

CITY OF ASBURY

CITY OF ASBURY

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CITY OF ASBURY OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Anderson	Mayor	January 2008
Robert Blok	Mayor Pro tem	January 2006
Deborah Roth	Council Member	January 2006
Mark Nemmers	Council Member	January 2006
Eric Schneider	Council Member	January 2008
Craig Miller	Council Member	January 2008
Elizabeth Bonz	City Administrator, Clerk, Treasurer	Appointed
Sara Burke	Deputy City Clerk	Appointed
Peggy Thill	Office Assistant	Appointed
Stephen Juergens	Attorney	Appointed



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information, of the City of Asbury, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the management of the City of Asbury. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 Asbury as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 16, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 39, *Determining Whether Certain Organizations are Component Units*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 10 and budgetary comparison information on pages 23 and 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the aforementioned financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in schedules 1 through 5 and the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Dubuque, Iowa
December 12, 2006

CITY OF ASBURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

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

This discussion and analysis is intended to be an easily readable analysis of the City's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the audited financial statements.

Using this Annual Report

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

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than U.S. generally accepted accounting principles. The cash basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and accrued revenues) and certain liabilities and their related expenses (such as accounts payable and accrued expenses) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

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

Governmental funds account for most of the City's basic services and are funded primarily through tax revenues. The City's proprietary funds account for the enterprise funds. Enterprise funds are used to report business type activities.

The Statement of Activities and Net Assets is divided into two kinds of activities - Governmental Activities and Business-type (Proprietary) Activities.

Governmental Activities include:

Public Safety – includes police operations, civil service, emergency management, fire protection, ambulance service and building inspections.

Public Works – includes roads, sidewalks, equipment replacement, street lighting, traffic safety and snow removal.

Culture and Recreation – includes library services, parks and recreation.

Community and Economic Development – includes community betterment, trees forever, economic development and planning and zoning.

General Government – includes mayor, city council, city administrator, city clerk, legal services, city hall, insurance and general administration.

Debt Service – includes general obligation and TIF debt.

Capital Projects – SW Collection System Project.

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

Business-type (Proprietary) Funds include the water utility, sewer utility and solid waste utility.

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

Governmental Activities

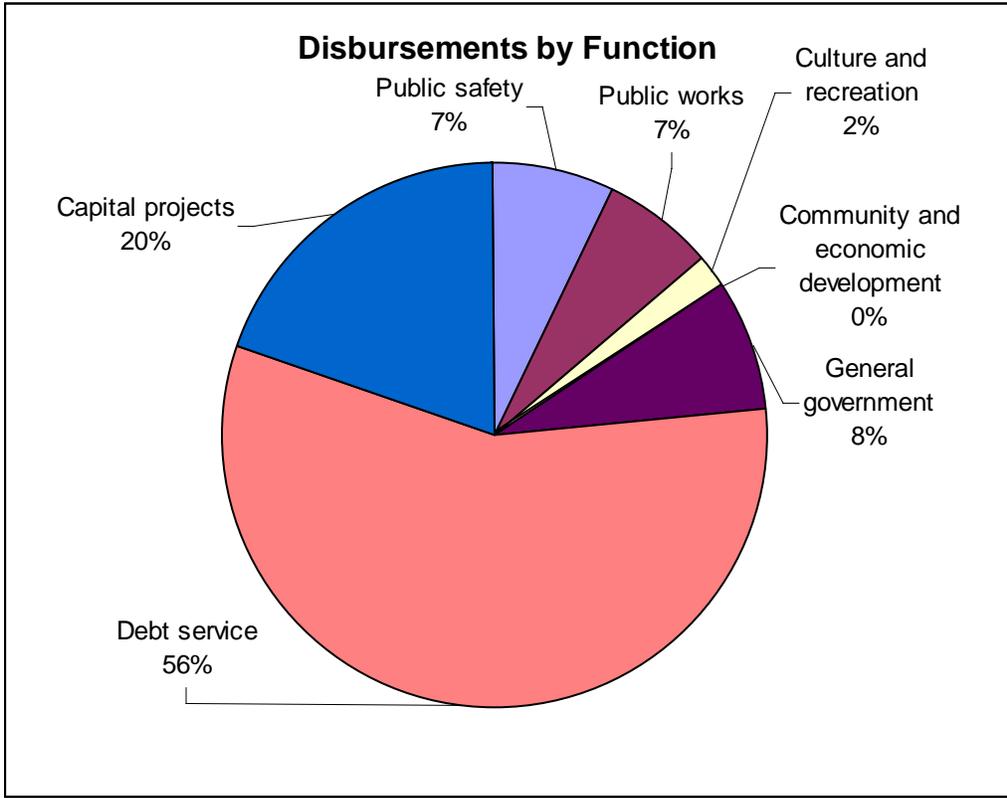
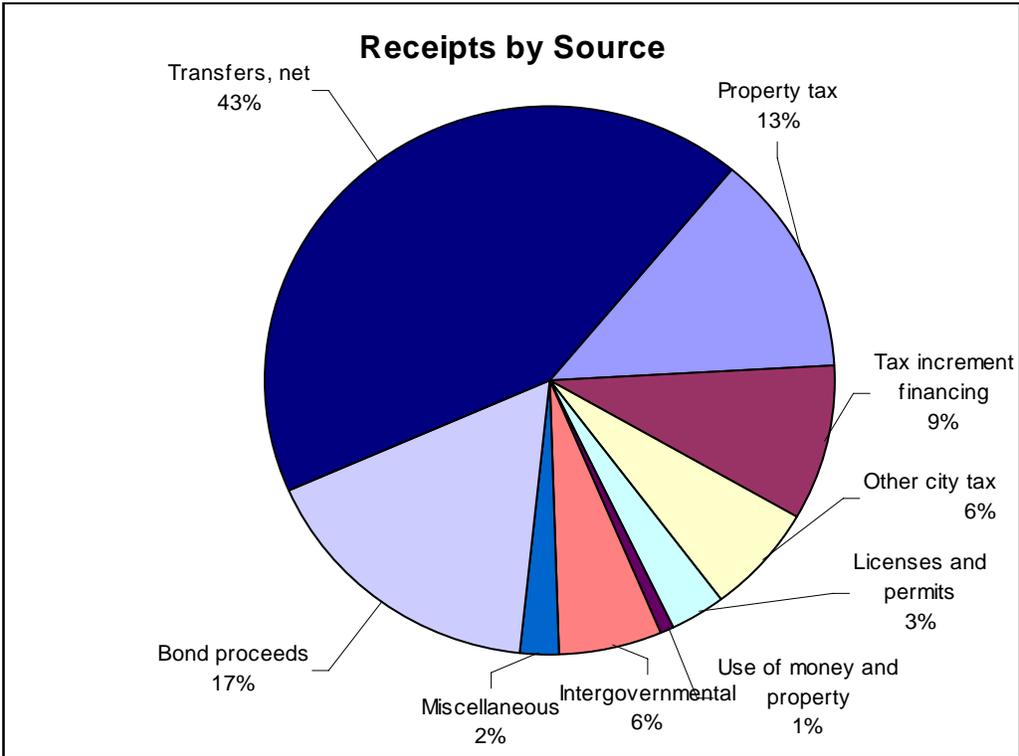
For the year ended June 30, 2004, the City's governmental activities were funded as follows:

Revenues of the City's governmental activities increased 180.6%, or approximately \$2,628,000, from fiscal year 2003 to fiscal year 2004. The increase in other financing sources were for capital projects (SW Collection System) and debt service refinancing (Water Utility). Tax increment financing (TIF) increased approximately \$173,000 and other City tax increased for additional Option Tax revenue. Licenses and permits increased for licensing of contractors and fee changes in construction permits. Intergovernmental revenue decreased because personal property tax replacement funds were not received in the current fiscal year as well as grants from FEMA for flood damage and the Iowa Department of Transportation for trail enhancements.

Disbursements for governmental activities increased 163.1% or approximately \$2,319,000 from fiscal year 2003 to fiscal year 2004. Public Safety increased approximately \$89,000 for the operations of the police department \$20,000, the purchase of a new vehicle \$24,000 and the current operations for building inspections \$34,000. Culture and Recreation decreased approximately \$8,300 for the completion of a park capital project in the year ended June 2003. Community and Economic Development decreased approximately \$381,000 for completion of capital improvements for Saratoga Plaza. Debt Service increased approximately \$1,946,000 for the financing of water improvements. Capital projects increased approximately \$652,000 for the construction of the Southwest Collection System Water and Sewer Improvements for distribution lines and lift stations to serve the western developments in the City. Improvements were approximately 45% complete by June 30, 2004. The remaining portion of this project or approximately \$842,000 worth of improvements will be completed in the next fiscal year.

Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30,	
	2004	2003
Receipts and Transfers:		
General receipts:		
Property tax	\$ 532,391	\$ 526,922
Tax increment financing	373,198	200,010
Other City tax	262,832	234,574
Licenses and permits	126,610	107,400
Use of money and property	27,890	17,705
Intergovernmental	239,081	299,314
Miscellaneous	87,928	64,405
Bond proceeds	690,000	-
Transfers, net	1,743,681	4,817
Total receipts and transfers	4,083,611	1,455,147
Disbursements:		
Public safety	272,199	182,990
Public works	243,126	257,579
Culture and recreation	71,435	79,744
Community and economic development	4,948	386,038
General government	287,549	251,951
Debt service	2,125,181	178,748
Capital projects	736,904	85,055
Total disbursements	3,741,342	1,422,105
Increase in cash basis net assets	342,269	33,042
Cash basis net assets beginning of year	1,192,361	1,159,319
Cash basis net assets end of year	\$ 1,534,630	\$ 1,192,361



Business-type Activities

For the year ended June 30, 2004, the City's business-type activities receipts and disbursements were as follows:

Changes in Cash Basis Net Assets of Business-type Activities

	Year ended June 30,	
	2004	2003
Receipts:		
Program receipts:		
Charges for services	\$ 980,879	\$ 745,710
Use of money and property	11,791	14,475
Miscellaneous	53,223	-
Bond proceeds	1,800,000	-
Total operating receipts	<u>2,845,893</u>	<u>760,185</u>
Disbursements and transfers:		
Business-type activities:		
Operations	461,404	575,319
Capital outlay	83,941	25,296
Debt service	131,060	120,928
Operating transfers (net)	1,743,681	4,816
Payment to refund bond escrow agent	668,340	-
Total operating disbursements and transfers	<u>3,088,426</u>	<u>726,359</u>
Increase (decrease) in cash balance	(242,533)	33,826
Cash basis net assets beginning of year	892,166	858,340
Cash basis net assets end of year	<u>\$ 649,633</u>	<u>\$ 892,166</u>

Revenues of the City's proprietary funds increased 274.4%, or approximately \$2,086,000, from fiscal year 2003 to fiscal year 2004. The City assumed management of the Water Utility August 1, 2003 from the Asbury Area Development Corporation (AADC). Water operating receipts collected were approximately \$510,000 and proceeds from debt \$1,800,000.

Assets purchased for the water utility were for the water tower, water distribution lines, and several wells located throughout the City in the amount of \$3,352,000. The purchase was financed with debt in the amount of \$3,352,000.

Disbursements for proprietary activities increased 325% or approximately \$2,362,000. Water Utility operating disbursements were \$355,000. Sewer Utility operating disbursements increased \$516,000. The City transferred monies to debt service for water improvements acquired from the AADC. The City paid an escrow agent \$668,340 to refund debt.

Individual Major Type Analysis

As of June 30, 2004 the City had cash balances on hand of \$1,534,630 in governmental fund types and \$649,633 in business type funds. The governmental fund type increased \$342,269 and business fund types decreased \$242,533 respectively during fiscal year 2003-2004. The increase in governmental funds is for bond proceeds received for capital improvements and the decrease in funds on hand is due to spending of funds reserved for capital projects.

Budgetary Highlights

City Council approved three budget amendments during the year. The first was to increase receipts and disbursements for capital projects. The second was for correction of an error. The third was to increase receipts for option tax collections, permit fees collected, grant revenue, interest income, special assessment revenue, charges for services and miscellaneous for contributions from the Asbury Area Development Corporation. Disbursements were increased in Public Safety for upgrades to civil defense sirens. General government disbursements increased for replacement of heating and air conditioning and copier in City Hall. Business/enterprise disbursements decreased for reduction in expense for capital item.

For the year ended June 30, 2004, total actual receipts including other financing sources were \$180,336 over the final budget while total actual disbursements including other financing uses were \$407,600 under the final budget. The large difference for budgeted and actual disbursements is mostly due to capital projects not completed prior to the end of the fiscal year.

Debt Outstanding

As of year-end, the City had \$4,785,000 in debt outstanding compared to \$1,759,000 in 2003.

<u>Obligation</u>	<u>June 30,</u> <u>2003</u>	<u>June 30,</u> <u>2004</u>
Governmental		
General Obligation Notes:		
Street Improvements	\$ 290,000	\$ 245,000
Park Expansion	225,000	205,000
City Hall	159,000	140,000
Street Improvements	475,000	430,000
Water Improvements	-	622,000
Water Improvements	-	1,733,000
Subtotal	<u>\$ 1,149,000</u>	<u>\$ 3,375,000</u>
Business-type		
Sewer Revenue	\$ 610,000	\$ -
Water Revenue	-	720,000
Sewer Interim Financing		690,000
Subtotal	<u>\$ 610,000</u>	<u>\$ 1,410,000</u>

There was \$3,232,000 in new debt that was issued for the water utility. The city assumed operation of the water utility and all the assets and liabilities in August 2003. The city also retired \$610,000 in sewer revenue debt. The city also has \$690,000 in short term debt for the financing of the Southwest Collection System. The short-term debt is anticipated to be refinanced with long-term debt in September 2004. The City as of June 30, 2004 is at 52.2% of its bonding capacity. The City's outstanding general obligation debt limit was \$6,463,522.

Economic Factors

While property taxes are important to the City, they represent less than 20% of revenue sources excluding other financing sources. TIF revenues comprise just under 14% of revenues. The largest source, at 36%, comes from fees and charges for utility services. During the fiscal year 2003-2004 the City increased sewer utility charges and water rates. The City also implemented new fees for inspections and permits and licensing of contractors.

Next Year's Budget and Rates

For the year ending June 30, 2005 the general fund increases include an additional \$35,000 for street maintenance and \$36,000 for improvements to the park and trail system. To fund these increases the total corporate levy increased from \$8.94787 to \$10.30. Capital projects budgeted for next year include upgrade and expansion of the wastewater treatment plant and upgrades to the Hales Mill Lift Station. These projects will be financed with a combination of general obligation debt and a state revolving loan. Sewer rates were increased in May of 2004; therefore, future utility rate increases for the financing of this debt is not anticipated.

Financial Contact

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City's Administrator at 5080 Asbury Road, Asbury, IA 52002 or telephone 563-556-7106.

Elizabeth Bonz
City Administrator

BASIC FINANCIAL STATEMENTS

CITY OF ASBURY

CITY OF ASBURY
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions / Programs:				
Governmental activities:				
Public safety	\$ 272,199	\$ 106,653	\$ 22,527	\$ -
Public works	243,126	9,873	204,054	-
Culture and recreation	71,435	8,161	-	-
Community and economic development	4,948	-	-	-
General government	287,549	26,028	-	12,500
Debt service	2,125,181	-	-	-
Capital projects	736,904	-	-	756
Total governmental activities	<u>3,741,342</u>	<u>150,715</u>	<u>226,581</u>	<u>13,256</u>
Business-type activities:				
Sewer utility	830,306	406,843	-	-
Solid waste	139,574	119,055	-	-
Water	374,865	454,981	53,223	-
Total business-type activities	<u>1,344,745</u>	<u>980,879</u>	<u>53,223</u>	<u>-</u>
Total	<u>\$ 5,086,087</u>	<u>\$ 1,131,594</u>	<u>\$ 279,804</u>	<u>\$ 13,256</u>
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Other City tax				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Other purposes				
Debt service				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (143,019)	\$ -	\$ (143,019)
(29,199)	-	(29,199)
(63,274)	-	(63,274)
(4,948)	-	(4,948)
(249,021)	-	(249,021)
(2,125,181)	-	(2,125,181)
(736,148)	-	(736,148)
<u>(3,350,790)</u>	<u>-</u>	<u>(3,350,790)</u>
-	(423,463)	(423,463)
-	(20,519)	(20,519)
-	133,339	133,339
<u>-</u>	<u>(310,643)</u>	<u>(310,643)</u>
<u>(3,350,790)</u>	<u>(310,643)</u>	<u>(3,661,433)</u>
420,284	-	420,284
373,198	-	373,198
112,107	-	112,107
262,832	-	262,832
27,890	11,791	39,681
690,000	1,800,000	2,490,000
39,567	-	39,567
23,500	-	23,500
<u>1,743,681</u>	<u>(1,743,681)</u>	<u>-</u>
<u>3,693,059</u>	<u>68,110</u>	<u>3,761,169</u>
342,269	(242,533)	99,736
<u>1,192,361</u>	<u>892,166</u>	<u>2,084,527</u>
<u>\$ 1,534,630</u>	<u>\$ 649,633</u>	<u>\$ 2,184,263</u>
\$ 315,100	\$ -	\$ 315,100
514,622	-	514,622
12,516	-	12,516
<u>692,392</u>	<u>649,633</u>	<u>1,342,025</u>
<u>\$ 1,534,630</u>	<u>\$ 649,633</u>	<u>\$ 2,184,263</u>

CITY OF ASBURY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Tax Increment Financing
Receipts:				
Property tax	\$ 420,284	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	373,198
Other City tax	4,313	-	257,594	-
Licenses and permits	126,610	-	-	-
Use of money and property	15,640	-	1,975	2,658
Intergovernmental	35,027	204,054	-	-
Charges for service	8,161	-	-	-
Special assessments	-	-	-	-
Miscellaneous	45,638	-	-	-
Total receipts	<u>655,673</u>	<u>204,054</u>	<u>259,569</u>	<u>375,856</u>
Disbursements:				
Operating:				
Public safety	272,199	-	-	-
Public works	75,747	167,379	-	-
Culture and recreation	71,435	-	-	-
Community and economic development	4,948	-	-	-
General government	287,549	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>711,878</u>	<u>167,379</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(56,205)</u>	<u>36,675</u>	<u>259,569</u>	<u>375,856</u>
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Payment of refunded bonds	-	-	-	-
Sale of capital assets	23,500	-	-	-
Operating transfers in	134,435	-	-	-
Operating transfers out	(1,340)	-	(201,250)	(375,856)
Total other financing sources (uses)	<u>156,595</u>	<u>-</u>	<u>(201,250)</u>	<u>(375,856)</u>
Net change in cash balances	100,390	36,675	58,319	-
Cash balances beginning of year	<u>592,002</u>	<u>278,425</u>	<u>53,435</u>	<u>-</u>
Cash balances end of year	<u>\$ 692,392</u>	<u>\$ 315,100</u>	<u>\$ 111,754</u>	<u>\$ -</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ -
Equipment	189,718	126,822	83,623	-
Unreserved:				
General fund	502,674	-	-	-
Special revenue funds	-	188,278	28,131	-
Capital projects fund	-	-	-	-
Total cash basis fund balances	<u>\$ 692,392</u>	<u>\$ 315,100</u>	<u>\$ 111,754</u>	<u>\$ -</u>

See notes to financial statements.

Exhibit B

		<u>Capital Projects</u>	Other	
Debt		Seippel	Nonmajor	
Service		Water/Sewer	Governmental	Total
		Project	Funds	
\$	112,107	\$ -	\$ -	\$ 532,391
	-	-	-	373,198
	925	-	-	262,832
	-	-	-	126,610
	535	2,341	4,741	27,890
	-	-	-	239,081
	-	-	-	8,161
	9,873	-	-	9,873
	-	756	-	46,394
	<u>123,440</u>	<u>3,097</u>	<u>4,741</u>	<u>1,626,430</u>
	-	-	-	272,199
	-	-	-	243,126
	-	-	-	71,435
	-	-	-	4,948
	-	-	-	287,549
	421,731	3,450	-	425,181
	-	610,102	126,802	736,904
	<u>421,731</u>	<u>613,552</u>	<u>126,802</u>	<u>2,041,342</u>
	<u>(298,291)</u>	<u>(610,455)</u>	<u>(122,061)</u>	<u>(414,912)</u>
	-	690,000	-	690,000
	(1,700,000)	-	-	(1,700,000)
	-	-	-	23,500
	2,008,190	47,360	132,142	2,322,127
	-	-	-	(578,446)
	<u>308,190</u>	<u>737,360</u>	<u>132,142</u>	<u>757,181</u>
	9,899	126,905	10,081	342,269
	<u>2,617</u>	<u>-</u>	<u>265,882</u>	<u>1,192,361</u>
\$	<u>12,516</u>	\$ <u>126,905</u>	\$ <u>275,963</u>	\$ <u>1,534,630</u>
\$	12,516	\$ -	\$ -	\$ 12,516
	-	-	-	400,163
	-	-	-	502,674
	-	-	-	216,409
	-	126,905	275,963	402,868
\$	<u>12,516</u>	\$ <u>126,905</u>	\$ <u>275,963</u>	\$ <u>1,534,630</u>

CITY OF ASBURY

Exhibit C

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

	Enterprise Funds				Total
	Sewer Utility	Solid Waste	Water	Nonmajor	
Operating receipts:					
Use of money and property	\$ 3,282	\$ 504	\$ 2,004	\$ 6,001	\$ 11,791
Charges for service	406,843	119,055	454,981	-	980,879
Miscellaneous	-	-	53,223	-	53,223
Total operating receipts	<u>410,125</u>	<u>119,559</u>	<u>510,208</u>	<u>6,001</u>	<u>1,045,893</u>
Operating disbursements:					
Salaries and wages	56,896	24,064	4,871	-	85,831
Employee benefits and costs	19,398	8,789	2,712	-	30,899
Staff development	1,355	-	461	-	1,816
Repair, maintenance, and utilities	34,219	-	35,808	-	70,027
Contractual services	35,411	95,301	121,494	-	252,206
Commodities	4,145	11,060	5,420	-	20,625
Capital outlay	10,542	-	73,399	-	83,941
Debt service	-	360	130,700	-	131,060
Total operating disbursements	<u>161,966</u>	<u>139,574</u>	<u>374,865</u>	<u>-</u>	<u>676,405</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>248,159</u>	<u>(20,015)</u>	<u>135,343</u>	<u>6,001</u>	<u>369,488</u>
Non-operating receipts (disbursements):					
Bond proceeds	-	-	1,800,000	-	1,800,000
Payment to refund bond escrow agent	(668,340)	-	-	-	(668,340)
Total non-operating receipts (disbursements)	<u>(668,340)</u>	<u>-</u>	<u>1,800,000</u>	<u>-</u>	<u>1,131,660</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(420,181)</u>	<u>(20,015)</u>	<u>1,935,343</u>	<u>6,001</u>	<u>1,501,148</u>
Operating transfers:					
Operating transfers in	901,150	26,987	-	40,473	968,610
Operating transfers out	(54,429)	-	(1,756,712)	(901,150)	(2,712,291)
Operating transfers, net	<u>846,721</u>	<u>26,987</u>	<u>(1,756,712)</u>	<u>(860,677)</u>	<u>(1,743,681)</u>
Net change in cash balances	426,540	6,972	178,631	(854,676)	(242,533)
Cash balances beginning of year	-	21,640	-	870,526	892,166
Cash balances end of year	<u>\$ 426,540</u>	<u>\$ 28,612</u>	<u>\$ 178,631</u>	<u>\$ 15,850</u>	<u>\$ 649,633</u>
Cash Basis Fund Balances					
Unreserved	<u>\$ 426,540</u>	<u>\$ 28,612</u>	<u>\$ 178,631</u>	<u>\$ 15,850</u>	<u>\$ 649,633</u>

See notes to financial statements.

CITY OF ASBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Asbury is a political subdivision of the State of Iowa located in Dubuque County. It was first incorporated in 1933 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.

Reporting Entity

For financial reporting purposes, the City of Asbury has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dubuque County Joint E911 Service Board, the Dubuque County REAP Board, the Dubuque County Empowerment Board, DMATS Policy Committee, and the Iowa League of Cities Executive Board.

Basis of Presentation

Government-wide Financial Statements

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid from other funds.

Special Revenue

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

The Local Option Sales Tax Fund is used to account for the payment of police and fire protection, street lighting, snow and ice control, insurance, and street maintenance funded by the local option sales tax.

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for ongoing projects.

The City reports the following major proprietary funds:

The Sewer Utility Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's sewer facility.

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

NOTES TO FINANCIAL STATEMENTS

Measurement Focus and Basis of Accounting

The City of Asbury maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

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 receipt and disbursements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, no disbursements exceeded the amounts budgeted in the general government and business-type activities functions.

Receipts

Property taxes are levied as of July 1 on property values assessed as of January 1 of the previous year. The tax levy is divided into two billings. The first billing is mailed on July 1 and the second billing is mailed on January 1. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending three months after the tax bill mailing. On these dates (September 30 and March 31), the bill becomes delinquent, and penalties and interest may be assessed by the government.

NOTE 2 – CASH AND INVESTMENTS

The City's deposits in banks at June 30, 2004, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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's time deposits are classified as cash deposits.

NOTE 3 – NOTES PAYABLE

Annual debt service requirements to maturity for the City's indebtedness are as follows:

NOTES TO FINANCIAL STATEMENTS

Year Ending June 30,	Water Revenue Note		General Obligation Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 60,000	\$ 46,800	\$ 230,000	\$ 123,458	\$ 290,000	\$ 170,258
2006	60,000	42,900	239,000	113,168	299,000	156,068
2007	60,000	39,000	253,000	102,200	313,000	141,200
2008	60,000	35,100	258,000	90,468	318,000	125,568
2009	60,000	31,200	273,000	78,383	333,000	109,583
2010	60,000	27,300	229,000	65,275	289,000	92,575
2011	60,000	23,400	209,000	54,190	269,000	77,590
2012	60,000	19,500	218,000	44,260	278,000	63,760
2013	60,000	15,600	126,000	33,600	186,000	49,200
2014	60,000	11,700	130,000	30,990	190,000	42,690
2015	60,000	7,800	134,000	28,290	194,000	36,090
2016	60,000	3,900	139,000	25,500	199,000	29,400
2017	-	-	142,000	22,620	142,000	22,620
2018	-	-	146,000	19,680	146,000	19,680
2019	-	-	150,000	16,650	150,000	16,650
2020	-	-	156,000	13,530	156,000	13,530
2021	-	-	111,000	10,290	111,000	10,290
2022	-	-	114,000	6,960	114,000	6,960
2023	-	-	118,000	3,540	118,000	3,540
	<u>\$ 720,000</u>	<u>\$ 304,200</u>	<u>\$ 3,375,000</u>	<u>\$ 883,052</u>	<u>\$ 4,095,000</u>	<u>\$ 1,187,252</u>

The Code of Iowa requires the principal and interest on general obligation notes be paid from the Debt Service Fund.

NOTE 4 – ADVANCE AND CURRENT REFUNDINGS

The government transferred \$668,340 to a bond escrow agent to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$610,000 sewer revenue notes. As a result, the refunded notes are considered to be defeased. The City deposited \$668,340 in cash to a bond escrow agent and did not issue refunding bonds, therefore there was not an economic gain resulting from the transaction.

In addition, the government issued \$1,800,000 of general obligation notes for a current refunding of \$1,700,000 of revenue bonds of the Water Fund. The refunding was undertaken to reduce the interest rate from 6.25% to 3.00% and to transfer the debt, which was previously issued to AADC, into the City's name.

NOTE 5 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

NOTES TO FINANCIAL STATEMENTS

Plan members are required to contribute 3.70% of their annual covered salary, and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$19,596, \$17,686, and \$17,309, respectively, equal to the required contributions for each year.

NOTE 6 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation 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 compensated absences payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ <u>4,687</u>

Upon termination, retirement, or death, City employees are not paid for unused sick leave.

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

NOTE 7 – ANTICIPATORY WARRANTS

Anticipatory warrants are warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption.

The City has issued \$690,000 in anticipatory warrants, at 1.75% interest per annum, for the Seippel Road Collection System. As of June 30, 2004, none of these anticipatory warrants had been redeemed, leaving the entire balance unpaid.

NOTE 8 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ <u>134,435</u>
Debt Service	Enterprise: Water Utility	1,743,681
	Special Revenue: TIF	197,694
	Local Option Sales Tax	<u>66,815</u>
		<u>2,008,190</u>

NOTES TO FINANCIAL STATEMENTS

Transfer to	Transfer from	Amount
Capital Projects:		
Park Expansion	General	\$ 1,340
	Special Revenue:	
Seippel Water/Sewer	TIF	47,360
Sewer Capital Projects	TIF	<u>130,802</u>
		<u>179,502</u>
Enterprise:	Enterprise:	
Sewer Utility	Sewer Revenue	901,150
Sewer Revenue	Sewer Utility	40,473
Solid Waste	Sewer Utility	13,956
	Water Utility	<u>13,031</u>
		<u>968,610</u>
Total		<u>\$ 3,290,737</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources. Of the \$901,150 transferred to the Sewer Utility Fund from the Sewer Revenue Fund, \$668,340 was transferred for the defeasance of sewer revenue bonds and \$232,810 was transferred to equipment reserves. The Sewer Utility Fund also transferred \$40,473 to the Sewer Revenue Fund for payment of principal and interest on outstanding debt.

NOTE 9 – RISK MANAGEMENT

The City of Asbury 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.

NOTE 10 – CONSTRUCTION COMMITMENTS

The City has entered into a contract totaling \$86,189 for the Southwest Collection System. As of June 30, 2004, costs of \$75,853 have been incurred against the contract. The balance remaining at June 30, 2004, of \$10,336 will be paid as work on the project progresses.

The City has entered into a contract totaling \$487,708 for the Seippel Road Collection System. As of June 30, 2004, costs of \$468,088 have been incurred against the contract. The balance remaining at June 30, 2004, of \$19,620 will be paid as work on the project progresses.

NOTES TO FINANCIAL STATEMENTS

The City has entered into a contract totaling \$159,298 for the Southwest Collection System. As of June 30, 2004, costs of \$117,556 have been incurred against the contract. The balance remaining at June 30, 2004, of \$41,742 will be paid as work on the project progresses.

The City has entered into a contract totaling \$201,250 for the Waste Water Treatment Plant. As of June 30, 2004, costs of \$78,540 have been incurred against the contract. The balance remaining at June 30, 2004, of \$122,710 will be paid as work on the project progresses.

NOTE 11 – CONDUIT DEBT

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2004, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$9,701,168.

NOTE 12 – LITIGATION

The City is a defendant in several claims and lawsuits. In the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 13 – ASSUMED DEBT

The City of Asbury took over the water utility function from the Asbury Area Development Corporation (AADC) on July 31, 2003. The City assumed all assets and liabilities of the water utility function and is making all necessary debt payments. The debt assumed by the City on July 31, 2003, is as follows:

<u>Obligation</u>	<u>Interest Rate</u>	<u>Assumed Amount</u>
2001 Water improvements	6.25%	\$ 1,700,000 *
2002 Water improvements	3.00	652,000
2001 Water revenue note	6.25	780,000
Total assumed obligations		<u>\$ 3,132,000</u>

* Refinanced by the City on January 9, 2004.

NOTE 14 – SUBSEQUENT EVENT

In September 2004, the City issued \$1,290,000 of general obligation bonds for the purpose of funding water and sewer improvements for the Southwest Collection System. The bonds are payable from a continuing annual levy of taxes against all taxable property of the City.

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

NOTE 15 – SEGMENT INFORMATION

During the year, the City advance refunded sewer revenue bonds, see Note 4. The Sewer Revenue Fund was created to fulfill the required covenants of the revenue bonds. Summary financial information for the Sewer Revenue Fund is presented below.

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

Operating receipts	
Use of money and property	\$ 6,001
Operating disbursements	<u>-</u>
Excess of operating receipts over operating disbursements	<u>6,001</u>
Operating transfers	
Operating transfers in	40,473
Operating transfers out	<u>(901,150)</u>
Operating transfers, net	<u>(860,677)</u>
Net change in cash balances	(854,676)
Cash balances beginning of year	<u>870,526</u>
Cash balances end of year	<u>\$ 15,850</u>
Cash Basis Fund Balances	
Unreserved	<u>\$ 15,850</u>

NOTE 16 – ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units* was also implemented during fiscal year 2004. The statement provides criteria for determining whether certain related organizations should be reported as component units.

NOTES TO FINANCIAL STATEMENTS

NOTE 17 – PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by the City of Asbury. The statements, which might impact the City of Asbury, are as follows:

Statement No. 40, *Deposit and Investment Risk Disclosures* issued March 2003, will be effective for the City for the fiscal year ending June 30, 2005. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* issued November 2003, will be effective for the City for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April 2004, will be effective for the City for the fiscal year ending June 30, 2009. This statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 44, *Economic Condition Reporting: The Statistical Section* issued May 2004, will be effective for the City for the fiscal year ending June 30, 2006. This statement amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the City for the fiscal year ending June 30, 2010. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

CITY OF ASBURY

CITY OF ASBURY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – ALL
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Property tax	\$ 532,391	\$ -	\$ 532,391
Tax increment financing collections	373,198	-	373,198
Other City tax	262,832	-	262,832
Licenses and permits	126,610	-	126,610
Use of money and property	27,890	11,791	39,681
Intergovernmental	239,081	-	239,081
Charges for service	8,161	980,879	989,040
Special assessments	9,873	-	9,873
Miscellaneous	46,394	53,223	99,617
Total receipts	<u>1,626,430</u>	<u>1,045,893</u>	<u>2,672,323</u>
Disbursements:			
Public safety	272,199	-	272,199
Public works	243,126	-	243,126
Culture and recreation	71,435	-	71,435
Community and economic development	4,948	-	4,948
General government	287,549	-	287,549
Debt service	425,181	-	425,181
Capital projects	736,904	-	736,904
Business-type	-	1,344,745	1,344,745
Total disbursements	<u>2,041,342</u>	<u>1,344,745</u>	<u>3,386,087</u>
Deficiency of receipts under disbursements	(414,912)	(298,852)	(713,764)
Other financing sources (uses), net	<u>757,181</u>	<u>56,319</u>	<u>813,500</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	342,269	(242,533)	99,736
Balances beginning of year	<u>1,192,361</u>	<u>892,166</u>	<u>2,084,527</u>
Balances end of year	<u>\$ 1,534,630</u>	<u>\$ 649,633</u>	<u>\$ 2,184,263</u>

<u>Budgeted Amounts</u>		Final to Actual Variance- Positive (Negative)
<u>Original</u>	<u>Final</u>	<u>(Negative)</u>
\$ 531,480	\$ 531,480	\$ 911
375,000	375,000	(1,802)
176,948	238,948	23,884
53,110	94,876	31,734
17,009	47,693	(8,012)
205,500	215,027	24,054
729,156	868,540	120,500
2,102	9,425	448
90,550	209,370	(109,753)
<u>2,180,855</u>	<u>2,590,359</u>	<u>81,964</u>
275,533	300,502	28,303
314,821	312,066	68,940
118,393	126,596	55,161
9,500	31,650	26,702
236,353	319,147	31,598
185,478	506,868	81,687
-	987,901	250,997
<u>1,131,382</u>	<u>1,752,706</u>	<u>407,961</u>
<u>2,271,460</u>	<u>4,337,436</u>	<u>951,349</u>
(90,605)	(1,747,077)	1,033,313
<u>-</u>	<u>1,258,850</u>	<u>(445,350)</u>
(90,605)	(488,227)	587,963
<u>2,084,527</u>	<u>2,084,527</u>	<u>-</u>
<u>\$ 1,993,922</u>	<u>\$ 1,596,300</u>	<u>\$ 587,963</u>

CITY OF ASBURY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY
REPORTING
JUNE 30, 2004

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 permanent funds, the internal service fund, and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds, and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, three budget amendments increased budgeted disbursements by \$3,765,976. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, no disbursements exceeded the amounts budgeted in any of the functions.

CITY OF ASBURY

CITY OF ASBURY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

Schedule 1

	Capital Projects				Total
	Seippel Road Project	Asbury Intersection Project	Park Expansion Project	Sewer Capital Projects	
Receipts:					
Use of money and property	\$ 1,342	\$ 1,465	\$ 1,934	\$ -	\$ 4,741
Disbursements:					
Capital Projects	-	-	-	126,802	126,802
Excess (deficiency) of receipts over (under) disbursements	1,342	1,465	1,934	(126,802)	(122,061)
Other financing sources:					
Operating transfers in	-	-	1,340	130,802	132,142
Net change in cash balances	1,342	1,465	3,274	4,000	10,081
Cash balances beginning of year	74,466	82,882	108,534	-	265,882
Cash balances end of year	<u>\$ 75,808</u>	<u>\$ 84,347</u>	<u>\$ 111,808</u>	<u>\$ 4,000</u>	<u>\$ 275,963</u>
Cash Basis Fund Balances					
Unreserved:					
Capital projects fund	<u>\$ 75,808</u>	<u>\$ 84,347</u>	<u>\$ 111,808</u>	<u>\$ 4,000</u>	<u>\$ 275,963</u>

CITY OF ASBURY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
BALANCES
NONMAJOR PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

Schedule 2

	<u>Sewer Revenue</u>
Operating receipts:	
Use of money and property	\$ 6,001
Operating disbursements	<u>-</u>
Excess of operating receipts over operating disbursements	<u>6,001</u>
Operating transfers:	
Operating transfers in	40,473
Operating transfers out	<u>(901,150)</u>
Operating transfers, net	<u>(860,677)</u>
Net change in cash balances	(854,676)
Cash balances beginning of year	<u>870,526</u>
Cash balances end of year	<u>\$ 15,850</u>
Cash Basis Fund Balances	
Unreserved	<u>\$ 15,850</u>

CITY OF ASBURY
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year
General Obligation Notes:				
1999 Street Improvements	6/1/1999	4.60-4.90%	\$ 430,000	\$ 290,000
2000 Park expansion	4/1/2000	5.35-5.80	280,000	225,000
2000 City hall	8/15/2000	6.50	207,000	159,000
2001 Street improvements	7/1/2001	4.20-4.90	515,000	475,000
2001 Water improvements	5/1/2001	6.25	1,750,000	-
2002 Water improvements	10/1/2002	3.00	681,000	-
2004 Water improvements	1/9/2004	3.00	1,800,000	-
Total				<u>\$ 1,149,000</u>
Revenue Notes:				
1999 Sewer	9/1/1999	5.05-5.30%	925,000	\$ 610,000
2001 Water	5/1/2001	6.25	\$ 900,000	-
Total				<u>\$ 610,000</u>
Anticipatory Warrant				
2004 Seippel Road Collection	1/28/2004	1.75%	\$ 690,000	<u>\$ -</u>

Schedule 3

Issued During Year	Assumed During Year (See note 13)	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ -	\$ -	\$ 45,000	\$ 245,000	\$ 13,633	\$ -
-	-	20,000	205,000	12,480	-
-	-	19,000	140,000	7,950	-
-	-	45,000	430,000	21,515	-
-	1,700,000	1,700,000	-	97,691	-
-	652,000	30,000	622,000	19,560	-
<u>1,800,000</u>	<u>-</u>	<u>67,000</u>	<u>1,733,000</u>	<u>22,500</u>	<u>-</u>
<u>\$ 1,800,000</u>	<u>\$ 2,352,000</u>	<u>\$ 1,926,000</u>	<u>\$ 3,375,000</u>	<u>\$ 195,329</u>	<u>\$ -</u>
\$ -	\$ -	\$ 610,000	\$ -	\$ -	\$ -
-	780,000	60,000	720,000	50,700	-
<u>-</u>	<u>780,000</u>	<u>670,000</u>	<u>720,000</u>	<u>50,700</u>	<u>-</u>
<u>\$ 690,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 690,000</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ASBURY
BOND AND NOTE MATURITIES
JUNE 30, 2004

Schedule 4

General Obligation Bonds						
Year Ending June 30,	Street Improvement Note		Park Expansion Note		City Hall Note	
	Issued June 1, 1999		Issued April 1, 2000		Issued August 15, 2000	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	4.60%	\$ 45,000	5.35%	\$ 20,000	6.50%	\$ 20,000
2006	4.65	45,000	5.40	20,000	6.50	21,000
2007	4.70	50,000	5.45	25,000	6.50	22,000
2008	4.80	50,000	5.50	25,000	6.50	24,000
2009	4.90	55,000	5.55	25,000	6.50	25,000
2010	-	-	5.65	30,000	6.50	28,000
2011	-	-	5.70	30,000	-	-
2012	-	-	5.80	30,000	-	-
		<u>\$ 245,000</u>		<u>\$ 205,000</u>		<u>\$ 140,000</u>

General Obligation Bonds						
Year Ending June 30,	Street Improvement Note		Water Improvement Note		Water Improvement Note	
	Issued July 1, 2001		Issued October 1, 2002		Issued January 9, 2004	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	4.20%	\$ 45,000	3.00%	\$ 31,000	3.00%	\$ 69,000
2006	4.30	50,000	3.00	32,000	3.00	71,000
2007	4.40	50,000	3.00	33,000	3.00	73,000
2008	4.50	50,000	3.00	34,000	3.00	75,000
2009	4.60	55,000	3.00	35,000	3.00	78,000
2010	4.70	55,000	3.00	36,000	3.00	80,000
2011	4.80	60,000	3.00	37,000	3.00	82,000
2012	4.90	65,000	3.00	38,000	3.00	85,000
2013	-	-	3.00	39,000	3.00	87,000
2014	-	-	3.00	40,000	3.00	90,000
2015	-	-	3.00	41,000	3.00	93,000
2016	-	-	3.00	43,000	3.00	96,000
2017	-	-	3.00	44,000	3.00	98,000
2018	-	-	3.00	45,000	3.00	101,000
2019	-	-	3.00	46,000	3.00	104,000
2020	-	-	3.00	48,000	3.00	108,000
2021	-	-	-	-	3.00	111,000
2022	-	-	-	-	3.00	114,000
2023	-	-	-	-	3.00	118,000
		<u>\$ 430,000</u>		<u>\$ 622,000</u>		<u>\$ 1,733,000</u>

(continued)

CITY OF ASBURY
BOND AND NOTE MATURITIES
JUNE 30, 2004

Schedule 4
(continued)

Year Ending June 30,	Total	Revenue Bonds	
		Water Revenue Note	
		Issued May 1, 2001	
		Interest Rates	Amount
2005	\$ 230,000	6.25%	\$ 60,000
2006	239,000	6.25	60,000
2007	253,000	6.25	60,000
2008	258,000	6.25	60,000
2009	273,000	6.25	60,000
2010	229,000	6.25	60,000
2011	209,000	6.25	60,000
2012	218,000	6.25	60,000
2013	126,000	6.25	60,000
2014	130,000	6.25	60,000
2015	134,000	6.25	60,000
2016	139,000	6.25	60,000
2017	142,000	-	-
2018	146,000	-	-
2019	150,000	-	-
2020	156,000	-	-
2021	111,000	-	-
2022	114,000	-	-
2023	118,000	-	-
	<u>\$ 3,375,000</u>		<u>\$ 720,000</u>

CITY OF ASBURY
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

Schedule 5

	<u>2004(1)</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Receipts:				
Property tax	\$ 532,391	\$ 526,922	\$ 432,840	\$ 430,540
Tax increment financing collections	373,198	200,010	323,465	69,884
Other City tax	262,832	234,574	237,693	179,018
Licenses and permits	126,610	107,400	55,912	40,962
Use of money and property	27,890	17,705	29,891	77,142
Intergovernmental	239,081	299,314	242,759	200,542
Charges for service	8,161	7,836	9,460	8,640
Special assessments	9,873	1,306	8,558	13,046
Miscellaneous	46,394	55,263	63,977	29,387
Total receipts	<u>\$ 1,626,430</u>	<u>\$ 1,450,330</u>	<u>\$ 1,404,555</u>	<u>\$ 1,049,161</u>
Disbursements:				
Operating:				
Public safety	\$ 272,199	\$ 182,990	\$ 153,609	\$ 141,707
Public works	243,126	257,579	406,998	237,766
Culture and recreation	71,435	79,744	87,197	54,500
Community and economic development	4,948	386,038	347,489	71,886
General government	287,549	251,951	304,526	548,391
Debt service	425,181	178,748	156,163	139,068
Capital projects	736,904	85,055	545,442	183,793
Total disbursements	<u>\$ 2,041,342</u>	<u>\$ 1,422,105</u>	<u>\$ 2,001,424</u>	<u>\$ 1,377,111</u>

(1) Fiscal year 2004 was the first year of reporting the City's operations under GASB 34 and by function.



CPAs & BUSINESS ADVISORS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Asbury, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings as item II-A-04 and II-B-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting that we have reported to management of the City of Asbury in a separate letter dated December 12, 2006. Prior year reportable condition II-A-04 has not been resolved.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part IV of the accompanying Schedule of Findings. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. The prior year statutory comment has been resolved.

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

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

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
December 12, 2006



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO ITS MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Asbury, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The City of Asbury's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of the City of Asbury's management. Our responsibility is to express an opinion on the City of Asbury's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Asbury's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Asbury's compliance with those requirements.

In our opinion, the City of Asbury complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the City of Asbury is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Asbury's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Asbury's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grant agreements. The reportable condition is described as item III-A-04 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition above is not a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Asbury and other parties to whom the City of Asbury may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
December 12, 2006

CITY OF ASBURY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Direct:			
Department of Justice:			
Public Safety Partnership and Community Policing Grants	16.710	2001UMWX0042	\$ 22,071
Indirect:			
Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-31-03-DWSRF-010	<u>1,475,848</u>
Total			<u>\$ 1,497,919</u>

See Notes to the Schedule of Expenditures of Federal Awards.

CITY OF ASBURY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Asbury and is presented on the cash basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF ASBURY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, but were not considered material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major program was disclosed by the audit of the financial statements, but was not considered a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.468 – Capitalization Grants for Drinking Water State Revolving Funds.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Asbury did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITIONS

II-A-04 Segregation of Duties – During our review of internal controls, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. Over the past years, the City has implemented various procedures to enhance their internal controls. However, due to time and staffing constraints, the City is still unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation function from receipt and disbursement functions.

Recommendation – We recognize that with a limited number of office employees, segregation of duties is difficult. However, we recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

Response – The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion – Response accepted.

CITY OF ASBURY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

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

II-B-04 Timely Audit and Report Submission – The audit of the City’s Capitalization Grants for Drinking Water State Revolving Funds Program was not completed and submitted to the Federal Clearinghouse by March 31, 2005, as required by OMB Circular A-133, paragraph .235(c)(3).

Recommendation – The City should establish procedures to ensure compliance with audit and report submission requirements for future Federal programs.

Response – The City will develop internal accounting procedures that will include information about audit requirements in connection with the receipt of certain funds for federal programs. The City will timely ensure compliance with any and all audits and report submission requirements.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

REPORTABLE CONDITION

CFDA Number: 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
Environmental Protection Agency
Passed Through the Iowa Department of Natural Resources
Grant Number: FS-31-03-DWSRF-010

III-A-04 Segregation of Duties – Due to time and staffing constraints, the City is unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation function from receipt and disbursement functions. See Item II-A-04.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-04 Official Depositories - A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget - Disbursements during the year ended June 30, 2004, did not exceed the amounts budgeted.

IV-C-04 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-04 Business Transactions - No business transactions between the City and City officials or employees were noted.

CITY OF ASBURY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2004

Part IV: Other Findings Related to Statutory Reporting:

- IV-F-04 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 that the coverage is adequate for current operations.
- IV-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-H-04 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-I-04 Economic Development – We noted no instances of non-compliance relating to appropriate expenditure of public funds in accordance with Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986.