

# **CITY OF ASBURY**

# CITY OF ASBURY

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# CITY OF ASBURY OFFICIALS

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Anderson	Mayor	January 2008
Robert Blok	Mayor Pro tem	January 2010
Deborah Roth	Council Member	January 2010
Robert Reisch	Council Member	January 2010
Jim Adams	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

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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, 2006, 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, 2006, 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 December 12, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 21 and 22 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required 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, 2005, (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 and the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Dubuque, Iowa  
December 12, 2006

**CITY OF ASBURY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006**

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, 2006. 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.

**2006 Financial Highlights**

Receipts of the City's governmental activities increased 13.2%, or approximately \$263,000, from fiscal year 2005 to fiscal year 2006. Property tax and tax increment financing increased approximately \$195,000. Interest earned on cash balances increased approximately \$57,000.

Disbursements of the City's governmental activities increased 38.2%, or approximately \$492,000, from fiscal year 2005 to fiscal year 2006. Debt Service related to capital projects increased approximately \$261,000. Disbursements relating to Public Safety increased for additional building inspections services and the addition of a part time police officer in the amount of \$44,500. Public Works increased \$108,000 for disbursements relating to snow removal and street maintenance. Culture and Recreation disbursements increased approximately \$28,000 for improvements to trails. Governmental disbursements increased approximately \$19,000 for consulting and legal services. Capital Projects disbursements were for engineering expenses for the Asbury Trail Project in the amount of approximately \$33,400.

The City's total cash basis net assets increased 25%, or approximately \$833,000, from June 2005 to June 2006. Of this amount, the assets of the governmental activities increased approximately \$346,000, and the assets of the business-type activities increased approximately \$487,000.

**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) Activities 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, 2006, the City's governmental activities were funded as follows:

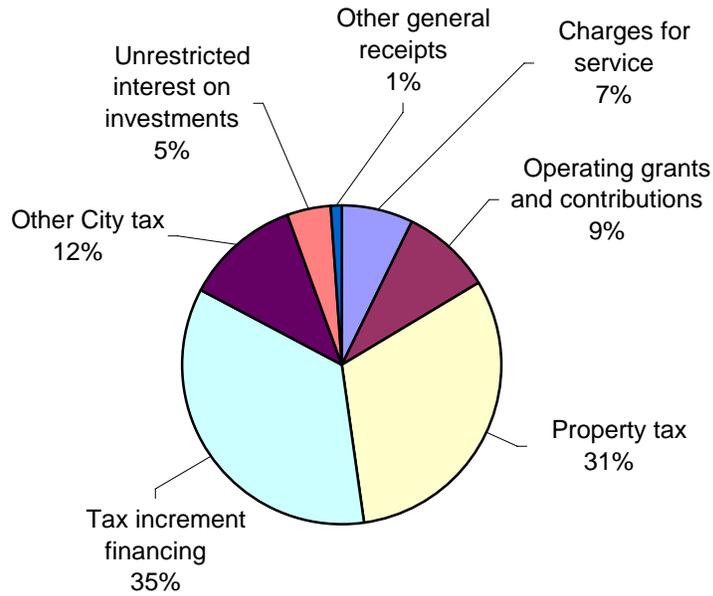
Receipts of the City's governmental activities increased 13.2%, or approximately \$263,000, from fiscal year 2005 to fiscal year 2006. Tax increment financing (TIF) increased approximately \$138,000 and property taxes increased because property valuations rose to \$15,254,447.

Disbursements for governmental activities increased 38.2%, or approximately \$492,000 from fiscal year 2005 to fiscal year 2006. Public Works increased approximately \$108,000 for the repairs to City streets and snow removal. Debt Service increased approximately \$261,000 because of additional bonds that were issued for capital improvements for water and sewer.

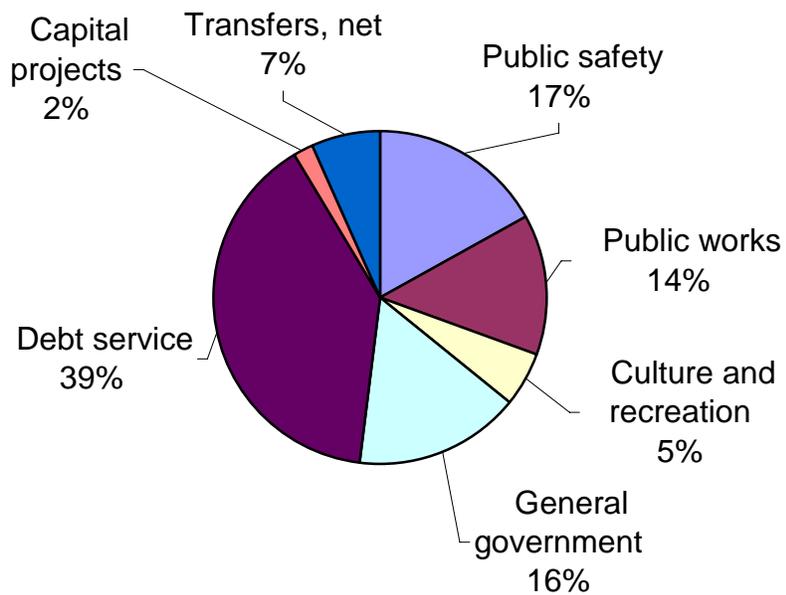
### Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30,	
	2006	2005
Program receipts:		
Charges for service	\$ 159,451	\$ 152,776
Operating grants and contributions	205,127	216,003
Capital grants and contributions	25,000	1,210
General receipts:		
Property tax	698,113	640,926
Tax increment financing	781,591	643,685
Other City tax	260,615	252,359
Unrestricted interest on investments	100,468	42,971
Other general receipts	24,065	41,413
	<u>2,254,430</u>	<u>1,991,343</u>
Total receipts		
Program disbursements:		
Public safety	322,405	277,912
Public works	260,239	152,003
Culture and recreation	101,733	73,876
Community and economic development	2,597	4,501
General government	306,853	287,928
Debt service	753,351	492,174
Capital projects	33,391	-
Transfers, net	128,304	332,397
	<u>1,908,873</u>	<u>1,620,791</u>
Total disbursements and transfers		
Increase in cash basis net assets	345,557	370,552
Cash basis net assets beginning of year	<u>1,774,277</u>	<u>1,403,725</u>
Cash basis net assets end of year	<u>\$ 2,119,834</u>	<u>\$ 1,774,277</u>

## Receipts by Source



## Disbursements by Function



## Business-type Activities

For the year ended June 30, 2006, 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,	
	2006	2005
Receipts:		
Program receipts:		
Charges for service:		
Sewer utility	\$ 571,652	\$ 566,196
Solid waste	136,716	128,364
Water	543,575	498,467
Operating grants and contributions	23,674	22,519
General receipts:		
Unrestricted interest on investments	78,771	29,653
Bond proceeds	2,584,942	1,290,002
Return of funds from bond escrow	-	71,708
Transfers, net	<u>128,304</u>	<u>332,397</u>
Total receipts and transfers	<u>4,067,634</u>	<u>2,939,306</u>
Program disbursements:		
Sewer utility	2,119,704	1,695,097
Solid waste	124,249	143,609
Water	<u>1,336,260</u>	<u>361,364</u>
Total disbursements	<u>3,580,213</u>	<u>2,200,070</u>
Increase in cash basis net assets	487,421	739,236
Cash basis net assets beginning of year	<u>1,519,774</u>	<u>780,538</u>
Cash basis net assets end of year	<u>\$ 2,007,195</u>	<u>\$ 1,519,774</u>

Receipts of the City's business-type activities increased 38.0%, or approximately \$1,128,000, from fiscal year 2005 to fiscal year 2006. Bond proceeds increased 100%, or approximately \$1,300,000. Bonds were issued for improvements to two of the wells in the amount of \$600,000 and for improvements to the Hales Mill Lift Station and the wastewater treatment plant in the amount of \$292,946.

Disbursements for business-type activities increased 62.7%, or approximately \$1,380,000. Capital outlay increased approximately \$2,055,000 which included the completion of the Wedgewood and Colonial Estates Wells and Hales Mill Lift Station. The wastewater treatment plant improvements are approximately 55% complete.

### Individual Major Fund Analysis

As of June 30, 2006, the City had cash balances on hand of \$2,119,834 in governmental fund types and \$2,007,195 in business-type funds. The governmental fund type increased \$345,557, and business fund types increased \$487,421, respectively, during fiscal year 2005-2006. 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, 2006, total actual receipts including other financing sources were \$374,072 over the final budget while total actual disbursements including other financing uses were \$1,405,654 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 \$7,156,946 debt outstanding compared to \$5,095,000 in 2005.

#### Outstanding Debt at Year-End

	June 30,	
	2006	2005
General obligation notes		
Street improvements	\$ 155,000	\$ 200,000
Park expansion	165,000	185,000
City hall	99,000	120,000
Street improvements	335,000	385,000
Water improvements	559,000	591,000
Water improvements	1,593,000	1,664,000
Sewer improvements	1,090,000	1,290,000
Water improvements	568,000	-
Sewer improvements	1,700,000	-
Total general obligation notes	<u>6,264,000</u>	<u>4,435,000</u>
Revenue notes		
Water improvements	600,000	660,000
Water improvements	170,000	-
Sewer improvements	122,946	-
Total revenue notes	<u>892,946</u>	<u>660,000</u>
Total general obligation and revenue notes	<u>\$ 7,156,946</u>	<u>\$ 5,095,000</u>

There was \$2,592,946 in new debt that was issued for the water and sewer improvements. The City as of June 30, 2006 is at 79.47% 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 22% of revenues. The largest source, at 35%, 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, 2007, 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 completion of the upgrades and expansion of the wastewater treatment plant. 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 a combination of general obligation and special assessment debt. 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

**CITY OF ASBURY**

**CITY OF ASBURY**  
**STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 322,405	\$ 121,694	\$ -	\$ -
Public works	260,239	-	205,127	-
Culture and recreation	101,733	9,129	-	-
Community and economic development	2,597	-	-	-
General government	306,853	28,628	-	-
Debt service	753,351	-	-	-
Capital projects	33,391	-	-	25,000
Total governmental activities	<u>1,780,569</u>	<u>159,451</u>	<u>205,127</u>	<u>25,000</u>
Business-type activities:				
Sewer utility	2,119,704	571,652	-	-
Solid waste	124,249	136,716	-	-
Water	1,336,260	543,575	23,674	-
Total business-type activities	<u>3,580,213</u>	<u>1,251,943</u>	<u>23,674</u>	<u>-</u>
Total	<u>\$ 5,360,782</u>	<u>\$ 1,411,394</u>	<u>\$ 228,801</u>	<u>\$ 25,000</u>

General receipts:

- Property tax levied for:
  - General purposes
  - Tax increment financing
  - Debt service
- Other City tax
- Unrestricted interest on investments
- Bond proceeds
- Miscellaneous

Transfers

- Total general receipts and transfers
- Change in cash basis net assets
- Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

- Streets
- Capital projects
- Debt service
- Other purposes
- Urban renewal 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
\$ (200,711)	\$ -	\$ (200,711)
(55,112)	-	(55,112)
(92,604)	-	(92,604)
(2,597)	-	(2,597)
(278,225)	-	(278,225)
(753,351)	-	(753,351)
(8,391)	-	(8,391)
<u>(1,390,991)</u>	<u>-</u>	<u>(1,390,991)</u>
-	(1,548,052)	(1,548,052)
-	12,467	12,467
-	<u>(769,011)</u>	<u>(769,011)</u>
-	<u>(2,304,596)</u>	<u>(2,304,596)</u>
<u>(1,390,991)</u>	<u>(2,304,596)</u>	<u>(3,695,587)</u>
585,278	-	585,278
781,591	-	781,591
112,835	-	112,835
260,615	-	260,615
100,468	78,771	179,239
-	2,584,942	2,584,942
24,065	-	24,065
<u>(128,304)</u>	<u>128,304</u>	<u>-</u>
<u>1,736,548</u>	<u>2,792,017</u>	<u>4,528,565</u>
345,557	487,421	832,978
<u>1,774,277</u>	<u>1,519,774</u>	<u>3,294,051</u>
<u>\$ 2,119,834</u>	<u>\$ 2,007,195</u>	<u>\$ 4,127,029</u>
\$ 467,108	\$ -	\$ 467,108
281,959	323,273	605,232
28,888	-	28,888
185,523	-	185,523
81,395	-	81,395
<u>1,074,961</u>	<u>1,683,922</u>	<u>2,758,883</u>
<u>\$ 2,119,834</u>	<u>\$ 2,007,195</u>	<u>\$ 4,127,029</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, 2006**

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Tax Increment Financing
<b>Receipts:</b>				
Property tax	\$ 524,020	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	781,591
Other City tax	-	-	260,615	-
Licenses and permits	139,115	-	-	-
Use of money and property	61,663	-	9,645	6,645
Intergovernmental	-	205,127	-	-
Charges for service	9,129	-	-	-
Miscellaneous	35,272	-	-	-
Total receipts	<u>769,199</u>	<u>205,127</u>	<u>270,260</u>	<u>788,236</u>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	322,405	-	-	-
Public works	92,205	168,034	-	-
Culture and recreation	101,733	-	-	-
Community and economic development	2,597	-	-	-
General government	306,853	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>825,793</u>	<u>168,034</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(56,594)</u>	<u>37,093</u>	<u>270,260</u>	<u>788,236</u>
<b>Other financing sources (uses):</b>				
Transfers in	241,990	-	-	-
Transfers out	-	-	(243,718)	(706,841)
Total other financing sources (uses)	<u>241,990</u>	<u>-</u>	<u>(243,718)</u>	<u>(706,841)</u>
Net change in cash balances	185,396	37,093	26,542	81,395
Cash balances beginning of year	<u>889,565</u>	<u>430,015</u>	<u>156,893</u>	<u>-</u>
Cash balances end of year	<u>\$ 1,074,961</u>	<u>\$ 467,108</u>	<u>\$ 183,435</u>	<u>\$ 81,395</u>
<b>Cash Basis Fund Balances</b>				
<b>Reserved:</b>				
Debt service	\$ -	\$ -	\$ -	\$ -
<b>Unreserved, designated:</b>				
Equipment purchases	217,288	142,972	89,083	-
<b>Unreserved, undesignated:</b>				
General fund	857,673	-	-	-
Special revenue funds	-	324,136	94,352	81,395
Capital projects fund	-	-	-	-
Total cash basis fund balances	<u>\$ 1,074,961</u>	<u>\$ 467,108</u>	<u>\$ 183,435</u>	<u>\$ 81,395</u>

See notes to financial statements.

Debt Service	Other Nonmajor Governmental Funds	Total
\$ 112,835	\$ 61,258	\$ 698,113
-	-	781,591
-	-	260,615
-	-	139,115
9,948	12,567	100,468
-	-	205,127
-	-	9,129
-	25,000	60,272
<u>122,783</u>	<u>98,825</u>	<u>2,254,430</u>
-	-	322,405
-	-	260,239
-	-	101,733
-	-	2,597
-	-	306,853
753,351	-	753,351
-	33,391	33,391
<u>753,351</u>	<u>33,391</u>	<u>1,780,569</u>
<u>(630,568)</u>	<u>65,434</u>	<u>473,861</u>
640,664	-	882,654
-	(60,399)	(1,010,958)
<u>640,664</u>	<u>(60,399)</u>	<u>(128,304)</u>
10,096	5,035	345,557
<u>18,792</u>	<u>279,012</u>	<u>1,774,277</u>
<u>\$ 28,888</u>	<u>\$ 284,047</u>	<u>\$ 2,119,834</u>
\$ 28,888	\$ -	\$ 28,888
-	-	449,343
-	-	857,673
-	2,088	501,971
-	281,959	281,959
<u>\$ 28,888</u>	<u>\$ 284,047</u>	<u>\$ 2,119,834</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, 2006**

	Enterprise Funds			Total
	Sewer Utility	Water	Nonmajor Solid Waste	
Operating receipts:				
Use of money and property	\$ 54,981	\$ 21,779	\$ 2,011	\$ 78,771
Charges for service	571,652	543,575	136,716	1,251,943
Miscellaneous	-	23,674	-	23,674
Total operating receipts	<u>626,633</u>	<u>589,028</u>	<u>138,727</u>	<u>1,354,388</u>
Operating disbursements:				
Business-type activities:				
Salaries and wages	65,326	70,093	11,821	147,240
Employee benefits and costs	21,181	21,762	3,597	46,540
Staff development	2,203	1,815	-	4,018
Repair, maintenance, and utilities	58,825	52,715	-	111,540
Contractual services	35,597	73,143	107,017	215,757
Commodities	4,694	21,683	1,583	27,960
Capital outlay	1,931,878	1,091,203	231	3,023,312
Total operating disbursements	<u>2,119,704</u>	<u>1,332,414</u>	<u>124,249</u>	<u>3,576,367</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(1,493,071)</u>	<u>(743,386)</u>	<u>14,478</u>	<u>(2,221,979)</u>
Non-operating receipts (disbursements):				
Bond proceeds	1,822,942	762,000	-	2,584,942
Debt service	-	(3,846)	-	(3,846)
Total non-operating receipts (disbursements)	<u>1,822,942</u>	<u>758,154</u>	<u>-</u>	<u>2,581,096</u>
Excess of receipts over disbursements	<u>329,871</u>	<u>14,768</u>	<u>14,478</u>	<u>359,117</u>
Transfers:				
Transfers in	9,357	125,000	-	134,357
Transfers out	(6,053)	-	-	(6,053)
Transfers, net	<u>3,304</u>	<u>125,000</u>	<u>-</u>	<u>128,304</u>
Net change in cash balances	333,175	139,768	14,478	487,421
Cash balances beginning of year	<u>1,076,194</u>	<u>404,781</u>	<u>38,799</u>	<u>1,519,774</u>
Cash balances end of year	<u>\$ 1,409,369</u>	<u>\$ 544,549</u>	<u>\$ 53,277</u>	<u>\$ 2,007,195</u>
Cash Basis Fund Balances				
Reserved for capital projects	\$ 268,935	\$ 54,338	\$ -	\$ 323,273
Unreserved	<u>1,140,434</u>	<u>490,211</u>	<u>53,277</u>	<u>1,683,922</u>
Total cash basis fund balances	<u>\$ 1,409,369</u>	<u>\$ 544,549</u>	<u>\$ 53,277</u>	<u>\$ 2,007,195</u>

See notes to financial statements.

**CITY OF ASBURY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**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 Statement

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 service.

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

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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

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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, 2006, no disbursements exceeded the amounts budgeted in the general government and business-type activities functions.

### *Receipts*

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

## **NOTE 2 – CASH AND INVESTMENTS**

The City's deposits in banks at June 30, 2006, 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, 2006.

### *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		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 582,000	\$ 203,202	\$ 267,946	\$ 48,426	\$ 849,946	\$ 251,628
2008	596,000	182,626	145,000	37,013	741,000	219,639
2009	625,000	160,821	60,000	31,200	685,000	192,021
2010	590,000	137,043	60,000	27,300	650,000	164,343
2011	579,000	114,566	60,000	23,400	639,000	137,966
2012	363,000	92,500	60,000	19,500	423,000	112,000
2013	275,000	77,490	60,000	15,600	335,000	93,090
2014	284,000	70,410	60,000	11,700	344,000	82,110
2015	292,000	63,090	60,000	7,800	352,000	70,890
2016	301,000	55,560	60,000	3,900	361,000	59,460
2017	310,000	47,820	-	-	310,000	47,820
2018	319,000	39,840	-	-	319,000	39,840
2019	328,000	31,620	-	-	328,000	31,620
2020	339,000	23,160	-	-	339,000	23,160
2021	249,000	14,430	-	-	249,000	14,430
2022	114,000	6,960	-	-	114,000	6,960
2023	118,000	3,540	-	-	118,000	3,540
	<u>\$ 6,264,000</u>	<u>\$ 1,324,678</u>	<u>\$ 892,946</u>	<u>\$ 225,839</u>	<u>\$ 7,156,946</u>	<u>\$ 1,550,517</u>

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

### NOTE 4 – DEFICIT BALANCES

At June 30, 2006, funds with deficit balances were as follows:

Capital projects, Asbury walking trail	\$ 8,301
Capital projects, Burr Oak reconstruction	\$ 52

These deficit balances are the result of capital projects where permanent financing is not in place. The deficits will be eliminated upon collection of bond proceeds in the future periods.

### 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

Most regular plan members are required to contribute 3.70% of their annual covered salary, and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004, were \$23,238, \$22,002, and \$19,596, 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, 2006, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ <u>2,696</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, 2006.

### NOTE 7 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 175,538
	Nonmajor Governmental Funds	<u>60,399</u>
		235,937
	Enterprise:	
	Sewer Utility	<u>6,053</u>
		<u>241,990</u>
Debt Service	Special Revenue:	
	TIF	572,484
	Local Option Sales Tax	<u>68,180</u>
		<u>640,664</u>
Sewer Utility	Special Revenue:	
	TIF	<u>9,357</u>
Water Utility	Special Revenue:	
	TIF	<u>125,000</u>
Total		<u>\$ 1,017,011</u>

(continued on next page)

## NOTES TO FINANCIAL STATEMENTS

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

### NOTE 8 – 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 9 – COMMITMENTS AND CONTINGENCY

The City has active construction projects as of June 30, 2006. 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>
Wastewater Treatment Plant	\$ 3,498,965	\$ 1,454,910	\$ 2,044,055
Water Well Improvements	686,775	638,634	48,141
Maple Hills	<u>325,381</u>	<u>304,412</u>	<u>20,969</u>
	<u>\$ 4,511,121</u>	<u>\$ 2,397,956</u>	<u>\$ 2,113,165</u>

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 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 Hales Mill Lift Station was completed and put into operation in December 2005 at a cost of \$560,063. The wastewater treatment plant estimated construction cost is \$3,097,210 and is under construction with an estimated completion time of December 2006. The wastewater treatment plant was approximately 55% complete at June 30, 2006. 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 10 – 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.

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## NOTES TO FINANCIAL STATEMENTS

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As of June 30, 2006, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$7,884,200.

### NOTE 11 – 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 12 – SUBSEQUENT EVENT

In June 2006, the City issued \$2,100,000 of sewer improvement revenue notes for the purpose of funding sewer improvements. The notes are payable from sewer utility revenues. Only \$122,946 of the bonds were received in fiscal year 2006. The remaining proceeds will be received in future years.

### NOTE 13 – PROSPECTIVE ACCOUNTING CHANGE

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

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. 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. 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 No. 45. For all other termination benefits, this Statement is effective for the fiscal year ended 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**

**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, 2006**

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Property tax	\$ 698,113	\$ -	\$ 698,113
Tax increment financing	781,591	-	781,591
Other City tax	260,615	-	260,615
Licenses and permits	139,115	-	139,115
Use of money and property	100,468	78,771	179,239
Intergovernmental	205,127	-	205,127
Charges for service	9,129	1,251,943	1,261,072
Special assessments	-	-	-
Miscellaneous	60,272	23,674	83,946
Total receipts	<u>2,254,430</u>	<u>1,354,388</u>	<u>3,608,818</u>
Disbursements:			
Public safety	322,405	-	322,405
Public works	260,239	-	260,239
Culture and recreation	101,733	-	101,733
Community and economic development	2,597	-	2,597
General government	306,853	-	306,853
Debt service	753,351	-	753,351
Capital projects	33,391	-	33,391
Business-type activities	-	3,580,213	3,580,213
Total disbursements	<u>1,780,569</u>	<u>3,580,213</u>	<u>5,360,782</u>
Excess (deficiency) of receipts over (under) disbursements	473,861	(2,225,825)	(1,751,964)
Other financing sources (uses), net	<u>(128,304)</u>	<u>2,713,246</u>	<u>2,584,942</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	345,557	487,421	832,978
Balances beginning of year	<u>1,774,277</u>	<u>1,519,774</u>	<u>3,294,051</u>
Balances end of year	<u>\$ 2,119,834</u>	<u>\$ 2,007,195</u>	<u>\$ 4,127,029</u>

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<u>Budgeted Amounts</u>		Final to Actual Variance- Positive <u>(Negative)</u>
<u>Original</u>	<u>Final</u>	
\$ 683,379	\$ 683,379	\$ 14,734
781,824	781,824	(233)
216,812	243,573	17,042
83,142	108,342	30,773
18,409	131,959	47,280
502,350	502,350	(297,223)
1,076,905	1,229,855	31,217
291,409	291,409	(291,409)
-	10,200	73,746
<u>3,654,230</u>	<u>3,982,891</u>	<u>(374,073)</u>
326,026	326,026	3,621
299,426	311,085	50,846
101,741	105,741	4,008
89,945	89,945	87,348
284,390	339,390	32,537
872,945	872,945	119,594
784,159	784,159	750,768
<u>3,149,572</u>	<u>3,937,145</u>	<u>356,932</u>
<u>5,908,204</u>	<u>6,766,436</u>	<u>1,405,654</u>
(2,253,974)	(2,783,545)	1,031,581
<u>2,229,875</u>	<u>2,779,875</u>	<u>(194,933)</u>
(24,099)	(3,670)	836,648
<u>3,294,051</u>	<u>3,294,051</u>	<u>-</u>
<u>\$ 3,269,952</u>	<u>\$ 3,290,381</u>	<u>\$ 836,648</u>

**CITY OF ASBURY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY**  
**REPORTING**  
**JUNE 30, 2006**

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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 increased budgeted disbursements by \$858,232. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements did not exceed their budgeted amounts.

**CITY OF ASBURY**

**CITY OF ASBURY**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2006**

	Capital Projects				
	Seippel Road Project	Asbury Intersection Project	Asbury Walking Trail	Burr Oak Reconstruction	Park Expansion Project
Receipts:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	3,481	3,874	38	-	5,155
Miscellaneous	-	-	25,000	-	-
Total receipts	3,481	3,874	25,038	-	5,155
Disbursements:					
Capital projects	-	-	33,339	52	-
Excess (deficiency) of receipts over (under) disbursements	3,481	3,874	(8,301)	(52)	5,155
Other financing uses:					
Transfers out	-	-	-	-	-
Net change in cash balances	3,481	3,874	(8,301)	(52)	5,155
Cash balances beginning of year	77,411	86,130	-	-	114,261
Cash balances end of year	<u>\$ 80,892</u>	<u>\$ 90,004</u>	<u>\$ (8,301)</u>	<u>\$ (52)</u>	<u>\$ 119,416</u>
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects fund	<u>80,892</u>	<u>90,004</u>	<u>(8,301)</u>	<u>(52)</u>	<u>119,416</u>
Total cash basis fund balances	<u>\$ 80,892</u>	<u>\$ 90,004</u>	<u>\$ (8,301)</u>	<u>\$ (52)</u>	<u>\$ 119,416</u>

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<u>Special Revenue</u>		
<u>Special Levies</u>	<u>Trail Contribution</u>	<u>Total</u>
\$ 61,258	\$ -	\$ 61,258
-	19	12,567
<u>-</u>	<u>-</u>	<u>25,000</u>
61,258	19	98,825
<u>-</u>	<u>-</u>	<u>33,391</u>
61,258	19	65,434
<u>(60,399)</u>	<u>-</u>	<u>(60,399)</u>
859	19	5,035
<u>-</u>	<u>1,210</u>	<u>279,012</u>
<u>\$ 859</u>	<u>\$ 1,229</u>	<u>\$ 284,047</u>
\$ 859	\$ 1,229	\$ 2,088
<u>-</u>	<u>-</u>	<u>281,959</u>
<u>\$ 859</u>	<u>\$ 1,229</u>	<u>\$ 284,047</u>

**CITY OF ASBURY**  
**SCHEDULE OF INDEBTEDNESS**  
**YEAR ENDED JUNE 30, 2006**

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Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes:			
1999 Street Improvements	6/1/1999	4.70-4.90%	\$ 430,000
2000 Park expansion	4/1/2000	5.45-5.80	280,000
2000 City hall	8/15/2000	6.50	207,000
2001 Street improvements	7/1/2001	4.40-4.90	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	2.50-3.45	1,290,000
2005 Water improvements	6/7/2005	3.00	600,000
2005 Sewer improvements	6/7/2005	3.00	1,700,000
Total General Obligation Notes			
Revenue Notes:			
2001 Water improvements	5/1/2001	6.25	900,000
2006 Water improvements	11/3/2005	4.50	170,000
2006 Sewer improvements	6/1/2006	3.00	2,100,000
Total Revenue Notes			
Total General Obligation and Revenue Notes			

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>
\$ 200,000	\$ -	\$ 45,000	\$ 155,000	\$ 9,538	\$ -
185,000	-	20,000	165,000	10,350	-
120,000	-	21,000	99,000	6,000	-
385,000	-	50,000	335,000	17,780	-
591,000	-	32,000	559,000	17,730	-
1,664,000	-	71,000	1,593,000	49,920	-
1,290,000	-	200,000	1,090,000	37,263	-
-	600,000	32,000	568,000	16,500	-
<u>-</u>	<u>1,700,000</u>	<u>-</u>	<u>1,700,000</u>	<u>46,750</u>	<u>-</u>
<u>4,435,000</u>	<u>2,300,000</u>	<u>471,000</u>	<u>6,264,000</u>	<u>211,831</u>	<u>-</u>
660,000	-	60,000	600,000	42,900	-
-	170,000	-	170,000	4,420	-
<u>-</u>	<u>122,946</u>	<u>-</u>	<u>122,946</u>	<u>-</u>	<u>-</u>
<u>660,000</u>	<u>292,946</u>	<u>60,000</u>	<u>892,946</u>	<u>47,320</u>	<u>-</u>
<u>\$ 5,095,000</u>	<u>\$ 2,592,946</u>	<u>\$ 531,000</u>	<u>\$ 7,156,946</u>	<u>\$ 259,151</u>	<u>\$ -</u>

**CITY OF ASBURY**  
**NOTE MATURITIES**  
**JUNE 30, 2006**

**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
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>\$ 155,000</u>		<u>\$ 165,000</u>		<u>\$ 99,000</u>

General Obligation Notes						
Year Ending June 30,	Street Improvement Note		Water Improvement Note		Water Improvement Note	
	Issued July 1, 2001		Issued October 1, 2002		Issued January 9, 2004	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	4.40%	\$ 50,000	3.00%	\$ 33,000	3.00%	\$ 73,000
2008	4.50	50,000	3.00	34,000	3.00	75,000
2009	4.60	55,000	3.00	35,000	3.00	78,000
2010	4.70	55,000	3.00	36,000	3.00	80,000
2011	4.80	60,000	3.00	37,000	3.00	82,000
2012	4.90	65,000	3.00	38,000	3.00	85,000
2013	-	-	3.00	39,000	3.00	87,000
2014	-	-	3.00	40,000	3.00	90,000
2015	-	-	3.00	41,000	3.00	93,000
2016	-	-	3.00	43,000	3.00	96,000
2017	-	-	3.00	44,000	3.00	98,000
2018	-	-	3.00	45,000	3.00	101,000
2019	-	-	3.00	46,000	3.00	104,000
2020	-	-	3.00	48,000	3.00	108,000
2021	-	-	-	-	3.00	111,000
2022	-	-	-	-	3.00	114,000
2023	-	-	-	-	3.00	118,000
		<u>\$ 335,000</u>		<u>\$ 559,000</u>		<u>\$ 1,593,000</u>

(continued)

**CITY OF ASBURY**  
**NOTE MATURITIES**  
**JUNE 30, 2006**

**Schedule 3**  
**(continued)**

Year Ending June 30,	General Obligation Notes					
	Sewer Improvement Note		Water Improvement Note		Sewer Improvement Note	
	Issued September 1, 2004		Issued June 7, 2005		Issued June 7, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	2.50%	\$ 205,000	3.00%	\$ 33,000	3.00%	\$ 91,000
2008	2.80	210,000	3.00	34,000	3.00	94,000
2009	3.05	220,000	3.00	35,000	3.00	97,000
2010	3.25	225,000	3.00	36,000	3.00	100,000
2011	3.45	230,000	3.00	37,000	3.00	103,000
2012	-	-	3.00	39,000	3.00	106,000
2013	-	-	3.00	40,000	3.00	109,000
2014	-	-	3.00	41,000	3.00	113,000
2015	-	-	3.00	42,000	3.00	116,000
2016	-	-	3.00	43,000	3.00	119,000
2017	-	-	3.00	45,000	3.00	123,000
2018	-	-	3.00	46,000	3.00	127,000
2019	-	-	3.00	48,000	3.00	130,000
2020	-	-	3.00	49,000	3.00	134,000
2021	-	-	-	-	3.00	138,000
		<u>\$ 1,090,000</u>		<u>\$ 568,000</u>		<u>\$ 1,700,000</u>

General Obligation Notes	
Year Ending June 30,	Total
2007	\$ 582,000
2008	596,000
2009	625,000
2010	590,000
2011	579,000
2012	363,000
2013	275,000
2014	284,000
2015	292,000
2016	301,000
2017	310,000
2018	319,000
2019	328,000
2020	339,000
2021	249,000
2022	114,000
2023	118,000
	<u>\$ 6,264,000</u>

(continued)

**CITY OF ASBURY**  
**NOTE MATURITIES**  
**JUNE 30, 2006**

**Schedule 3**  
**(continued)**

Year Ending June 30,	Revenue Notes					
	Water Improvement Note		Water Improvement Note		Sewer Improvement Note	
	Issued May 1, 2001		Issued November 3, 2005		Issued June 1, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2007	6.25%	\$ 60,000	4.5%	\$ 85,000	3.00%	\$ 122,946
2008	6.25	60,000	4.5	85,000		-
2009	6.25	60,000	-	-		-
2010	6.25	60,000	-	-		-
2011	6.25	60,000	-	-		-
2012	6.25	60,000	-	-		-
2013	6.25	60,000	-	-		-
2014	6.25	60,000	-	-		-
2015	6.25	60,000	-	-		-
2016	6.25	60,000	-	-		-
		<u>\$ 600,000</u>		<u>\$ 170,000</u>		<u>\$ 122,946</u>

Year Ending June 30,	Total
2007	\$ 267,946
2008	145,000
2009	60,000
2010	60,000
2011	60,000
2012	60,000
2013	60,000
2014	60,000
2015	60,000
2016	60,000
	<u>\$ 892,946</u>

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

Schedule 4

	<u>2006</u>	<u>2005</u>	<u>2004(1)</u>	<u>2003</u>
Receipts:				
Property tax	\$ 698,113	\$ 640,926	\$ 532,391	\$ 526,922
Tax increment financing collections	781,591	643,685	373,198	200,010
Other City tax	260,615	252,359	262,832	234,574
Licenses and permits	139,115	137,426	126,610	107,400
Use of money and property	100,468	42,971	27,890	17,705
Intergovernmental	205,127	216,003	239,081	299,314
Charges for service	9,129	9,011	8,161	7,836
Special assessments	-	-	9,873	1,306
Miscellaneous	60,272	48,962	46,394	55,263
Total receipts	<u>\$ 2,254,430</u>	<u>\$ 1,991,343</u>	<u>\$ 1,626,430</u>	<u>\$ 1,450,330</u>
Disbursements:				
Operating:				
Public safety	\$ 322,405	\$ 277,912	\$ 272,199	\$ 182,990
Public works	260,239	152,003	243,126	257,579
Culture and recreation	101,733	73,876	71,435	79,744
Community and economic development	2,597	4,501	4,948	386,038
General government	306,853	287,928	287,549	251,951
Debt service	753,351	492,174	425,181	178,748
Capital projects	33,391	-	736,904	85,055
Total disbursements	<u>\$ 1,780,569</u>	<u>\$ 1,288,394</u>	<u>\$ 2,041,342</u>	<u>\$ 1,422,105</u>

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



CPAs & BUSINESS ADVISORS

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

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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, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 12, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted 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 II of the accompanying Schedule of Findings and Questioned Costs as item II-A-06.

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.

### 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 or other matters that is described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006, 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.

We also noted certain additional matters that we reported to management of the City of Asbury in a separate letter dated December 12, 2006.

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 Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
December 12, 2006



CPAs & BUSINESS ADVISORS

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

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To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of Asbury, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City of Asbury's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City of Asbury's management. Our responsibility is to express an opinion on the City of Asbury's compliance based on our audit.

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

In our opinion, the City of Asbury complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Asbury's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grant agreements. The reportable condition is described as item III-A-06 in the accompanying Schedule of Findings and Questioned Costs.

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

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

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

Dubuque, Iowa  
December 12, 2006

**CITY OF ASBURY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-31-04-DWSRF-021	\$ <u>386,527</u>
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS192274 01	1,295,238
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS192274 02	<u>134,121</u>
			<u>1,429,359</u>
Total			<u>\$ 1,815,886</u>

See Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF ASBURY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2006**

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**NOTE 1 – BASIS OF PRESENTATION**

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

**CITY OF ASBURY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2006**

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, but was not considered a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major programs was disclosed by the audit of the financial statements, but was not considered a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
  - CFDA Number 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
  - CFDA Number 66.458 – Capitalization Grants for Clean Water State Revolving Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Asbury did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**REPORTABLE CONDITION**

II-A-06     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. There will be no change until it is fiscally responsible to add additional staff.

Conclusion – Response accepted.

**CITY OF ASBURY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2006**

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**Part III: Findings and Questioned Costs for Federal Awards:**

**REPORTABLE CONDITION**

**CFDA Number: 66.458 – Capitalization Grants for Clean Water State Revolving Funds**  
**Environmental Protection Agency**  
**Passed Through the Iowa Department of Natural Resources**  
**Grant Number: CS192274 01**  
**CS192274 02**

**CFDA Number: 66.468 – Capitalization Grants for Drinking Water State Revolving Funds**  
**Environmental Protection Agency**  
**Passed Through the Iowa Department of Natural Resources**  
**Grant Number: FS-31-04-DWSRF-021**

III-A-06 Segregation of Duties – Due to time and staffing constraints, the City is unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation function from receipt and disbursement functions. See Item II-A-06.

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-06 Certified Budget - Disbursements did not exceed budget for the year ended June 30, 2006, which is in compliance with Chapter 384.20 of the Code of Iowa.

IV-B-06 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-06 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rick Anderson, Mayor, Owner of Car Wash	Use of Car Wash for City Vehicles	\$ 126

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Mayor do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

IV-E-06 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.

**CITY OF ASBURY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2006**

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**Part IV: Other Findings Related to Statutory Reporting: (continued)**

IV-F-06      Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, one instance occurred where they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa.

Response – We will comply with Code requirements for publishing minutes.

Conclusion – Response accepted.

IV-G-06      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-06      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.