



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
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NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

February 23, 2023

Auditor of State Rob Sand today released an audit report on the City of Anamosa, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$11,159,142 for the year ended June 30, 2021, a 56.0% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$7,252,047, a 10.0% increase over the prior year. The significant increase in receipts is primarily due to the issuance of general obligation bonds, drawdowns on the water revenue loans and insurance recovery. The increase in disbursements is primarily due to engineering costs for street projects and downtown revitalization projects.

AUDIT FINDINGS:

Sand reported fourteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 48 through 55 of this report. The findings address issues such as a lack of segregation of duties, the lack of reconciliations of utility billings, collections and delinquent accounts, the lack of timely review of bank reconciliations, disbursements exceeding budgeted amounts, and incorrect certifications of tax increment financing debt. Sand provided the City with recommendations to address each of the findings.

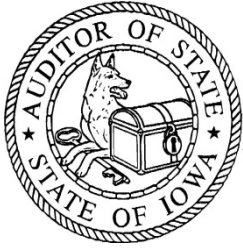
Ten of the fourteen findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at [Audit Reports – Auditor of State](#).

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CITY OF ANAMOSA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2021

City of Anamosa



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STATE OF IOWA

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Telephone (515) 281-5834 Facsimile (515) 281-6518

February 6, 2023

Officials of the City of Anamosa
Anamosa, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Anamosa, Iowa, for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Anamosa throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Anamosa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rod Smith	Mayor	Jan 2022
Galen Capron	Council Member	Jan 2022
John Machart	Council Member	Jan 2022
Kay Smith	Council Member	Jan 2022
Richard Crump	Council Member	Jan 2024
Jeff Stout	Council Member	Jan 2024
Alan Zumbach	Council Member	Jan 2024
Beth Brincks	City Administrator/City Clerk	Indefinite
Patrick O'Connell	Attorney	Indefinite

City of Anamosa



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Anamosa, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Anamosa as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

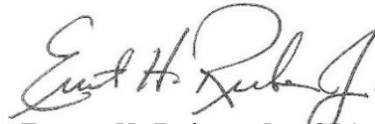
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Anamosa's basic financial statements. The financial statements for the eight years ended June 30, 2019 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2020 (which are not presented herein) and expressed an unmodified opinion on those financial statements which were prepared on the basis of cash receipts and disbursements. The 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 statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 32 through 40, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2023 on our consideration of the City of Anamosa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Anamosa's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 6, 2023

City of Anamosa

Basic Financial Statements

City of Anamosa

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,134,290	797	411,238	-
Public works	1,011,998	54,099	288	828,082
Culture and recreation	1,125,747	74,671	223,253	-
Community and economic development	12,847	4,225	800	-
General government	738,737	121,669	-	-
Debt service	380,127	-	200	-
Capital projects	468,221	-	-	119,419
Total governmental activities	4,871,967	255,461	635,779	947,501
Business type activities:				
Water	1,080,674	1,116,756	12,641	-
Sewer	1,299,406	1,716,541	7,473	-
Total business type activities	2,380,080	2,833,297	20,114	-
Total Primary Government	\$ 7,252,047	3,088,758	655,893	947,501
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond proceeds net of premium of \$21,197 and issuance costs of \$10,475				
Miscellaneous				
Insurance recovery				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Capital projects				
Debt service				
Local option sales tax purposes				
Library purposes				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Primary Government		
Governmental Activities	Business Type Activities	Total
(722,255)	-	(722,255)
(129,529)	-	(129,529)
(827,823)	-	(827,823)
(7,822)	-	(7,822)
(617,068)	-	(617,068)
(379,927)	-	(379,927)
(348,802)	-	(348,802)
<u>(3,033,226)</u>	<u>-</u>	<u>(3,033,226)</u>
-	48,723	48,723
-	424,608	424,608
-	473,331	473,331
<u>(3,033,226)</u>	<u>473,331</u>	<u>(2,559,895)</u>
1,994,998	-	1,994,998
75,646	-	75,646
326,860	-	326,860
577,793	-	577,793
71,673	-	71,673
46,726	-	46,726
8,104	-	8,104
1,760,722	730,103	2,490,825
39,824	-	39,824
828,652	-	828,652
5,889	-	5,889
176,402	(176,402)	-
<u>5,913,289</u>	<u>553,701</u>	<u>6,466,990</u>
2,880,063	1,027,032	3,907,095
<u>6,505,684</u>	<u>4,696,048</u>	<u>11,201,732</u>
<u>\$ 9,385,747</u>	<u>5,723,080</u>	<u>15,108,827</u>
\$ 107,403	-	107,403
1,398,143	-	1,398,143
1,467,547	758,475	2,226,022
424,021	766,932	1,190,953
926,240	-	926,240
608,857	-	608,857
312,050	-	312,050
4,141,486	4,197,673	8,339,159
<u>\$ 9,385,747</u>	<u>5,723,080</u>	<u>15,108,827</u>

City of Anamosa

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

As of and for the year ended June 30, 2021

	Special		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 1,373,498	-	-
Tax increment financing	-	-	-
Local option sales tax	-	-	577,793
Other city tax	108,906	-	-
Licenses and permits	154,700	-	-
Use of money and property	12,982	-	288
Intergovernmental	421,457	828,082	-
Charges for service	106,433	-	-
Miscellaneous	927,049	999	-
Total receipts	<u>3,105,025</u>	<u>829,081</u>	<u>578,081</u>
Disbursements:			
Operating:			
Public safety	1,069,011	-	-
Public works	493,466	419,416	99,116
Culture and recreation	938,021	-	187,726
Community and economic development	-	-	-
General government	678,373	-	60,364
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>3,178,871</u>	<u>419,416</u>	<u>347,206</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(73,846)</u>	<u>409,665</u>	<u>230,875</u>
Other financing sources (uses):			
General obligation bond proceeds net of premium of \$21,197 and issuance costs of \$10,475	-	-	-
Sale of capital assets	1,936	3,953	-
Transfers in	981,663	-	-
Transfers out	(27,439)	(233,000)	(25,976)
Total other financing sources (uses)	<u>956,160</u>	<u>(229,047)</u>	<u>(25,976)</u>
Change in cash balances	882,314	180,618	204,899
Cash balances beginning of year	<u>3,259,172</u>	<u>1,217,525</u>	<u>721,341</u>
Cash balances end of year	<u>\$ 4,141,486</u>	<u>1,398,143</u>	<u>926,240</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	1,398,143	-
Capital projects	-	-	-
Debt service	-	-	-
Local option sales tax purposes	-	-	926,240
Library purposes	-	-	-
Other purposes	-	-	-
Unassigned	<u>4,141,486</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 4,141,486</u>	<u>1,398,143</u>	<u>926,240</u>

See notes to financial statements.

<u>Revenue</u>			
Employee Benefits	Capital Projects	Nonmajor	Total
568,414	-	75,062	2,016,974
-	-	326,860	326,860
-	-	-	577,793
14,103	-	2,334	125,343
-	-	-	154,700
247	-	17,586	31,103
13,184	-	1,635	1,264,358
-	-	-	106,433
-	119,419	157,986	1,205,453
595,948	119,419	581,463	5,809,017
-	-	65,279	1,134,290
-	-	-	1,011,998
-	-	-	1,125,747
-	-	12,847	12,847
-	-	-	738,737
-	-	380,127	380,127
-	468,221	-	468,221
-	468,221	458,253	4,871,967
595,948	(348,802)	123,210	937,050
-	1,760,722	-	1,760,722
-	-	-	5,889
-	-	304,692	1,286,355
(541,591)	-	(281,947)	(1,109,953)
(541,591)	1,760,722	22,745	1,943,013
54,357	1,411,920	145,955	2,880,063
116,332	55,627	1,135,687	6,505,684
170,689	1,467,547	1,281,642	9,385,747
-	-	107,403	107,403
-	-	-	1,398,143
-	1,467,547	-	1,467,547
-	-	424,021	424,021
-	-	-	926,240
-	-	608,857	608,857
170,689	-	141,361	312,050
-	-	-	4,141,486
170,689	-	1,281,642	9,385,747

City of Anamosa

City of Anamosa

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

As of and for the year ended June 30, 2021

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 1,116,756	1,716,541	2,833,297
Miscellaneous	9,732	-	9,732
Total operating receipts	1,126,488	1,716,541	2,843,029
Operating disbursements:			
Business type activities	822,479	776,331	1,598,810
Excess of operating receipts over operating disbursements	304,009	940,210	1,244,219
Non-operating receipts (disbursements):			
Interest on investments	2,909	7,473	10,382
Revenue bond proceeds	730,103	-	730,103
Debt service	(214,575)	(124,640)	(339,215)
Capital projects	(43,620)	(398,435)	(442,055)
Net non-operating receipts (disbursements)	474,817	(515,602)	(40,785)
Excess of receipts over disbursements	778,826	424,608	1,203,434
Transfers out	(88,201)	(88,201)	(176,402)
Change in cash balances	690,625	336,407	1,027,032
Cash balances beginning of year	337,430	4,358,618	4,696,048
Cash balances end of year	\$ 1,028,055	4,695,025	5,723,080
Cash Basis Fund Balances			
Restricted for debt service	\$ 472,811	294,121	766,932
Restricted for capital projects	154,653	603,822	758,475
Unrestricted	400,591	3,797,082	4,197,673
Total cash basis fund balances	\$ 1,028,055	4,695,025	5,723,080

See notes to financial statements.

City of Anamosa

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

The City of Anamosa is a political subdivision of the State of Iowa located in Jones County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Anamosa 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 Anamosa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

Anamosa Fire Fighters Association has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa. The Anamosa Fire Fighters Association receives donations for the benefit of the Anamosa Fire Department. These donations are to be used to purchase items which are not included in the City's budget. The Anamosa Fire Fighters Association is legally separate from the City but is so entwined with the City it is, in substance, the same as the City. In accordance with criteria set forth by the Governmental Accounting Standards Board, Anamosa Fire Fighters Association meets the definition of a component unit which should be blended. It is reported as part of the City and blended into the Special Revenue Funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jones County Emergency Management Commission, Jones County Joint 911 Service Board, County Assessor's Conference Board and the Anamosa Fire Service Board.

B. Basis of Presentation

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

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent, Cemetery Perpetual Fund.

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds 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 from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for receipts from the tax authorized by referendum and used for any lawful purpose of the City.

The Employee Benefits Fund is used to account for property tax levied to finance the payment of employee benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with 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 position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the general government function.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2021 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. 72.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 540,000	1,750,000	265,000	2,025,000	395,000
General obligation notes	241,400	-	94,200	147,200	95,000
Governmental activities total	<u>\$ 781,400</u>	<u>1,750,000</u>	<u>359,200</u>	<u>2,172,200</u>	<u>490,000</u>
Business type activities:					
Water revenue bonds - direct borrowing	\$ 2,217,579	730,103	168,682	2,779,000	293,000
Sewer revenue bonds - direct borrowing	832,000	-	108,000	724,000	120,000
Business-type activities total	<u>\$ 3,049,579</u>	<u>730,103</u>	<u>276,682</u>	<u>3,503,000</u>	<u>413,000</u>

General Obligation Bonds

A summary of the City's June 30, 2021 general obligation bonds payable is as follows:

Year Ending June 30,	GO Refunding Bond Series 2012A			GO Bond Series 2021			Total		
	Issued May 15, 2012			Issued Mar 9, 2021					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	2.25%	\$ 275,000	6,188	1.00%	\$ 120,000	22,088	\$ 395,000	28,276	423,276
2023		-	-	1.00	135,000	16,790	135,000	16,790	151,790
2024		-	-	1.00	135,000	15,440	135,000	15,440	150,440
2025		-	-	1.00	140,000	14,090	140,000	14,090	154,090
2026		-	-	1.00	140,000	12,690	140,000	12,690	152,690
2027-2033		-	-	1.00-1.20	1,080,000	47,320	1,080,000	47,320	1,127,320
Totals		\$ 275,000	6,188		\$ 1,750,000	128,418	\$ 2,025,000	134,606	2,159,606

On May 15, 2012, the City issued \$2,625,000 of general obligation bonds with interest rates ranging from 2.00-2.25% per annum. The bonds were issued for refunding of the City's general obligation Series 2009 notes and the road use tax revenue notes, Series 2002. During the year ended June 30, 2021, the City paid \$265,000 of principal and \$11,753 of interest on the bonds.

On March 9, 2021, the City issued \$1,750,000 of general obligation bonds with interest rates ranging from 1.00-1.20% per annum. The bonds were issued for the police station, fire station, property improvement projects and street and highway improvements. During the year ended June 30, 2022, the City was not required to make a principal or interest payment.

General Obligation Notes

A summary of the City's June 30, 2021 general obligation notes payable is as follows:

Year Ending June 30,	Corporate Purpose Note 2011			Fire Truck Acquisition			Total		
	Issued Oct 18, 2011			Issued Oct 5, 2017					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	3.80%	\$ 70,000	2,660	3.15%	\$ 25,000	2,466	\$ 95,000	5,126	100,126
2023		-	-	3.15	25,700	1,667	25,700	1,667	27,367
2024		-	-	3.15	26,500	846	26,500	846	27,346
Total		\$ 70,000	2,660		\$ 77,200	4,979	\$ 147,200	7,639	154,839

On October 18, 2011, the City issued \$700,000 of general obligation notes with interest rates ranging from 1.40% to 3.80% per annum. The notes were issued for street construction, curb, gutter, and sidewalk improvements. During the year ended June 30, 2021, the City paid \$70,000 of principal and \$5,180 of interest on the notes.

On October 5, 2017, the City issued \$171,400 of general obligation notes with an interest rate of 3.15% per annum. The notes were issued to purchase a fire truck. During the year ended June 30, 2021, the City paid \$24,200 of principal and \$3,194 of interest on the notes.

Revenue Bonds – Direct Borrowing

A summary of the City’s June 30, 2021 revenue bonds payable is as follows:

Year Ending June 30,	Sewer			Water		
	Issued Feb 12, 2008			Issued Sep 13, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	1.75%	\$ 111,000	12,670	1.75%	\$ 98,000	23,065
2023	1.75	115,000	10,728	1.75	100,000	21,350
2024	1.75	119,000	8,715	1.75	102,000	19,600
2025	1.75	122,000	6,633	1.75	104,000	17,815
2026	1.75	126,000	4,498	1.75	106,000	15,995
2027-2031	1.75	131,000	2,293	1.75	566,000	51,276
2032-2036	1.75	-	-	1.75	242,000	6,370
2037-2038	1.75	-	-	-	-	-
Total		<u>\$ 724,000</u>	<u>45,537</u>		<u>\$ 1,318,000</u>	<u>155,471</u>

Year Ending June 30,	Water			Total		
	Issued Dec 8, 2017					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	1.75%	\$ 75,000	25,568	\$ 284,000	61,303	345,303
2023	1.75	76,000	24,255	291,000	56,333	347,333
2024	1.75	77,000	22,925	298,000	51,240	349,240
2025	1.75	78,000	21,578	304,000	46,026	350,026
2026	1.75	80,000	20,213	312,000	40,706	352,706
2027-2031	1.75	421,000	79,592	1,118,000	133,161	1,251,161
2032-2036	1.75	459,000	41,424	701,000	47,794	748,794
2037-2038	1.75	195,000	5,128	195,000	5,128	200,128
Total		<u>\$ 1,461,000</u>	<u>240,683</u>	<u>\$ 3,503,000</u>	<u>441,691</u>	<u>3,944,691</u>

Sewer Revenue Loan Bonds – Direct Borrowing

On February 12, 2008, the City entered into an agreement with the Iowa Finance Authority for the issuance of sewer revenue bonds of \$2,320,000 with interest at 1.75% per annum. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2021, the City paid principal of \$108,000 and interest of \$14,560, leaving a principal balance of \$724,000 at June 30, 2021.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,320,000 of sewer revenue bonds issued in February 2008. The bonds are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the bonds are expected to require 13.0% of net receipts. The total principal and interest remaining to be paid on the bonds is \$769,537. For the current year, principal and interest paid and total customer net receipts were \$122,560 and \$940,210, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Enterprise Fund for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

Water Revenue Loan Bonds – Direct Borrowing

On September 13, 2013, the City entered into an agreement with the Iowa Finance Authority for the issuance of water revenue bonds of \$2,020,000 with interest at 1.75% per annum. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the water utility. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2021, the City paid principal of \$96,000 and interest of \$24,745, leaving a principal balance of \$1,318,000 at June 30, 2021.

On December 8, 2017, the City entered into an agreement with the Iowa Finance Authority (IFA) for the issuance of water revenue bonds of up to \$1,801,000 with interest at 1.75% per annum. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of planning, designing and constructing improvements and extensions to the water utility. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement.

During the year ended June 30, 2021 the City drew down \$730,103. As of June 30, 2021 a total of \$1,683,682 of the \$1,801,000 authorized amount has been drawn. The remaining \$117,318 of the authorized amount will not be drawn and the City has adopted a final repayment schedule. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance. During the year ended June 30, 2021, the City paid principal of \$72,682 and interest of \$15,411, leaving a principal balance of \$1,461,000 at June 30, 2021.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,020,000 and \$1,683,682 of water revenue bonds issued in September 2013 and December 2017. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2038. Annual principal and interest payments on the bonds are expected to require approximately 69.0% of net receipts. The total principal and interest remaining to be paid on the bonds is \$3,175,154. For the current year, principal and interest paid and total customer net receipts were \$208,838 and \$304,009, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue bond sinking account within the Enterprise Fund for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$140,770.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$933,054 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.013282%, which was an increase of 0.001648% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$196,114, \$259,340 and \$133,882, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS’ investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’ fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS’ investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,812,217	933,054	196,221

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$211,114 and plan members eligible for benefits contributed \$23,457 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Anamosa and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	26
Total	<u>26</u>

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave, compensatory time, and holiday 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 sick leave payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 51,000
Compensatory time	4,000
Holiday	19,000
Total	<u>\$ 74,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 233,000
	Local Option Sales Tax	25,976
	Employee Benefits	541,591
	Anamosa/Monticello Local Access	3,893
	Wetlands Project	801
	Enterprise:	
	Water	88,201
	Sewer	88,201
		<u>981,663</u>
Debt Service	General	27,439
	Special Revenue:	
	Tax Increment Financing	235,242
	Special Assessments	42,011
	<u>304,692</u>	
Total		<u>\$ 1,286,355</u>

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

(8) Risk Management

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

(9) Development Agreement

The City has entered into development agreements with Fareway, Eagle View Land Development and Blue Max for the construction of a commercial grocery store and to reimburse developers for a portion of the cost of improvements constructed. The City agreed to pay the developers amounts not to exceed \$250,000, \$1,725,000 and \$25,000, respectively, subject to annual appropriation by the City Council. The agreement requires either semi-annual or annual payments ranging between ten to fifteen years, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City rebated \$12,847 of incremental property tax to the developer. At June 30, 2021, the remaining balance to be paid on the Fareway agreement was \$214,423, the Eagle View Land Development agreement was \$1,725,000 and the Blue Max agreement was \$25,000. The amount appropriated for payment in the next fiscal year is \$12,807.

(10) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2021, \$5,433 of property tax was diverted from the City under the urban renewal and economic development agreements.

(11) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of City of Anamosa, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Anamosa's operations and finances.

(12) Subsequent Events

In December 2021, the City issued \$3,189,000 of water revenue bonds, series 2022.

In October 2022, the City issued \$2,200,000 of general obligation bonds for paying the costs of constructing street, water system, sanitary sewer system, storm water drainage and sidewalk improvements, acquiring and installing street lighting, signage and signalization improvements.

(13) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

City of Anamosa

Other Information

City of Anamosa
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 2,016,974	-	-	2,016,974
Tax increment financing	326,860	-	-	326,860
Other city tax	703,136	-	-	703,136
Licenses and permits	154,700	-	-	154,700
Use of money and property	31,103	10,382	-	41,485
Intergovernmental	1,264,358	-	-	1,264,358
Charges for service	106,433	2,833,297	-	2,939,730
Miscellaneous	1,205,453	9,732	155,836	1,059,349
Total receipts	<u>5,809,017</u>	<u>2,853,411</u>	<u>155,836</u>	<u>8,506,592</u>
Disbursements:				
Public safety	1,134,290	-	65,279	1,069,011
Public works	1,011,998	-	-	1,011,998
Culture and recreation	1,125,747	-	-	1,125,747
Community and economic development	12,847	-	-	12,847
General government	738,737	-	-	738,737
Debt service	380,127	-	-	380,127
Capital projects	468,221	-	-	468,221
Business type activities	-	2,380,080	-	2,380,080
Total disbursements	<u>4,871,967</u>	<u>2,380,080</u>	<u>65,279</u>	<u>7,186,768</u>
Cash balances beginning of year				
over (under) disbursements	937,050	473,331	90,557	1,319,824
Other financing sources, net	1,943,013	553,701	-	2,496,714
Change in balances	2,880,063	1,027,032	90,557	3,816,538
Balances beginning of year	6,505,684	4,696,048	-	11,201,732
Balances end of year	<u>\$ 9,385,747</u>	<u>5,723,080</u>	<u>90,557</u>	<u>15,018,270</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
1,974,112	1,974,112	42,862
329,788	329,788	(2,928)
603,264	603,264	99,872
170,600	170,600	(15,900)
50,100	50,100	(8,615)
840,961	1,604,556	(340,198)
3,012,800	3,012,800	(73,070)
246,776	1,091,922	(32,573)
7,228,401	8,837,142	(330,550)
1,140,645	1,284,386	215,375
1,062,115	1,262,115	250,117
1,125,021	1,875,021	749,274
19,272	39,272	26,425
630,809	661,809	(76,928)
382,252	382,252	2,125
5,000,000	2,250,000	1,781,779
2,974,383	7,974,383	5,594,303
12,334,497	15,729,238	8,542,470
(5,106,096)	(6,892,096)	8,211,920
5,007,500	6,757,500	(4,260,786)
(98,596)	(134,596)	3,951,134
9,339,866	9,339,866	1,861,866
9,241,270	9,205,270	5,813,000

City of Anamosa

City of Anamosa

Notes to Other Information – Budgetary Reporting

June 30, 2021

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the 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, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,394,741. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the general government function.

City of Anamosa

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Seven Years*
(In Thousands)

Other Information

	2020	2020	2019	2018
City's proportion of the net pension liability	0.013282%	0.011634%	0.018580%	0.018198%
City's proportionate share of the net pension liability	\$ 933	674	773	910
City's covered payroll	\$ 1,472	1,375	1,325	1,436
City's proportionate share of the net pension liability as a percentage of its covered payroll	63.38%	49.02%	58.34%	63.37%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

2017	2016	2015
0.018715%	0.017227%	0.016296%
868	629	423
1,370	1,233	1,186
63.36%	51.01%	35.67%
81.82%	85.91%	87.61%

City of Anamosa

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 141	141	133	122
Contributions in relation to the statutorily required contribution	<u>(141)</u>	<u>(141)</u>	<u>(133)</u>	<u>(122)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,483	1,472	1,375	1,325
Contributions as a percentage of covered payroll	9.51%	9.58%	9.67%	9.21%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
132	127	114	108	94	88
(132)	(127)	(114)	(108)	(94)	(88)
-	-	-	-	-	-
1,436	1,370	1,233	1,186	1,091	1,140
9.19%	9.27%	9.25%	9.11%	8.62%	7.72%

City of Anamosa

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Anamosa

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

As of and for the year ended June 30, 2021

	Police Forfeitures	Police Canine	Anamosa/ Monticello Local Access	Special Tax Increment Financing
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing	-	-	-	326,860
Other city tax	-	-	-	-
Use of money and property	-	3	11	-
Intergovernmental	-	-	-	-
Miscellaneous	-	50	-	-
Total receipts	-	53	11	326,860
Disbursements:				
Operating:				
Public safety	-	-	-	-
Community and economic development	-	-	-	12,847
Debt service	-	-	-	-
Total disbursements	-	-	-	12,847
Excess (deficiency) of receipts over (under) disbursements	-	53	11	314,013
Other financing uses:				
Transfers in	-	-	-	-
Transfers out	-	-	(3,893)	(235,242)
Total other financing sources (uses)	-	-	(3,893)	(235,242)
Change in cash balances	-	53	(3,882)	78,771
Cash balances beginning of year	618	4,338	3,882	250,478
Cash balances end of year	\$ 618	4,391	-	329,249
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Debt service	-	-	-	329,249
Library purposes	-	-	-	-
Other purposes	618	4,391	-	-
Total cash basis fund balances	\$ 618	4,391	-	329,249

See accompanying independent auditor's report.

Revenue					Permanent		
Special Assessments	Library Special Gift	Wetlands Project	Anamosa Firefighters Association	Debt Service	Cemetery Operations	Cemetery Perpetual Care	Total
-	-	-	-	75,062	-	-	75,062
-	-	-	-	-	-	-	326,860
-	-	-	-	2,334	-	-	2,334
789	16,583	-	-	200	-	-	17,586
-	-	-	-	1,635	-	-	1,635
-	-	-	155,836	-	-	2,100	157,986
789	16,583	-	155,836	79,231	-	2,100	581,463
-	-	-	65,279	-	-	-	65,279
-	-	-	-	-	-	-	12,847
-	-	-	-	380,127	-	-	380,127
-	-	-	65,279	380,127	-	-	458,253
789	16,583	-	90,557	(300,896)	-	2,100	123,210
-	-	-	-	304,692	-	-	304,692
(42,011)	-	(801)	-	-	-	-	(281,947)
(42,011)	-	(801)	-	304,692	-	-	22,745
(41,222)	16,583	(801)	90,557	3,796	-	2,100	145,955
87,017	592,274	801	-	90,976	10,000	95,303	1,135,687
45,795	608,857	-	90,557	94,772	10,000	97,403	1,281,642
-	-	-	-	-	10,000	97,403	107,403
-	-	-	-	94,772	-	-	424,021
-	608,857	-	-	-	-	-	608,857
45,795	-	-	90,557	-	-	-	141,361
45,795	608,857	-	90,557	94,772	10,000	97,403	1,281,642

City of Anamosa

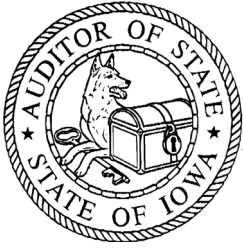
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2021	2020	2019	2018
Receipts:				
Property tax	\$ 2,016,974	1,825,587	1,635,694	1,664,535
Tax increment financing	326,860	273,409	239,728	189,723
Local option sales tax	577,793	483,109	413,088	390,284
Other city tax	125,343	120,693	538,017	518,594
Licenses and permits	154,700	169,201	43,199	44,733
Use of money and property	31,103	52,241	44,335	43,621
Intergovernmental	1,264,358	1,032,785	1,227,567	1,599,767
Charges for service	106,433	113,910	215,196	238,574
Special assessments	-	-	-	-
Miscellaneous	1,205,453	157,491	134,986	109,141
Total	\$ 5,809,017	4,228,426	4,491,810	4,798,972
Disbursements:				
Operating:				
Public safety	\$ 1,134,290	1,157,885	1,133,363	1,278,647
Public works	1,011,998	880,274	1,044,099	985,529
Culture and recreation	1,125,747	834,280	789,281	761,352
Community and economic development	12,847	38,580	15,842	73,684
General government	738,737	676,445	563,524	377,105
Debt service	380,127	377,346	323,331	288,427
Capital projects	468,221	88,823	679,289	4,164,953
Total	\$ 4,871,967	4,053,633	4,548,729	7,929,697

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
1,703,003	1,582,700	1,657,935	1,682,126	1,539,742	1,481,339
224,143	876,784	389,230	388,890	408,257	489,084
413,956	410,275	426,392	379,049	403,965	373,967
469,426	417,964	332,327	311,884	280,702	274,333
44,071	7,749	8,427	9,895	15,476	17,955
30,376	45,828	30,569	15,864	22,195	28,639
757,397	1,059,187	910,655	821,455	2,371,767	5,156,872
417,898	453,083	391,787	417,423	262,680	259,461
-	154	18,288	14,560	36,922	26,754
120,730	790,208	116,209	73,329	301,615	288,067
4,181,000	5,643,932	4,281,819	4,114,475	5,643,321	8,396,471
1,026,258	913,736	1,137,913	918,592	891,994	681,310
842,393	968,138	809,212	802,874	788,481	768,386
800,836	755,374	745,751	743,149	703,839	856,699
73,654	69,845	73,473	76,838	75,730	149,609
529,471	502,051	452,474	457,783	542,223	511,355
388,292	1,129,204	768,772	802,508	854,216	3,550,461
365,236	229,805	533,824	1,245,750	1,997,768	5,165,467
4,026,140	4,568,153	4,521,419	5,047,494	5,854,251	11,683,287



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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 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Anamosa, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 6, 2023. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Anamosa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (D) and (E) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Anamosa'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 financial statements. 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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which 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, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Anamosa's Responses to the Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Anamosa 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 6, 2023

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – Generally, one or two individuals in the City may have control over the following areas for which no compensating controls exist:

- (1) Accounting system – performing all accounting functions, including making journal entries and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement functions, handling and recording cash and reconciling.
- (3) Investments – recordkeeping and custody. Investments are not periodically inspected.
- (4) Debt – recordkeeping, compliance and debt payment processing.
- (5) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (6) Utilities – billing, collecting (including utility payments made in the City drop box located outside City Hall), depositing, posting and maintaining receivables records.
- (7) Disbursements – invoice processing, check writing, reconciling and recording.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials to provide additional control through review of financial transactions, reconciliations and financial reports. These independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – We will try to segregate duties as much as possible going forward.

Conclusion – Response accepted.

City of Anamosa

Schedule of Findings

Year ended June 30, 2021

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are in integral part of ensuring the reliability and accuracy of the City’s financial statements.

Condition – A material amount of receipts were incorrectly recorded in the City’s financial records according to the Uniform Chart of Accounts. Adjustments were subsequently made by the City to properly report these amounts in the City’s financial statements.

Cause – City policies do not require, and procedures have not been established to categorize receipts according to the Uniform Chart of Accounts.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and material adjustments to the City’s financial statements were necessary.

Recommendation – The City should ensure all receipts are properly recorded in the financial records according to the recommended Uniform Chart of Accounts.

Response – We are in the process of converting to a new accounting software which will allow for proper categorization of receipts.

Conclusion – Response accepted.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

Cause – Policies have not been established and procedures have not been implemented to maintain delinquent account listings, reconcile utility billings, collections and delinquent account balances and to reconcile utility collections to deposits.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

City of Anamosa

Schedule of Findings

Year ended June 30, 2021

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – We plan to implement a new financial system. At that time, we will work to prepare a reconciliation of utility billings using the new financial system.

Conclusion – Response accepted.

(D) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank accounts and book balances. An independent review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly bank statements are reconciled to the City’s financial records. However, for the year ended June 30, 2021, comprehensive bank reconciliations were not prepared and reviewed in a timely manner for 9 of 12 months.

In addition, we also noted that monthly bank reconciliations had not been prepared from October 2021 through June 2022.

At June 30, 2021, the City had an \$11,695 variance between the bank balance and the calculated book balance which inflated the City’s ending book balance. This variance was caused by a payroll clearing account reconciling item which had been on the bank reconciliations since June 2020. The bank reconciliations prepared by the City did not include this payroll clearing account bank balance, less any reconciling items and book balance.

Cause – Although monthly bank reconciliations were prepared during the year ended June 30, 2021, they were not prepared and reviewed timely. Bank reconciliations were not prepared from October 2021 through June 2022.

Effect – Lack of a timely review of bank reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – Monthly bank reconciliations should be prepared and reviewed in a timely manner by an independent individual. The City should resume preparation of bank reconciliations immediately. The City should resolve the \$11,695 reconciling item during this process.

Response – We have taken steps to resume preparing the monthly bank reconciliations and will resolve the reconciling item.

Conclusion – Response accepted.

City of Anamosa

Schedule of Findings

Year ended June 30, 2021

(E) Credit Card Payments

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding asset from error or misappropriation. Such processes included establishing policies addressing proper asset use and proper supporting documentation.

Condition – The City has credit cards for use by various employees while on City business. For two months tested, the payments made were more than the month-end balance owed per the statements and the payments do not agree to the purchases made during the billing cycle. In addition, supporting documentation such as store receipts were not attached to the credit card statement to support the additional payments made.

Cause – The City has not established procedures to ensure credit card payments are properly supported prior to payment.

Effect – Lack of supporting documentation attached to the statement can result in unrecorded transactions, undetected errors and an opportunity for misappropriation.

Recommendation – The City should establish procedures to ensure credit card payments are properly supported, including identifying which charges are included in the amount paid.

Response – We will ensure the payments made agree to the month-end balance owed.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Anamosa

Schedule of Findings

Year ended June 30, 2021

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget will be amended in the future before it is exceeded.

Conclusion – Response accepted.

- (2) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Elan-Cardmember Service	Late fees and interest	\$ 77

Recommendation – The City should ensure payments are timely to avoid late fees and interest.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) 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.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, the publications did not include a summary of receipts for one publication tested, as required by Chapter 372.13(6) of the Code of Iowa.

City of Anamosa

Schedule of Findings

Year ended June 30, 2021

Recommendation – The City publish a summary of receipts and total disbursements by fund, as required.

Response – We will publish a summary of receipts as required.

Conclusion – Response accepted.

- (8) Deposits and Investments – Deposits and investments were in compliance with the provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy, except for the following:

- (a) The LOST fund and Employee Benefits fund earned interest in fiscal year 2021. Chapter 12.C(7) requires interest earned be credited to the General Fund.
- (b) Interest earned on the proceeds of the \$1,750,000 general obligation bonds was not used to pay the principal or interest of the indebtedness or credited to the Capital Projects Fund for which the indebtedness was issued in accordance with Chapter 12C.9(2) of the Code of Iowa.

Recommendation – The City should comply with Chapter 12C of the Code of Iowa.

Response – The City will discontinue crediting interest to these funds and credit interest to the General Fund in accordance with the Code of Iowa. The City will make a corrective transfer to repay the Capital Projects Fund for the correct interest earned on the proceeds of debt.

Conclusion – Response accepted.

- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

However, the amount reported by the City on the Levy Authority Summary as TIF debt outstanding was overstated by \$912,085.

Recommendation – The City should ensure the debt amounts reported on the Levy Authority Summary agree with the City’s records.

Response – This item will be corrected on next year’s report.

Conclusion – Response accepted.

- (10) Local Option Sales Tax – The voters of the City approved adoption of a 1% Local Option Sales Tax (LOST). The LOST was approved to be used 65% for downtown commercial and business district improvements or any other public improvements, facilities and equipment and 35% for infrastructure needs of the City.

During fiscal year 2021, the City used \$1,750 of LOST funds to pay for a forensic audit. This is not an allowable use of LOST receipts. In addition, \$2,820 questioned as unallowable during fiscal year 2020 has not been reimbursed to the LOST fund.

Recommendation – The City should transfer \$4,570 from an allowable fund, such as the General Fund to the Special Revenue, LOST fund to reimburse the LOST fund for the unallowable disbursements.

City of Anamosa

Schedule of Findings

Year ended June 30, 2021

Response – We will reimburse the LOST fund.

Conclusion – Response accepted.

- (11) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years, without further certification by the City, until the amount of certified indebtedness is paid. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects.

The City certified \$526,600 of estimated LMI costs related to anticipated future projects. In addition, the City certified \$500,000 of anticipated local grant match costs.

Recommendation – The City should decertify \$526,600 estimated LMI costs and the \$500,000 anticipated local grant match costs. Future certifications to the County Auditor should only include amounts representing TIF obligations, not based on anticipated costs, as required by Chapter 403.16 of the Code of Iowa.

Response – We will decertify the \$526,600 of estimated LMI costs and \$500,000 anticipated local grant match costs.

Conclusion – Response accepted.

- (12) Enterprise Fund Transfers – During the year ended June 30, 2021, both the Enterprise Water and Sewer Funds transferred \$88,201 to the City's General Fund. Per City personnel, the funds were transferred from the Enterprise Water and Sewer Funds to the General Fund to reimburse the General Fund for payroll and other expenses incurred for the operation of the Enterprise Funds which were paid by the General Fund.

The City did not maintain documentation of the calculation of the amounts owed the General Fund for payroll and other expenses incurred by the General Fund for the operation of the Enterprise Water and Sewer Funds.

Recommendation – The City should ensure documentation is maintained to support the reimbursement of payroll and other expenses to be reimbursed to the General Fund.

Response – We will prepare and maintain proper documentation of the amounts owed prior to the transfer of funds.

Conclusion – Response accepted.

City of Anamosa

Schedule of Findings

Year ended June 30, 2021

- (13) Questionable Donation – During the fiscal year ended June 30, 2021, the City donated \$3,000 to the Starlighters II, Inc. which is a nonprofit theater organization which produces live plays in the City of Anamosa.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to private, nonprofit corporations. Article III, Section 31 of the Constitution of the State of Iowa states “...no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation or claim be allowed by two-thirds of the members elected to each branch of the General Assembly.”

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that “a governmental body may not donate public funds to a private entity, even if the entity is established for charitable educational purposes and performs work which the government can’t perform directly. The Opinions further state, “Even if the function of a private nonprofit corporation fits within the scope of activities generally recognized as serving a public purpose, a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes.”

“Political subdivisions and municipalities, including cities, counties, schools and townships are municipal – governmental-entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support “public” services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities.”

Recommendation – We are not aware of any statutory authority for the City to donate public funds to private nonprofit organizations. The City should immediately cease making future such donations. However, the City could enter into a contract with the nonprofit which identifies the services to be provided and the cost to the City. A service contract is generally not covered by the rules prohibiting donations, as long as it places obligations upon the nonprofit for how the funds are spent, spells out the benefit to the public received, and provides for accountability in the event the nonprofit does not follow the contract.

Response – We will consult legal counsel, and this will be complied with in the future.

Conclusion – Response accepted.

City of Anamosa

Staff

This audit was performed by:

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