CITY OF LUXEMBURG WATER DEPARTMENT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2004

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CITY OF LUXEMBURG-WATER DEPARTMENT

OFFICIALS

Name	Title	Term Expires
	(Before January 2004)	
Ron Ungs	Mayor	Jan. 2004
Roger Oberbroeckling	Council Member	Jan. 2004
Mike Ungs	Council Member	Jan. 2004
Helen Langel	Council Member	Jan. 2006
Richard Steffen	Council Member	Jan. 2006
Albert Meyers	Council Member	Jan. 2006
	(After January 2004)	
Roger Oberbroecking	Mayor	Jan. 2008
Helen Langel	Council Member	Jan. 2006
Richard Steffen	Council Member	Jan. 2006
Albert Meyers	Council Member	Jan. 2006
Mike Ungs	Council Member	Jan. 2008
Kenneth Foxen	Council Member	Jan. 2008
Thayis Althoff	Clerk	Indefinite
William Blum	Attorney	Indefinite

Dietz, Donald & Company
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the business-type activity and the major fund of the Water Department of the City of Luxemburg, Iowa, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Luxemburg Water Department's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as discussed in Note 1, the financial statements of the Water Department of the City of Luxemburg, Iowa, are intended to present the cash receipts and disbursements of only that portion of the business-type activities and the major fund of the City of Luxemburg, Iowa that is attributable to the transactions of the Water Department. They do not purport to, and do not, present fairly the cash basis financial position of the City of Luxemburg, Iowa as of June 30, 2004 and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activity and the major fund for the Water Department of the City of Luxemburg, Iowa 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.

In accordance with Government Auditing Standards, we have also issued our reports dated December 4, 2005 on our consideration of the Luxemburg Water Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Luxemburg Water Department's basic financial statements. Other supplementary information included in Schedules 1 through 3, including the accompanying 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 relation to the basic financial statements taken as a whole.

Elkader, Iowa

Dietz, Donald & Company

December 4, 2005

BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF LUXEMBURG-WATER DEPARTMENT
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2004

	Disbursements	Program Receipts Capital Grants	Net (Disbursements) and Changes in Cash Basis Net Assets Business-Type Activities
FUNCTIONS/PROGRAMS:			
Business-type activities:			
Water	$ 649,550	264,029	(385,521)
General Receipts			
Unrestricted interest on investments			135
Note proceeds			449,000
Miscellaneous			381
Transfers			178,500
Total general receipts and transfers			628,016
Change in cash basis net assets			242,495
Cash basis net assets beginning of year			2,553
Cash basis net assets end of year			$ 245,048
Cash Basis Net Assets			
Restricted:			
Debt service			22,150
Water construction			222,898
Total cash basis net assets			$ 245,048

See notes to financial statements.

Exhibit B

CITY OF LUXEMBURG-WATER DEPARTMENT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BALANCES
As of and For the Year Ended June 30, 2004

	Enterprise Fund Water
Non-operating receipts	
Intergovernmental	$ 264,029
Interest on investments	135
Miscellaneous	381
Revenue note proceeds	449,000
Total non-operating receipts	713,545
Non-operating disbursements:	
Debt service	4,570
Water construction project:	
Construction	527,937
Engineer	104,527
Grant administration	11,148
Legal	844
Miscellaneous	524
Total non-operating disbursements	649,550
Excess of receipts over disbursements	63,995
Operating transfers in:	
Special Revenue Fund:	
Local Option Sales Tax	178,500
Net change in cash balances	242,495
Cash balances beginning of year	2,553
Cash balances end of year	$ 245,048
Cash Basis Fund Balances:	
Reserved for debt service	$ 22,150
Reserved for construction in progress	222,898
Total cash basis fund balances	$ 245,048

See notes to financial statements.

CITY OF LUXEMBURG WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

(1) Summary of Significant Accounting Policies

The Luxemburg Water Department is a department of the City of Luxemburg, a political subdivision of the State of Iowa located in Dubuque County. The City is constructing the water system in 2004 and 2005 and expects the system to be operating sometime in the fiscal year ended June 30, 2005. As part of the City of Luxemburg, the Water Department is administered by the Mayor and City Council, who are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, the City of Luxemburg has included only the funds of the Water Department. At June 30, 2004, this consisted solely of a Water Construction Fund. These statements do not include any other activity of the City of Luxemburg and therefore do not purport to, and do not, present fairly the cash basis financial position of the City of Luxemburg, Iowa as of June 30, 2004 and the changes in its financial position for the year then ended.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the activities of the City of Luxemburg Water Department. For the most part, the effect of interfund activity has been removed from this statement. The Water Department has only business-type activities, which when operational will rely to a significant extent on fees and charges for services.

The Statement of Activities presents the Water Department's net assets. Net assets are normally 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 preceeding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

At June 30, 2004 the Water Department had only restricted net assets.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function

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

Fund Financial Statements - Separate financial statements are provided for proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

The Water Department reports the following major proprietary funds:

The Water Fund accounts for the construction costs of the Water Department's new water system.

C. Measurement Focus and Basis of Accounting

The City of Luxemburg Water Department maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Water Department 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.

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.

(2) Cash

The Water Department'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 that there will be no loss of public funds.

The Water Department 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.

At June 30, 2004 the Water Department had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Revenue Note Payable

Annual debt service requirements to maturity for the revenue note are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	$ -	19,644	19,644
2006	-	19,644	19,644
2007	4,805	19,644	24,449
2008	5,015	19,434	24,449
2009	5,235	19,214	24,449
2010-2014	29,817	92,428	122,245
2015-2019	36,935	85,310	122,245
2020-2024	45,754	76,491	122,245
2025-2029	56,678	65,567	122,245
2030-2034	70,209	52,036	122,245
2035-2039	86,972	35,273	122,245
2040-2044	107,580	14,665	122,245
Total	$ 449,000	519,350	968,350

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

(a) The note will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the Water Department.

(b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account within the Water Department for the purpose of making the note principal and interest payments when due.

(c) Additional monthly transfers of $ 204 to a water reserve account within the Water Department shall be made until $ 24,449 has been accumulated. This account is restricted for note and interest payments which the other accounts might be unable to make.

(d) All funds remaining after the payment of all required transfers shall be placed in a surplus account within the Water Department. Money credited to the surplus account shall be transferred and credited to the reserve account whenever any deficiency may exist in said reserve account. Money credited to the surplus account may also be used to pay necessary operating and maintenance expenses, to pay the cost of improvements and extensions to the Utility, and prepay principal of the Note as may then be subject to prepayment or as otherwise lawfully directed by the City Council.

(4) Anticipatory Warrants

Anticipatory warrants are warrants which are legally drawn on Water Department 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 Water Department has issued $ 381,438 in anticipatory warrants at 6% interest per annum, for water system construction. As of June 30, 2004 all of these anticipatory warrants had been redeemed.

(5) Interfund Transfers

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

Transfer to	Transer from	Amount
Enterprise:	Special Revenue:	
Water	Local Option Sales Tax	$ 178,500

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

(6) Risk Management

The Water Department 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 Water Department assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial coverage in the fiscal year ended June 30, 2004.

(7) Commitments

The Water Department has entered into construction contracts totaling $ 810,475 for the water project. The Water Department has expended $ 514,848 on these contracts through June 30, 2004, leaving approximately $ 295,000 remaining on said construction contracts.

OTHER SUPPLEMENTARY INFORMATION

Schedule I

CITY OF LUXEMBURG-WATER DEPARTMENT
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
Revenue notes:								
Water	Jun. 22, 2004	4.375%	$ 449,000	0	449,000	0	449,000	0
Anticipatory warrants:								
Water construction	Varies	6.000%	$ 381,438	0	381,438	381,438	0	4,570

See accompanying independent auditor's report.

Schedule 2

CITY OF LUXEMBURG-WATER DEPARTMENT
NOTE MATURITIES
June 30, 2004

Year Ending June 30,	Revenue Notes Water Issued Jun. 22, 2004 Interest Rates	Amount
2005	4.375%	$ -
2006	4.375	-
2007	4.375	4,805
2008	4.375	5,015
2009	4.375	5,235
2010	4.375	5,464
2011	4.375	5,703
2012	4.375	5,952
2013	4.375	6,213
2014	4.375	6,485
2015	4.375	6,768
2016	4.375	7,065
2017	4.375	7,374
2018	4.375	7,696
2019	4.375	8,033
2020	4.375	8,384
2021	4.375	8,751
2022	4.375	9,134
2023	4.375	9,534
2024	4.375	9,951
2025	4.375	10,386
2026	4.375	10,841
2027	4.375	11,315
2028	4.375	11,810
2029	4.375	12,326
2030	4.375	12,866
2031	4.375	13,429
2032	4.375	14,016
2033	4.375	14,629
2034	4.375	15,269
2035	4.375	15,937
2036	4.375	16,635
2037	4.375	17,362
2038	4.375	18,122
2039	4.375	18,915
2040	4.375	19,742
2041	4.375	20,606
2042	4.375	21,508
2043	4.375	22,449
2044	4.375	23,275
Total		$ 449,000

See accompanying independent auditor's report.

Schedule 3

CITY OF LUXEMBURG-WATER DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760	-	$ 356,430
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program	14.228	02-WS-011	183,225
Total			$ 539,655

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Luxemburg-Water Department and is presented in conformity with an other comprehensive 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.

See accompanying independent auditor's report.

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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 the financial statements of the business-type activity and the major fund of the Water Department of the City of Luxemburg, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the Water Department's basic financial statements listed in the table of contents and have issued our report thereon dated December 4, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other basis of accounting and are intended to present the cash receipts and disbursements of only that portion of the business-type activities and the major fund of the City of Luxemburg, Iowa that is attributable to the transactions of the Water Department. They do not purport to, and do not, present fairly the cash basis financial position of the City of Luxemburg, Iowa, as of June 30, 2004 and the changes in its cash basis financial position for the year then ended. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water Department of the City of Luxemburg, Iowa'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Water Department'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 Water Department. 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.

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 Luxemburg, Iowa, and other parties to whom the Water Department may report including federal awarding agencies and pass-through entities. This report is not intended and should not be used by anyone other than those specified parties.

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

Elkader, Iowa

December 4, 2005

Dietz, Donald & Company

Dietz, Donald & Company
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Independent Auditor's Report on Compliance with Requirements Applicable to the 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:

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

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 noncompliance 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 Luxemburg Water Department'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 Luxemburg Water Department's compliance with those requirements.

In our opinion, the Water Department of the City of Luxemburg, Iowa, 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. However, the results of our auditing procedures disclosed

an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings as item III-A-04.

Internal Control Over Compliance

The management of the City of Luxemburg Water Department 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 Luxemburg Water Department'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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance 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. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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 Luxemburg, Iowa and other parties to whom the Water Department 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 specified parties.

Elkader, Iowa

December 4, 2005

Dietz, Donald & Company

CITY OF LUXEMBURG-WATER DEPARTMENT
SCHEDULE OF FINDINGS
Year Ended June 30, 2004

Part I - Summary of Independent Auditor's Results:

(a) An unqualified opinion was 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 U.S. generally accepted accounting principles, Also, the financial statements of the Water Department of the City of Luxemburg, Iowa, are intended to present the cash receipts and disbursements of only that portion of the business-type activities and the major fund of the City of Luxemburg, Iowa, that is attributable to the transactions of the Water Department. They do not purport to, and do not, present fairly the cash basis financial position of the City of Luxemburg, Iowa, as of June 30, 2004 and the changes in its cash basis financial position for the year then ended.

(b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any noncompliance which is material to the financial statements.

(d) No reportable conditions in internal control over the major program were disclosed by the audit of the financial statements.

(e) An unqualified opinion was issued on compliance with requirements applicable to the major program.

(f) The audit disclosed audit findings which are 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 10.760-Water and Waste Disposal Systems for Rural Communities.

(h) The dollar threshold used to distinguish between Type A and Type B programs was $ 300,000.

(i) The City of Luxemburg Water Department did not qualify as a low-risk auditee.

CITY OF LUXEMBURG-WATER DEPARTMENT
SCHEDULE OF FINDINGS
Year Ended June 30, 2004

Part II - Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No matters were noted.

CITY OF LUXEMBURG-WATER DEPARTMENT
SCHEDULE OF FINDINGS
Year Ended June 30, 2004

Part III : Findings Related to Federal Awards:

INSTANCES OF NONCOMPLIANCE:

CFDA Number 10.760: Water and Waste Disposal Systems for Rural Communities.
Federal Award Year: 2003
Department of Agriculture

III-A-04 Reporting - The Water Department submitted its reporting package to the Federal Audit Clearinghouse more than nine (9) months after the end of the audit period.

Recommendation - The Water Department must select an auditor before the following March 31, so that its reporting package can be submitted by the due date.

Response - As an extremely small City, we were never required to have an audit in the past, and were, therefore, unaware of the requirement for an audit or its due date. If an audit is required in the future, we will comply with submission date for the reporting package.

Conclusion - Response accepted.

REPORTABLE CONDITIONS:

No matters were noted.

CITY OF LUXEMBURG-WATER DEPARTMENT
SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Part IV : Other Findings Related to Statutory Reporting:

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

IV-B-04 Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-04 Travel Expense - No disbursements of Water Department money for travel expenses were noted.

IV-D-04 Business Transactions - No business transactions between the Water Department and City officials and employees were noted.

IV-E-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 insure that coverage is adequate for current operations.

Iv-F-04 Council Minutes - We noted no Water Department transactions requiring Council approval which had not been approved by the City Council.

IV-G-04 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-04 Revenue Notes - The Water Department has complied with the revenue note provisions.