

CITY OF ASBURY
FINANCIAL STATEMENTS
JUNE 30, 2005

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, 2005, 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 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 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, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 10 and budgetary comparison information on pages 22 and 23 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 inquires 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, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 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.

Eide Bailly LLP

Dubuque, Iowa
July 13, 2005

**CITY OF ASBURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

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, 2005. 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.

2005 Financial Highlights

Revenues of the City's governmental activities decreased 38.0%, or approximately \$1,221,000, from fiscal year 2004 to fiscal year 2005. Transfers related to the retirement of debt decreased approximately \$1,744,000. Property tax and tax increment financing increased approximately \$379,000.

Disbursements of the City's governmental activities decreased 46.0%, or approximately \$1,380,000, from fiscal year 2004 to fiscal year 2005. Debt Service related to capital projects decreased approximately \$1,629,000.

The City's total cash basis net assets increased 33%, or approximately \$1,110,000, from June 2004 to June 2005. Of this amount, the assets of the governmental activities increased approximately \$370,000, and the assets of the business-type activities increased approximately \$739,000.

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 accounting principles generally accepted in the United States of America. 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.

Statement of Financial Activities

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

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 – includes Seippel Road, Asbury intersection, and park expansion projects.

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

Governmental Activities

For the year ended June 30, 2005, the City's governmental activities were funded as follows:

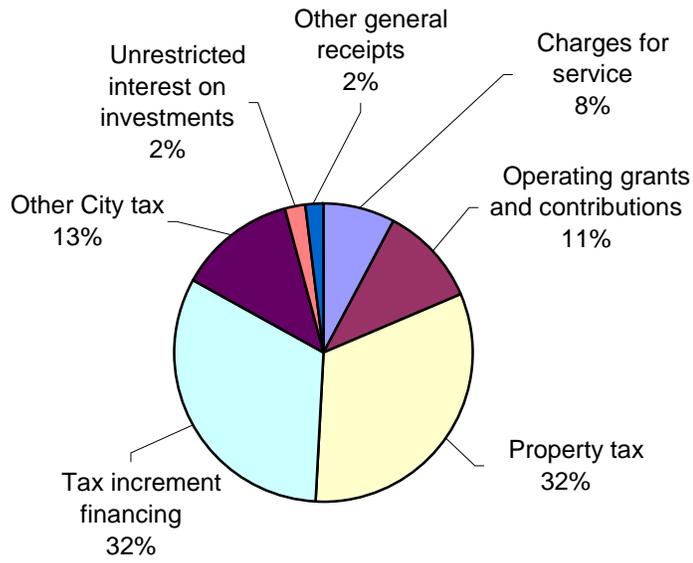
Revenues of the City's governmental activities decreased 38.0%, or approximately (\$1,221,000), from fiscal year 2004 to fiscal year 2005. Tax increment financing (TIF) increased approximately \$270,500 and property taxes increased because of increased property valuations of approximately \$4,276,000 and an increase in tax rate. The decrease in transfers, net was due to prior year transfers related to the retirement of debt.

Disbursements for governmental activities decreased 46.0%, or approximately \$1,380,000 from fiscal year 2004 to fiscal year 2005. Public Works decreased approximately \$91,000 for the repairs to City streets. Debt Service decreased approximately \$1,629,000 because of prior year refunding of water improvement bond.

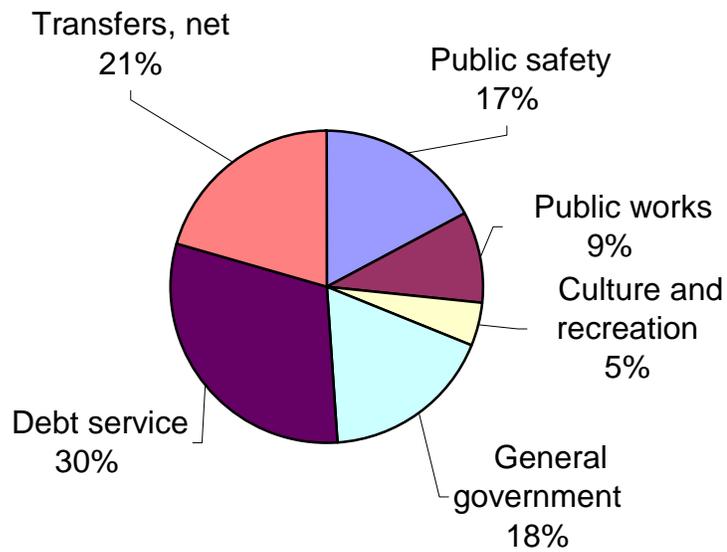
Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30,	
	2005	2004 (As restated)
Program receipts:		
Charges for service	\$ 152,776	\$ 150,715
Operating grants and contributions	216,003	226,581
Capital grants and contributions	1,210	12,500
General receipts:		
Property tax	640,926	532,391
Tax increment financing	643,685	373,198
Other City tax	252,359	262,832
Unrestricted interest on investments	42,971	25,549
Other general receipts	41,413	63,067
Transfers, net	-	1,565,519
Total receipts and transfers	<u>1,991,343</u>	<u>3,212,352</u>
Program disbursements:		
Public safety	277,912	272,199
Public works	152,003	243,126
Culture and recreation	73,876	71,435
Community and economic development	4,501	4,948
General government	287,928	287,549
Debt service	492,174	2,121,731
Transfers, net	<u>332,397</u>	<u>-</u>
Total disbursements	<u>1,620,791</u>	<u>3,000,988</u>
Increase in cash basis net assets	370,552	211,364
Cash basis net assets beginning of year, as restated	<u>1,403,725</u>	<u>1,192,361</u>
Cash basis net assets end of year	<u>\$ 1,774,277</u>	<u>\$ 1,403,725</u>

Receipts by Source



Disbursements by Function



Business-type Activities

For the year ended June 30, 2005, 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,	
	2005	2004 (As restated)
Receipts:		
Program receipts:		
Charges for service:		
Sewer utility	\$ 566,196	\$ 408,281
Solid waste	128,364	119,055
Water	498,467	454,981
Operating grants and contributions	22,519	53,223
Capital grants and contributions	-	756
General receipts:		
Unrestricted interest on investments	29,653	12,694
Bond proceeds	1,290,002	2,490,000
Return of funds from bond escrow	71,708	-
Transfers, net	332,397	-
Total receipts	<u>2,939,306</u>	<u>3,538,990</u>
Program disbursements:		
Sewer utility	1,695,097	1,570,660
Solid waste	143,609	139,574
Water	361,364	374,865
Transfers, net	-	1,565,519
Total disbursements	<u>2,200,070</u>	<u>3,650,618</u>
Increase (decrease) in cash basis net assets	739,236	(111,628)
Cash basis net assets beginning of year, as restated	<u>780,538</u>	<u>892,166</u>
Cash basis net assets end of year	<u>\$ 1,519,774</u>	<u>\$ 780,538</u>

Receipts of the City's proprietary funds decreased 17.0%, or approximately (\$600,000), from fiscal year 2004 to fiscal year 2005. Charges for service increased 21.4%, or approximately \$211,000 because of new housing and utility rate increases. Bond proceeds decreased 48.2%, or approximately \$1,200,000. A bond issue of \$1,290,000 was obtained to fund water and sewer line extensions and two lift stations in the southwest part of the City.

Disbursements for proprietary activities decreased 39.7%, or approximately (\$1,451,000). Capital Outlay increased \$147,000 which included the completion of the Wedgewood and Arrowhead lift stations and water and sewer line improvements, and engineering fees for the Hales Mill lift station and improvements to the wastewater treatment plant. Transfers related to the retirement of debt decreased approximately (\$1,744,000).

Individual Major Fund Analysis

As of June 30, 2005, the City had cash balances on hand of \$1,774,277 in governmental fund types and \$1,519,774 in business-type funds. The governmental fund type increased \$370,552 and business fund types increased \$739,236 respectively during fiscal year 2004-2005. The increase in business-type funds is for bond proceeds received for capital improvements, and the increase in governmental funds on hand is due to street projects that were budgeted and not completed in the fiscal year.

Budgetary Highlights

City Council approved one budget amendment during the year. The amendment was for receipts received exceeding budgeted amounts for grants, building permits, contractor licenses, development fees, and water and sewer charges. Disbursements were increased for the transfer of funds and professional services.

For the year ended June 30, 2005, total actual receipts including other financing sources were \$217,225 over the final budget while total actual disbursements including other financing uses were \$4,441,655 under the final budget. The large difference for budgeted and actual expenditures is due to capital projects not completed prior to the end of the fiscal year.

Debt Outstanding

As of year end, the City had \$5,095,000 debt outstanding compared to \$4,785,000 in 2004.

Outstanding Debt at Year-End

	June 30,	
	2005	2004
Governmental		
General obligation notes:		
Street improvement	\$ 200,000	\$ 245,000
Park Expansion	185,000	205,000
City hall	120,000	140,000
Street improvement	385,000	430,000
Water improvement	660,000	720,000
Water improvement	591,000	622,000
Water improvement	1,664,000	1,733,000
Sewer improvement	1,290,000	-
Total governmental	5,095,000	4,095,000
Business-type		
Sewer anticipatory warrant	-	690,000
Total governmental and business-type	<u>\$ 5,095,000</u>	<u>\$ 4,785,000</u>

There was \$1,290,000 in new debt that was issued for the water and sewer improvements. The City as of June 30, 2005 is at 57.75% of its bonding capacity. The City's outstanding general obligation debt limit was \$9,005,550.

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 20% of revenues. The largest source, at 36%, comes from fees and charges for utility services. The City continues to grow and add residential housing at a robust pace. This has added to the property tax base and increased the number of utility users in the community.

Next Year's Budget and Rates

For the year ending June 30, 2006, the City will be completing an update of the Comprehensive Plan (\$40,000). The trail system for the City continues to be a priority to link neighborhoods and provide a method of safe pedestrian travel within the community. The City has appropriated \$40,000 for improvements to the park. A biking/walking trail along Asbury Road is budgeted to be funded with a combination of public and private funds. 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. The City also plans to reconstruct Burr Oak, which will be financed with special assessment funds. The City maintained the total corporate tax levy at \$10.30 the same as the prior year.

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
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<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	\$ 277,912	\$ 116,991	\$ 12,296	\$ -
Public works	152,003	-	203,707	-
Culture and recreation	73,876	9,011	-	-
Community and economic development	4,501	-	-	-
General government	287,928	26,774	-	-
Debt service	492,174	-	-	-
Capital projects	-	-	-	1,210
Total governmental activities	<u>1,288,394</u>	<u>152,776</u>	<u>216,003</u>	<u>1,210</u>
Business-type activities:				
Sewer utility	1,695,097	566,196	-	-
Solid waste	143,609	128,364	-	-
Water	<u>361,364</u>	<u>498,467</u>	<u>22,519</u>	-
Total business-type activities	<u>2,200,070</u>	<u>1,193,027</u>	<u>22,519</u>	-
Total	<u>\$ 3,488,464</u>	<u>\$ 1,345,803</u>	<u>\$ 238,522</u>	<u>\$ 1,210</u>

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
Other City tax
Unrestricted interest on investments
Bond proceeds
Return of funds from bond escrow
Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, as restated

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

 Streets
 Capital projects
 Debt service
 Other purposes

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
\$ (148,625)	\$ -	\$ (148,625)
51,704	-	51,704
(64,865)	-	(64,865)
(4,501)	-	(4,501)
(261,154)	-	(261,154)
(492,174)	-	(492,174)
1,210	-	1,210
<u>(918,405)</u>	<u>-</u>	<u>(918,405)</u>
-	(1,128,901)	(1,128,901)
-	(15,245)	(15,245)
-	159,622	159,622
-	<u>(984,524)</u>	<u>(984,524)</u>
<u>(918,405)</u>	<u>(984,524)</u>	<u>(1,902,929)</u>
525,902	-	525,902
643,685	-	643,685
115,024	-	115,024
252,359	-	252,359
42,971	29,653	72,624
-	1,290,002	1,290,002
-	71,708	71,708
41,413	-	41,413
<u>(332,397)</u>	<u>332,397</u>	<u>-</u>
<u>1,288,957</u>	<u>1,723,760</u>	<u>3,012,717</u>
370,552	739,236	1,109,788
<u>1,403,725</u>	<u>780,538</u>	<u>2,184,263</u>
<u>\$ 1,774,277</u>	<u>\$ 1,519,774</u>	<u>\$ 3,294,051</u>
\$ 430,015	\$ -	\$ 430,015
277,802	356,920	634,722
18,792	-	18,792
156,893	-	156,893
<u>890,775</u>	<u>1,162,854</u>	<u>2,053,629</u>
<u>\$ 1,774,277</u>	<u>\$ 1,519,774</u>	<u>\$ 3,294,051</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, 2005

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Tax Increment Financing
Receipts:				
Property tax	\$ 479,895	\$ -	\$ -	\$ -
Tax increment financing collections	-	-	-	643,685
Other City tax	25	-	252,330	-
Licenses and permits	137,426	-	-	-
Use of money and property	25,668	-	4,221	3,401
Intergovernmental	12,296	203,707	-	-
Charges for service	9,011	-	-	-
Miscellaneous	47,752	-	-	-
Total receipts	<u>712,073</u>	<u>203,707</u>	<u>256,551</u>	<u>647,086</u>
Disbursements:				
Operating:				
Public safety	277,912	-	-	-
Public works	63,211	88,792	-	-
Culture and recreation	73,876	-	-	-
Community and economic development	4,501	-	-	-
General government	287,928	-	-	-
Debt service	-	-	-	-
Total disbursements	<u>707,428</u>	<u>88,792</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>4,645</u>	<u>114,915</u>	<u>256,551</u>	<u>647,086</u>
Other financing sources (uses):				
Transfers in	192,749	-	-	-
Transfers out	(221)	-	(211,412)	(647,086)
Total other financing sources (uses)	<u>192,528</u>	<u>-</u>	<u>(211,412)</u>	<u>(647,086)</u>
Net change in cash balances	197,173	114,915	45,139	-
Cash balances beginning of year, as restated	<u>692,392</u>	<u>315,100</u>	<u>111,754</u>	<u>-</u>
Cash balances end of year	<u>\$ 889,565</u>	<u>\$ 430,015</u>	<u>\$ 156,893</u>	<u>\$ -</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ -
Unreserved, designated:				
Equipment purchases	189,718	126,822	85,259	-
Unreserved, undesignated:				
General fund	699,847	-	-	-
Special revenue funds	-	303,193	71,634	-
Capital projects fund	-	-	-	-
Total cash basis fund balances	<u>\$ 889,565</u>	<u>\$ 430,015</u>	<u>\$ 156,893</u>	<u>\$ -</u>

See notes to financial statements.

Debt Service	Other Nonmajor Governmental Funds	Total
\$ 115,024	\$ 46,007	\$ 640,926
-	-	643,685
4	-	252,359
-	-	137,426
3,842	5,839	42,971
-	-	216,003
-	-	9,011
-	1,210	48,962
<u>118,870</u>	<u>53,056</u>	<u>1,991,343</u>
-	-	277,912
-	-	152,003
-	-	73,876
-	-	4,501
-	-	287,928
492,174	-	492,174
<u>492,174</u>	<u>-</u>	<u>1,288,394</u>
<u>(373,304)</u>	<u>53,056</u>	<u>702,949</u>
379,580	-	572,329
-	(46,007)	(904,726)
<u>379,580</u>	<u>(46,007)</u>	<u>(332,397)</u>
6,276	7,049	370,552
<u>12,516</u>	<u>271,963</u>	<u>1,403,725</u>
<u>\$ 18,792</u>	<u>\$ 279,012</u>	<u>\$ 1,774,277</u>
\$ 18,792	\$ -	\$ 18,792
-	-	401,799
-	-	699,847
-	1,210	376,037
-	277,802	277,802
<u>-</u>	<u>277,802</u>	<u>277,802</u>
<u>\$ 18,792</u>	<u>\$ 279,012</u>	<u>\$ 1,774,277</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, 2005**

	Enterprise Funds			Total
	Sewer Utility	Water	Nonmajor Solid Waste	
Operating receipts:				
Use of money and property	\$ 21,897	\$ 6,874	\$ 882	\$ 29,653
Charges for service	566,196	498,467	128,364	1,193,027
Miscellaneous	-	22,519	-	22,519
Total operating receipts	<u>588,093</u>	<u>527,860</u>	<u>129,246</u>	<u>1,245,199</u>
Operating disbursements:				
Business-type activities:				
Salaries and wages	56,380	42,575	20,908	119,863
Employee benefits and costs	19,222	14,970	7,414	41,606
Staff development	1,912	2,209	-	4,121
Repair, maintenance, and utilities	47,481	48,796	-	96,277
Contractual services	29,409	114,158	102,248	245,815
Commodities	3,439	13,258	13,039	29,736
Capital outlay	842,158	125,398	-	967,556
Total operating disbursements	<u>1,000,001</u>	<u>361,364</u>	<u>143,609</u>	<u>1,504,974</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(411,908)</u>	<u>166,496</u>	<u>(14,363)</u>	<u>(259,775)</u>
Non-operating receipts (disbursements):				
Bond proceeds	1,290,002	-	-	1,290,002
Return of funds from bond escrow	-	71,708	-	71,708
Debt service	(695,096)	-	-	(695,096)
Total non-operating receipts (disbursements)	<u>594,906</u>	<u>71,708</u>	<u>-</u>	<u>666,614</u>
Excess (deficiency) of receipts over (under) disbursements	<u>182,998</u>	<u>238,204</u>	<u>(14,363)</u>	<u>406,839</u>
Transfers:				
Transfers in	332,176	221	24,550	356,947
Transfers out	(12,275)	(12,275)	-	(24,550)
Transfers, net	<u>319,901</u>	<u>(12,054)</u>	<u>24,550</u>	<u>332,397</u>
Net change in cash balances	502,899	226,150	10,187	739,236
Cash balances beginning of year, as restated	<u>573,295</u>	<u>178,631</u>	<u>28,612</u>	<u>780,538</u>
Cash balances end of year	<u>\$ 1,076,194</u>	<u>\$ 404,781</u>	<u>\$ 38,799</u>	<u>\$ 1,519,774</u>
Cash Basis Fund Balances				
Reserved for capital projects	\$ 342,614	\$ 14,306	\$ -	\$ 356,920
Unreserved	<u>733,580</u>	<u>390,475</u>	<u>38,799</u>	<u>1,162,854</u>
Total cash basis fund balances	<u>\$ 1,076,194</u>	<u>\$ 404,781</u>	<u>\$ 38,799</u>	<u>\$ 1,519,774</u>

See notes to financial statements.

CITY OF ASBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

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.

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, 2005, disbursements exceeded the amounts budgeted in the debt service function by \$28,238.

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, 2005, 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 had no investments during the year ended June 30, 2005.

Interest Rate Risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – NOTES PAYABLE

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

Year Ending June 30,	General Obligation Notes	
	Principal	Interest
2006	\$ 499,000	\$ 193,330
2007	518,000	174,162
2008	528,000	153,406
2009	553,000	131,541
2010	514,000	107,823
2011	499,000	85,526
2012	278,000	63,760
2013	186,000	49,200
2014	190,000	42,690
2015	194,000	36,090
2016	199,000	29,400
2017	142,000	22,620
2018	146,000	19,680
2019	150,000	16,650
2020	156,000	13,530
2021	111,000	10,290
2022	114,000	6,960
2023	118,000	3,540
	<u>\$ 5,095,000</u>	<u>\$ 1,160,198</u>

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

NOTE 4 – RETURN OF FUNDS FROM BOND ESCROW

In 2004, the government deposited \$668,340 into a bond escrow 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. In 2005, the bonds were called. The funds remaining in the bond escrow, \$71,708, were returned to the City.

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 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$22,002, \$19,596, and \$17,686, 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, 2005, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ <u>2,525</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, 2005.

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 issued \$690,000 in anticipatory warrants, at 1.75% interest per annum, for the Seippel Road Collection System in 2004. As of June 30, 2005, all of these anticipatory warrants had been redeemed.

NOTE 8 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2005, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 146,742
	Nonmajor Governmental Funds	<u>46,007</u>
		<u>192,749</u>
Debt Service	Special Revenue:	
	TIF	314,910
	Local Option Sales Tax	<u>64,670</u>
		<u>379,580</u>

NOTES TO FINANCIAL STATEMENTS

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Sewer Utility	Enterprise: TIF	\$ 332,176
Water	General	<u>221</u>
Nonmajor Enterprise Fund	Enterprise: Sewer Utility Water	12,275 <u>12,275</u> <u>24,550</u>
Total		<u>\$ 929,276</u>

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

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 – COMMITMENTS AND CONTINGENCY

The City has active construction projects as of June 30, 2005. The projects include the construction of storm water, water, and wastewater improvements. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Total Contract</u>	<u>Payments-to-Date</u>	<u>Remaining Commitment</u>
Southwest Collection System Extension	\$ 86,189	\$ 79,235	\$ 6,954
Seippel Road Collection System	515,249	509,570	5,679
Southwest Collection System	251,778	212,826	38,952
Gravity Sewer to Wedgewood	127,102	86,653	40,449
Southwest Lift Station	226,269	205,817	20,452
Hales Mill Lift Station	697,144	117,176	579,968
Wastewater Treatment Plant	404,620	194,107	210,513
Water Well Improvements	<u>685,273</u>	<u>57,494</u>	<u>627,779</u>
	<u>\$ 2,993,624</u>	<u>\$ 1,462,878</u>	<u>\$ 1,530,746</u>

NOTES TO FINANCIAL STATEMENTS

The City has been notified by the Iowa Department of Natural Resources (DNR) that the City is in violation of their National Pollution Discharge Elimination System (NPDES) permit limits. The City has also received subsequent correspondence from the DNR that the Hales Mill Lift Station and the wastewater treatment plant are not in compliance with DNR standards, and mandatory improvements are required. The estimated cost for the mandatory improvements is \$4,000,000 for the new Hales Mill Lift Station and the modifications to the wastewater treatment plant. The City has incurred approximately \$311,000 in engineering costs for the mandatory improvements as of June 30, 2005. All of the mandatory improvements were to be completed by April 15, 2005; however, the DNR is aware that the City is taking steps to complete the improvements, and no penalties have been assessed. An extension will be granted by the DNR for completion of the mandatory improvements.

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, 2005, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$8,855,043.

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 – SUBSEQUENT EVENT

In July 2005, the City issued \$1,700,000 of general obligation sewer improvement bonds for the purpose of funding sewer improvements and \$600,000 of general obligation water improvement bonds for the purpose of funding water improvements. The bonds are payable from a continuing annual levy of taxes against all taxable property of the City.

NOTE 14 – RESTATEMENT

The restatement of the Governmental Activities and Business-type Activities beginning net assets and the Sewer Utility Fund beginning fund balance was due to sewer construction funds reported as a capital projects fund in 2004 and the Sewer Revenue Fund reported as a nonmajor enterprise fund in 2004 are reported with the Sewer Utility Fund in 2005.

NOTES TO FINANCIAL STATEMENTS

	Governmental Activities	Business-type Activities	Sewer Utility Fund
Net assets/fund balance June 30, 2004, as previously reported	\$ 1,534,630	\$ 649,633	\$ 426,540
Adjustment			
Seippel Water/Sewer Project Fund	(126,905)	126,905	126,905
Sewer Capital Projects Fund	(4,000)	4,000	4,000
Sewer Revenue Fund	-	-	15,850
Net assets/fund balance June 30, 2004, as restated	<u>\$ 1,403,725</u>	<u>\$ 780,538</u>	<u>\$ 573,295</u>

NOTE 15 – PROSPECTIVE ACCOUNTING CHANGE

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

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.

Statement No. 46, *Net Assets Restricted by Enabling Legislation*, issued December 2004, will be effective for the City for the fiscal year ending June 30, 2006. This Statement clarifies the definition of a legally enforceable enabling legislation restriction. It also specifies the accounting and financial reporting requirements for the restrictions and for any changes in them.

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45. For all other termination benefits, this Statement is effective for the fiscal year ending June 30, 2006.

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

REQUIRED SUPPLEMENTARY INFORMATION

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, 2005

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Property tax	\$ 640,926	\$ -	\$ 640,926
Tax increment financing collections	643,685	-	643,685
Other City tax	252,359	-	252,359
Licenses and permits	137,426	-	137,426
Use of money and property	42,971	29,653	72,624
Intergovernmental	216,003	-	216,003
Charges for service	9,011	1,193,027	1,202,038
Special assessments	-	-	-
Miscellaneous	48,962	22,519	71,481
Total receipts	<u>1,991,343</u>	<u>1,245,199</u>	<u>3,236,542</u>
Disbursements:			
Public safety	277,912	-	277,912
Public works	152,003	-	152,003
Culture and recreation	73,876	-	73,876
Community and economic development	4,501	-	4,501
General government	287,928	-	287,928
Debt service	492,174	-	492,174
Business-type activities	-	2,200,070	2,200,070
Total disbursements	<u>1,288,394</u>	<u>2,200,070</u>	<u>3,488,464</u>
Excess (deficiency) of receipts over (under) disbursements	702,949	(954,871)	(251,922)
Other financing sources (uses), net	<u>(332,397)</u>	<u>1,694,107</u>	<u>1,361,710</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	370,552	739,236	1,109,788
Balances beginning of year, as restated	<u>1,403,725</u>	<u>780,538</u>	<u>2,184,263</u>
Balances end of year	<u>\$ 1,774,277</u>	<u>\$ 1,519,774</u>	<u>\$ 3,294,051</u>

<u>Budgeted Amounts</u>		Final to Actual Variance- Positive (Negative)
<u>Original</u>	<u>Final</u>	<u>(Negative)</u>
\$ 637,051	\$ 637,051	\$ 3,875
626,134	626,134	17,551
234,871	263,209	(10,850)
71,917	112,047	25,379
33,550	48,874	23,750
181,750	194,050	21,953
1,002,171	1,159,543	42,495
413	413	(413)
<u>37,700</u>	<u>49,700</u>	<u>21,781</u>
<u>2,825,557</u>	<u>3,091,021</u>	<u>145,521</u>
289,352	284,352	6,440
391,381	273,038	121,035
123,131	123,131	49,255
9,460	9,460	4,959
271,777	316,827	28,899
463,936	463,936	(28,238)
<u>6,404,723</u>	<u>6,459,369</u>	<u>4,259,299</u>
<u>7,953,760</u>	<u>7,930,113</u>	<u>4,441,649</u>
(5,128,203)	(4,839,092)	4,587,170
<u>4,700,000</u>	<u>4,700,000</u>	<u>(3,338,290)</u>
(428,203)	(139,092)	1,248,880
<u>2,184,263</u>	<u>2,184,263</u>	<u>-</u>
<u>\$ 1,756,060</u>	<u>\$ 2,045,171</u>	<u>\$ 1,248,880</u>

CITY OF ASBURY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY
REPORTING
JUNE 30, 2005

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. 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 by fund. During the year, one budget amendment decreased budgeted disbursements by \$23,647. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the debt service function by \$28,238.

SUPPLEMENTARY INFORMATION

CITY OF ASBURY
STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	Capital Projects		
	Seippel Road Project	Asbury Intersection Project	Park Expansion Project
Receipts:			
Property tax	\$ -	\$ -	\$ -
Use of money and property	1,603	1,783	2,453
Miscellaneous	-	-	-
Total receipts	1,603	1,783	2,453
Other financing uses:			
Transfers out	-	-	-
Net change in cash balances	1,603	1,783	2,453
Cash balances beginning of year	75,808	84,347	111,808
Cash balances end of year	<u>\$ 77,411</u>	<u>\$ 86,130</u>	<u>\$ 114,261</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ -	\$ -	\$ -
Capital projects fund	77,411	86,130	114,261
Total cash basis fund balances	<u>\$ 77,411</u>	<u>\$ 86,130</u>	<u>\$ 114,261</u>

Special Revenue

<u>Special Levies</u>	<u>Trail Contribution</u>	<u>Total</u>
\$ 46,007	\$ -	\$ 46,007
-	-	5,839
<u>-</u>	<u>1,210</u>	<u>1,210</u>
46,007	1,210	53,056
<u>(46,007)</u>	<u>-</u>	<u>(46,007)</u>
-	1,210	7,049
<u>-</u>	<u>-</u>	<u>271,963</u>
<u>\$ -</u>	<u>\$ 1,210</u>	<u>\$ 279,012</u>
\$ -	\$ 1,210	\$ 1,210
<u>-</u>	<u>-</u>	<u>277,802</u>
<u>\$ -</u>	<u>\$ 1,210</u>	<u>\$ 279,012</u>

CITY OF ASBURY
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes:			
1999 Street Improvements	6/1/1999	4.65-4.90%	\$ 430,000
2000 Park expansion	4/1/2000	5.40-5.80	280,000
2000 City hall	8/15/2000	6.50	207,000
2001 Water improvements	5/1/2001	6.25	900,000
2001 Street improvements	7/1/2001	4.30-4.90	515,000
2002 Water improvements	10/1/2002	3.00	681,000
2004 Water improvements	1/9/2004	3.00	1,800,000
2004 Sewer improvements	9/1/2004	2.15-3.45%	1,290,000
Total			
Anticipatory Warrant			
2004 Seippel Road Collection	1/28/2004	1.75%	\$ 690,000

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 245,000	\$ -	\$ 45,000	\$ 200,000	\$ 11,608	\$ -
205,000	-	20,000	185,000	11,420	-
140,000	-	20,000	120,000	7,000	-
720,000	-	60,000	660,000	46,800	-
430,000	-	45,000	385,000	19,670	-
622,000	-	31,000	591,000	18,660	-
1,733,000	-	69,000	1,664,000	51,990	-
-	1,290,000	-	1,290,000	27,947	-
<u>\$ 4,095,000</u>	<u>\$ 1,290,000</u>	<u>\$ 290,000</u>	<u>\$ 5,095,000</u>	<u>\$ 195,095</u>	<u>\$ -</u>
<u>\$ 690,000</u>	<u>\$ -</u>	<u>\$ 690,000</u>	<u>\$ -</u>	<u>\$ 7,787</u>	<u>\$ -</u>

CITY OF ASBURY
NOTE MATURITIES
JUNE 30, 2005

Schedule 3

General Obligation Notes						
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
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>\$ 200,000</u>		<u>\$ 185,000</u>		<u>\$ 120,000</u>

General Obligation Notes						
Year Ending June 30,	Water Improvement Note		Street Improvement Note		Water Improvement Note	
	Issued May 1, 2001		Issued July 1, 2001		Issued October 1, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2006	6.25%	\$ 60,000	4.30%	\$ 50,000	3.00%	\$ 32,000
2007	6.25	60,000	4.40	50,000	3.00	33,000
2008	6.25	60,000	4.50	50,000	3.00	34,000
2009	6.25	60,000	4.60	55,000	3.00	35,000
2010	6.25	60,000	4.70	55,000	3.00	36,000
2011	6.25	60,000	4.80	60,000	3.00	37,000
2012	6.25	60,000	4.90	65,000	3.00	38,000
2013	6.25	60,000	-	-	3.00	39,000
2014	6.25	60,000	-	-	3.00	40,000
2015	6.25	60,000	-	-	3.00	41,000
2016	6.25	60,000	-	-	3.00	43,000
2017	-	-	-	-	3.00	44,000
2018	-	-	-	-	3.00	45,000
2019	-	-	-	-	3.00	46,000
2020	-	-	-	-	3.00	48,000
		<u>\$ 660,000</u>		<u>\$ 385,000</u>		<u>\$ 591,000</u>

(continued)

CITY OF ASBURY
NOTE MATURITIES
JUNE 30, 2005

Schedule 3
(continued)

Year Ending June 30,	General Obligation Notes					Total
	Water Improvement Note		Sewer Improvement Note			
	Issued January 9, 2004		Issued September 1, 2004			
Interest Rates	Amount	Interest Rates	Amount			
2006	3.00%	\$ 71,000	2.15%	\$ 200,000	\$ 499,000	
2007	3.00	73,000	2.50	205,000	518,000	
2008	3.00	75,000	2.80	210,000	528,000	
2009	3.00	78,000	3.05	220,000	553,000	
2010	3.00	80,000	3.25	225,000	514,000	
2011	3.00	82,000	3.45	230,000	499,000	
2012	3.00	85,000	-	-	278,000	
2013	3.00	87,000	-	-	186,000	
2014	3.00	90,000	-	-	190,000	
2015	3.00	93,000	-	-	194,000	
2016	3.00	96,000	-	-	199,000	
2017	3.00	98,000	-	-	142,000	
2018	3.00	101,000	-	-	146,000	
2019	3.00	104,000	-	-	150,000	
2020	3.00	108,000	-	-	156,000	
2021	3.00	111,000	-	-	111,000	
2022	3.00	114,000	-	-	114,000	
2023	3.00	118,000	-	-	118,000	
		<u>\$ 1,664,000</u>		<u>\$ 1,290,000</u>	<u>\$ 5,095,000</u>	

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

Schedule 4

	<u>2005</u>	<u>2004(1)</u>	<u>2003</u>	<u>2002</u>
Receipts:				
Property tax	\$ 640,926	\$ 532,391	\$ 526,922	\$ 432,840
Tax increment financing collections	643,685	373,198	200,010	323,465
Other City tax	252,359	262,832	234,574	237,693
Licenses and permits	137,426	126,610	107,400	55,912
Use of money and property	42,971	27,890	17,705	29,891
Intergovernmental	216,003	239,081	299,314	242,759
Charges for service	9,011	8,161	7,836	9,460
Special assessments	-	9,873	1,306	8,558
Miscellaneous	48,962	46,394	55,263	63,977
Total receipts	<u>\$ 1,991,343</u>	<u>\$ 1,626,430</u>	<u>\$ 1,450,330</u>	<u>\$ 1,404,555</u>
Disbursements:				
Operating:				
Public safety	\$ 277,912	\$ 272,199	\$ 182,990	\$ 153,609
Public works	152,003	243,126	257,579	406,998
Culture and recreation	73,876	71,435	79,744	87,197
Community and economic development	4,501	4,948	386,038	347,489
General government	287,928	287,549	251,951	304,526
Debt service	492,174	425,181	178,748	156,163
Capital projects	-	736,904	85,055	545,442
Total disbursements	<u>\$ 1,288,394</u>	<u>\$ 2,041,342</u>	<u>\$ 1,422,105</u>	<u>\$ 2,001,424</u>

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



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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Asbury, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated July 13, 2005. 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 a certain matter involving the internal control over financial reporting 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 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. A reportable condition is described in Part I of the accompanying Schedule of Findings as item I-A-05.

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. 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 condition described above is not a material weakness. 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 July 13, 2005. Prior year reportable condition I-A-05 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, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of non-compliance that is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. There were no prior year statutory comments.

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
July 13, 2005

**CITY OF ASBURY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005**

Part I: Findings Related to the Financial Statements:

REPORTABLE CONDITION

I-A-05 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.

Part II: Other Findings Related to Statutory Reporting:

II-A-05 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, 2005.

II-B-05 Certified Budget - Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the debt service function by \$28,238.

II-C-05 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.

II-D-05 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05 Business Transactions - No business transactions between the City and City officials or employees were noted.

II-F-05 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.

II-G-05 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF ASBURY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

- II-H-05 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.
- II-I-05 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.