,375)
Debt service	(78,570)
Total non-operating receipts (disbursements)	<u>(69,807)</u>
Change in cash basis net assets	83,247
Cash basis net assets beginning of year	<u>1,186,943</u>
Cash basis net assets end of year	<u>\$ 1,270,190</u>
<b>Cash Basis Net Assets</b>	
Restricted for:	
Reserves, improvements and extensions	\$ 132,308
Bond principal and interest	12,870
Customer water deposits	11,857
Total restricted net assets	<u>157,035</u>
Unrestricted	<u>1,113,155</u>
Total cash basis net assets	<u>\$ 1,270,190</u>

See notes to financial statement.

**Anita Municipal Utilities**

Anita Municipal Utilities  
Notes to Financial Statement

June 30, 2004

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

A. Reporting Entity

The Anita Municipal Utilities is a component unit of the City of Anita, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Utilities is governed by a three-member board of trustees appointed by the City Council, which exercises oversight responsibility under this criteria. The Utilities provides water utilities for the residents of the City of Anita and collects sewer fees on behalf of the City of Anita.

B. Basis of Presentation

The accounts of the Utilities are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise 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 an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Anita Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Utilities is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

D. Assets and Net Assets

The following accounting policies are followed in preparing the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Cash Equivalents – The Utilities considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Restricted Assets and Net Assets – Funds set aside for bond principal and interest payments, reserve and improvement funds and customer water deposits are classified as restricted.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The Utilities' deposits in banks at June 30, 2004 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.

The Utilities 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 Board of Trustees, 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 Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**(3) Revenue Notes**

Annual debt service requirements to maturity for revenue note indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	4.00%	\$ 40,000	37,070	77,070
2006	4.20	45,000	35,470	80,470
2007	4.40	45,000	33,580	78,580
2008	4.60	50,000	31,600	81,600
2009	4.80	50,000	29,300	79,300
2010-2014	4.90-5.30	295,000	106,230	401,230
2015-2017	5.40-5.60	215,000	24,080	239,080
Total		\$ 740,000	297,330	1,037,330

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sinking account for the purpose of making the note principal and interest payments when due.
- (c) At the time of delivery of the notes, \$82,000 shall be deposited into a principal and interest reserve account. These funds shall be used for the payment of principal and interest on the notes if, for any reason, funds on deposit in the sinking account are insufficient to pay such when due.
- (d) At the time of delivery of the notes, \$50,000 shall be deposited into an improvement and extension account. These funds shall be used if there is a deficiency in the sinking account, reserve account or to pay for capital improvements and extensions to the Utility.

**(4) Pension and Retirement Benefits**

The Utilities 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.

Plan members are required to contribute 3.70% of their annual covered salary and the Utilities is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Utilities' contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$9,459, \$9,115 and \$8,896, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

Utilities' employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Utilities until used or paid. The Utilities' approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2004 is as follows:

Type of Benefit	Amount
Vacation	\$ 13,500
Sick leave	15,100
Total	<u>\$ 28,600</u>

Sick leave is payable when used or upon retirement or termination. If paid upon retirement or termination, an employee receives one-half of accumulated sick leave hours paid at the current effective hourly rate for that employee.

This liability has been computed based on rates of pay in effect at June 30, 2004.

**(6) Risk Management**

The Utilities 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 with over 490 members from 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 300 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 such 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 Utilities' 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 Utilities' contributions to the Pool for the year ended June 30, 2004 were \$30,750.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that 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 exhausts 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, 2004, 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 liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a liability 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 capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

**(7) Accounting Change**

For the year ended June 30, 2004, the Utilities implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning balances of the Utilities.

**Required Supplementary Information**

Anita Municipal Utilities

Budgetary Comparison Schedule of Receipts, Disbursements,  
and Changes in Balances – Budget and Actual (Cash Basis)

Required Supplementary Information

Year ended June 30, 2004

	Actual	Less Funds Not Required to be Budgeted
Receipts:		
Use of money and property	\$ 40,138	-
Charges for service	735,348	112,494
Miscellaneous	138,743	-
Total receipts	<u>914,229</u>	<u>112,494</u>
Disbursements:		
Business type activities	<u>830,982</u>	<u>112,494</u>
Change in cash basis net assets	83,247	-
Cash basis net assets beginning of year	<u>1,186,943</u>	-
Cash basis net assets end of year	<u><u>\$ 1,270,190</u></u>	-

See accompanying independent auditor's report.

Net	Budget Amounts		Final to Net Variance
	Original	Final	
40,138	50,693	58,000	(17,862)
622,854	612,781	830,665	(207,811)
138,743	1,224	47,078	91,665
801,735	664,698	935,743	(134,008)
718,488	1,014,165	1,314,165	595,677
83,247	(349,467)	(378,422)	(461,669)
1,186,943	2,004,843	2,004,843	(817,900)
1,270,190	1,655,376	1,626,421	(356,231)

Anita Municipal Utilities

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

The Anita Municipal Utilities prepares a budget on the cash basis of accounting and submits it to the City Council. 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 classes of disbursements, known as functions, not by fund. The Utilities' disbursements are budgeted in the business type activities function. During the year, one budget amendment increased budgeted disbursements by \$300,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements did not exceed the amount budgeted.

**Other Supplementary Information**

**Schedule 1**

## Anita Municipal Utilities

Combining Schedule of Cash Receipts, Disbursements  
and Changes in Cash Basis Net Assets

## Enterprise Funds

Year ended June 30, 2004

	Water	Electric	Meter Deposits	Total
Operating receipts:				
Charges for service:				
Sale of water	\$ 96,892	-	-	96,892
Sale of electricity	-	548,360	-	548,360
Rental	3,900	5,077	-	8,977
	<u>100,792</u>	<u>553,437</u>	<u>-</u>	<u>654,229</u>
Miscellaneous:				
Refunds and reimbursements	5,064	124,510	-	129,574
Customer deposits	-	-	3,112	3,112
Miscellaneous	1,744	4,313	-	6,057
	<u>6,808</u>	<u>128,823</u>	<u>3,112</u>	<u>138,743</u>
Total operating receipts	<u>107,600</u>	<u>682,260</u>	<u>3,112</u>	<u>792,972</u>
Operating disbursements:				
Business type activities:				
Plant operation and maintenance:				
Salaries and benefits	46,398	101,583	-	147,981
Purchase of power	-	135,896	-	135,896
Insurance	11,808	23,617	-	35,425
Supplies	-	23,011	-	23,011
Miscellaneous	3,023	46,621	-	49,644
	<u>61,229</u>	<u>330,728</u>	<u>-</u>	<u>391,957</u>
Distribution:				
Salaries and benefits	23,461	46,953	-	70,414
Supplies	18,122	39,806	-	57,928
Equipment	7,960	18,399	-	26,359
	<u>49,543</u>	<u>105,158</u>	<u>-</u>	<u>154,701</u>
Accounting and collecting:				
Salaries and benefits	5,226	10,458	-	15,684
Office supplies	4,797	11,150	-	15,947
Miscellaneous	1,839	300	2,301	4,440
	<u>11,862</u>	<u>21,908</u>	<u>2,301</u>	<u>36,071</u>
Administration	3,577	53,612	-	57,189
Total operating disbursements	<u>126,211</u>	<u>511,406</u>	<u>2,301</u>	<u>639,918</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(18,611)</u>	<u>170,854</u>	<u>811</u>	<u>153,054</u>

## Anita Municipal Utilities

Combining Schedule of Cash Receipts, Disbursements  
and Changes in Cash Basis Net Assets

## Enterprise Funds

Year ended June 30, 2004

	Water	Electric	Meter Deposits	Total
Non-operating receipts (disbursements):				
Interest on investments	-	40,138	-	40,138
Sewer fees collected for the City	81,119	-	-	81,119
Sewer fees remitted to the City	(81,119)	-	-	(81,119)
Payment in lieu of taxes remitted to the City	-	(31,375)	-	(31,375)
Debt service:				
Principal redeemed	-	(40,000)	-	(40,000)
Interest paid	-	(38,570)	-	(38,570)
Total non-operating receipts (disbursements)	-	(69,807)	-	(69,807)
Excess (deficiency) of receipts over (under) disbursements	(18,611)	101,047	811	83,247
Operating transfers in (out):				
Enterprise:				
Meter Deposits	(1,343)	6,457	-	5,114
Water	-	-	1,343	1,343
Electric	-	-	(6,457)	(6,457)
Total operating transfers in (out)	(1,343)	6,457	(5,114)	-
Net change in cash basis net assets	(19,954)	107,504	(4,303)	83,247
Cash basis net assets beginning of year	48,168	1,122,615	16,160	1,186,943
Cash basis net assets end of year	\$ 28,214	1,230,119	11,857	1,270,190

See accompanying independent auditor's report.



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Anita Municipal Utilities

Schedule of Indebtedness

Year ended June 30, 2004

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Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue notes:			
Electric	May 1, 2002	3.25 - 5.6%	\$ 820,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
780,000	-	40,000	740,000	38,570

**Anita Municipal Utilities**



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Trustees of the  
Anita Municipal Utilities:

We have audited the financial statement of the Anita Municipal Utilities, as of and for the year ended June 30, 2004, and have issued our report thereon dated April 12, 2005. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Anita Municipal Utilities' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Utilities. 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 prior year statutory comment has been resolved.

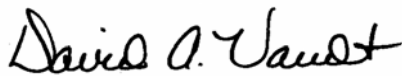
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Anita Municipal Utilities' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Anita Municipal Utilities' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. The reportable conditions are described in the accompanying Schedule of Findings.

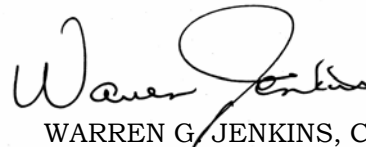
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we believe items (A) and (B) to be material weaknesses. The prior year reportable condition has been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Anita Municipal Utilities and other parties to whom the Anita Municipal Utilities 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 Anita Municipal Utilities 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

April 12, 2005

Anita Municipal Utilities

Schedule of Findings

Year ended June 30, 2004

**Findings Related to the Financial Statement:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS:**

- (A) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled. In addition, one customer payment for \$215 could not be traced to a subsequent deposit.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies. The Board or other independent person should review the reconciliation and monitor delinquencies.

Response – Reconciliations were previously done by the former secretary. Until this past visit from the auditor, we had not prepared these. Every effort has been made to prepare such a reconciliation report. However, due to time restraints, reconciliations are not yet complete. We are now going to reconcile our accounts as per the recommendation of the auditor.

Conclusion – Response accepted.

- (B) Monthly Financial Statements – Prior to December 2003, monthly financial statements were prepared, including receipts classified by source and disbursements classified by activity. These financial statements were discontinued and replaced with a Treasurer's Report which reported receipts and disbursements in total for the month, including internal transfers. Due to this change in recordkeeping, detailed financial statements were not maintained and a year-to-date financial report was not available.

Recommendation – The Utilities should prepare detailed monthly financial statements which classify receipts by source and disbursements by activity. In addition, a year-to-date financial statement should be prepared at fiscal year-end.

Response – We are presently classifying receipts by source and disbursements by activity and will prepare a year-end financial statement.

Conclusion – Response accepted.

- (C) Accounting Policies and Procedures Manual – The Utilities does not have an accounting policies and procedures manual. A policies and procedures manual would aid in training additional or replacement personnel and help achieve uniformity in accounting and in the application of policies and procedures. In addition, it would record decisions so they will not have to be made each time the same, or a similar, situation arises.

Anita Municipal Utilities

Schedule of Findings

Year ended June 30, 2004

Recommendation – An accounting policies and procedures manual should be developed.

Response – A manual is being developed and is a loose collection of notes, reminders and files at the moment. Due to major changes in our tariff and billing program occasioned by the Iowa Utilities Board, many procedures are being changed. Once these changes are completed, our procedures will be verified and organized into a manual.

Conclusion – Response accepted.

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories – A resolution naming official depositories has been approved by the Utilities. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – The budget certified by the City of Anita includes an amount budgeted for the Anita Municipal Utilities. Disbursements during the year ended June 30, 2004 did not exceed the amount budgeted.
- (3) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.
- (5) Business Transactions – No business transactions between the Utilities and Utilities' officials or employees were noted.
- (6) Bond Coverage – Surety bond coverage of Utilities' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Minutes of the June 15 and July 24, 2004 Board meetings were not published within fifteen days as required by Chapter 473.24(6) of the Code of Iowa.

Recommendation – The Utilities should publish minutes as required.

Response – The June 15 minutes could not be published within less than 14 days (Anita Tribune of June 29) due to the paper being distributed every Thursday only. The July 13 Board meeting minutes were delayed due to the new employment of the secretary and the unknown deadline for publishing of public minutes. All minutes of board meetings are now presented to the local newspaper within 7-10 days of the meeting. All efforts are made to be timely with these minutes.

Conclusion – Response accepted.

Anita Municipal Utilities

Schedule of Findings

Year ended June 30, 2004

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Utilities' investment policy were noted.
- (9) Revenue Notes – The Utilities has complied with the electric revenue note resolution requirements for the year ended June 30, 2004.



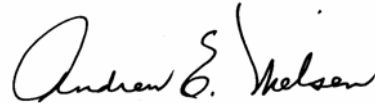
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Anita Municipal Utilities

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Jennifer Campbell, CPA, Senior 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 'N'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State