



Financial Statements
June 30, 2010

City of Asbury

CITY OF ASBURY

Table of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 11
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	B 12
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	C 13
Notes to Financial Statements	14-21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	22
Notes to Required Supplementary Information – Budgetary Reporting	23
OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances – Nonmajor Governmental Funds	1 24
Schedule of Indebtedness	2 25
Bond and Note Maturities	3 26-28
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 29
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	30-31
SCHEDULE OF FINDINGS AND RESPONSES	32-33

**CITY OF ASBURY
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Adams	Mayor	January 2012
Andrew Kindle	Mayor Pro tem	January 2012
Mike Cyze	Council Member	January 2014
John Richey	Council Member	January 2014
Jamie Nedved	Council Member	January 2012
Curt Kiessling	Council Member	January 2014
Elizabeth Bonz	City Administrator, Treasurer	Appointed
Sara Burke	City Clerk	Appointed
Doug Hummel	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, 2010, 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, 2010, 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 November 5, 2010, 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 on 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 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 conducted for the purpose of forming opinions on the 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 six years ended June 30, 2009, (which are not 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed text of the firm's name and location.

Dubuque, Iowa
November 5, 2010

**CITY OF ASBURY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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, 2010. 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.

2010 Financial Highlights

Receipts of the City increased 11.44%, or approximately \$625,000, from fiscal year 2009 to fiscal year 2010. The City received general obligation bond proceeds in the amount of \$3,100,000 for the purchase of the Meadows Golf Club in fiscal year 2009. Property tax revenues increased approximately \$90,800 for new residential construction valuations that were added to the tax rolls. Charges for Service increased approximately \$205,600 for revenues received at the Golf Course.

Disbursements of the City's activities decreased 66.08%, or approximately \$3,360,000, from fiscal year 2009 to fiscal year 2010. Capital Projects decreased \$3,639,000 for the purchase of the Meadows Golf Club \$3,100,000, grading and parking improvements for new City park development (\$179,082) Burr Oak Street Project (482,858) and the Asbury Road Sidewalk Project (\$343,000). Disbursements relating to Public Safety increased \$37,800 because of the addition of a fourth police officer and increase in the number of building inspections.

The City's total cash basis net assets increased 7.1%, or approximately \$374,000, from June 2009 to June 2010. Of this amount, the assets of the governmental activities increased approximately \$234,500, and the assets of the business-type activities increased approximately \$139,000.

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 and golf course.

Community and Economic Development – includes community betterment, 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 tax increment financing debt.

Capital Projects – includes sidewalks, Asbury Road improvements 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, 2010, the City's governmental activities were funded as follows:

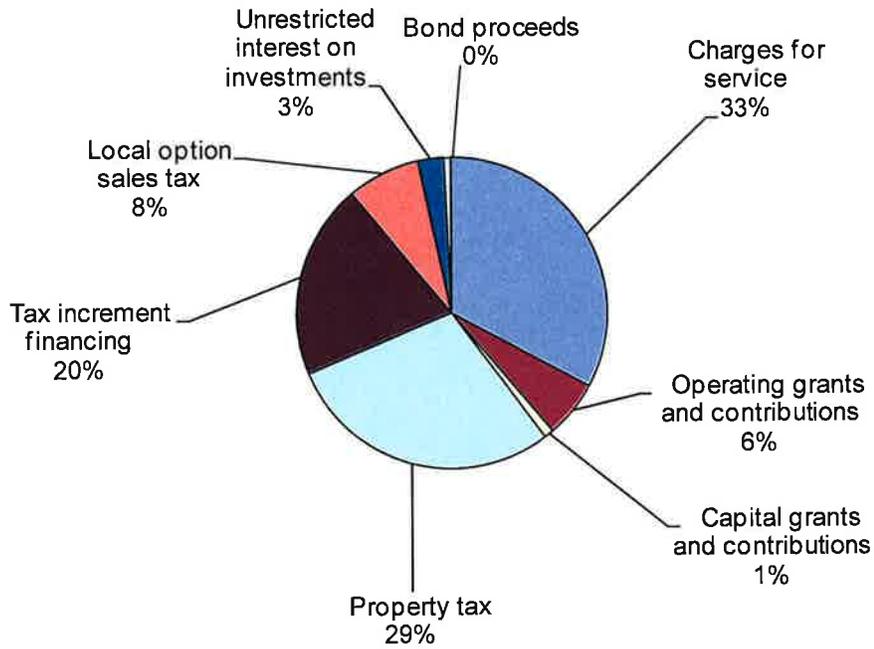
Receipts of the City's governmental activities increased 15.84%, or approximately \$528,065 from fiscal year 2009 to fiscal year 2010. The City received bond proceeds in the amount of \$3,100,000 for the purchase of the Meadows Golf Course in fiscal year 2009. Property tax and tax increment financing increased approximately \$130,401 because property valuations increased \$23,796,100.

Disbursements of the City's governmental activities decreased 107.59% or approximately \$3,379,000 from fiscal year 2009 to fiscal year 2010. Disbursements relating to Public Safety increased \$38,000 because of the addition of a fourth police officer and increase in residential home inspections. Culture and Recreation disbursements increased approximately \$206,000 because of operations for the Meadows Golf Course. The decrease in Capital Projects disbursements was for the purchase of the Meadows Golf Club \$3,100,000, grading and parking improvements for new City park development (\$179,082) Burr Oak Street Project (482,858) and the Asbury Road Sidewalk Project (\$343,000) all completed in fiscal year 2009.

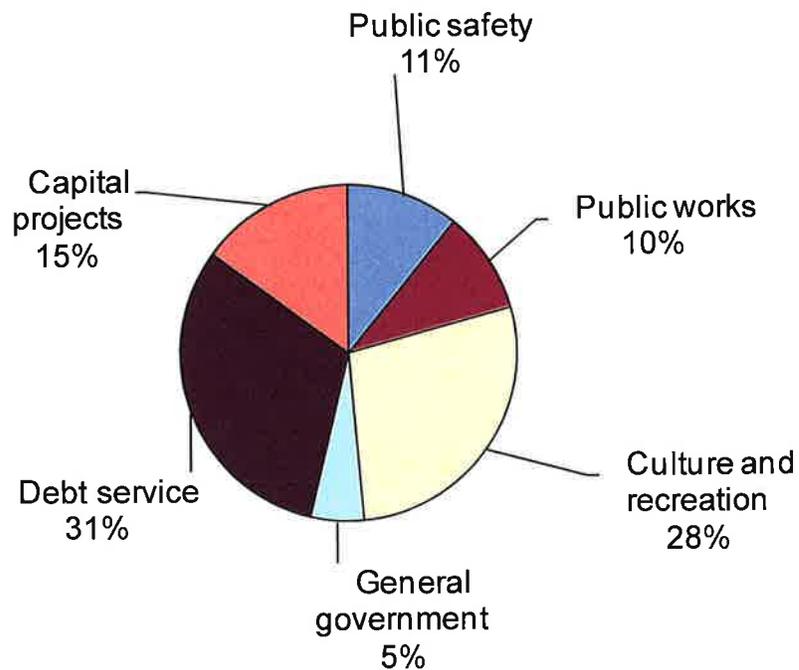
Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30,	
	2010	2009
Program receipts:		
Charges for service	\$ 1,270,249	\$ 965,409
Operating grants and contributions	228,950	208,448
Capital grants and contributions	38,272	36,084
General receipts:		
Property tax	1,114,279	1,023,441
Tax increment financing	785,152	745,590
Local option sales tax	293,913	275,165
Unrestricted interest on investments	101,088	64,433
Other general receipts	28,944	14,216
Bond proceeds	-	3,030,784
Total receipts	<u>3,860,847</u>	<u>6,363,570</u>
Program disbursements:		
Public safety	394,059	356,179
Public works	358,947	306,387
Culture and recreation	1,012,938	1,011,131
Community and economic development	1,656	85
General government	185,548	197,364
Debt service	1,141,855	964,006
Capital projects	540,644	4,179,669
Total disbursements	<u>3,635,647</u>	<u>7,014,821</u>
Change in cash basis net assets before transfers	225,200	(651,251)
Transfers, net	9,272	(170,645)
Change in cash basis net assets	234,472	(821,896)
Cash basis net assets beginning of year	<u>2,548,374</u>	<u>3,370,270</u>
Cash basis net assets end of year	<u>\$ 2,782,846</u>	<u>\$ 2,548,374</u>

Receipts by Source



Disbursements by Function



Business-type Activities

For the year ended June 30, 2010, 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,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Sewer utility	\$ 700,001	\$ 649,533
Solid waste	201,003	188,554
Water	642,248	611,924
General receipts:		
Unrestricted interest on investments	54,412	51,011
Total receipts	<u>1,597,664</u>	<u>1,501,022</u>
Program disbursements:		
Sewer utility	672,440	811,647
Solid waste	172,886	153,923
Water	<u>603,927</u>	<u>464,474</u>
Total disbursements	<u>1,449,253</u>	<u>1,430,044</u>
Change in cash basis net assets before transfers	148,411	70,978
Transfers, net	<u>(9,272)</u>	<u>170,645</u>
Change in cash basis net assets	139,139	241,623
Cash basis net assets beginning of year	<u>2,705,272</u>	<u>2,463,649</u>
Cash basis net assets end of year	<u>\$ 2,844,411</u>	<u>\$ 2,705,272</u>

Receipts of the City's business-type activities increased 6.4%, or approximately \$97,000, from fiscal year 2009 to fiscal year 2010.

Disbursements for business-type activities increased 1.32%, or approximately \$19,000. The City completed improvements for the extension of the water main along Asbury Road, purchased generators for three lift stations and started the West Waterline Extension.

Individual Major Fund Analysis

As of June 30, 2010, the City had cash balances on hand of \$2,782,846 in governmental fund types and \$2,844,411 in business-type funds. The governmental fund type increased \$234,472 and business fund types increased \$139,139, respectively, during fiscal year 2009-2010. The increase in governmental funds on hand is for projects that were budgeted and not completed in the fiscal year.

Budgetary Highlights

City Council approved two budget amendments during the year. The amendments were to reappropriate capital project revenues and expenditures for projects that were budgeted and not completed in the prior year and for an increase in expenditures for the addition of a library branch located in the City.

For the year ended June 30, 2010, total actual receipts including other financing sources were \$90,728 over the final budget while total actual disbursements including other financing uses were \$2,820,628 under the final budget. The large difference for budgeted and actual expenditures occurred because the capital projects for the road improvements and waterline extensions were budgeted and not completed in the current fiscal year.

Debt Outstanding

As of year end, the City had \$9,479,500 debt outstanding compared to \$10,437,530 in 2009.

Outstanding Debt at Year-End

	June 30,	
	2010	2009
General Obligation Notes:		
2000 Park expansion	\$ 60,000	\$ 90,000
2000 City hall	-	28,000
2001 Street improvements	125,000	180,000
2002 Water improvements	421,000	457,000
2007 Sewer improvements	685,000	730,000
Total General Obligation Notes	<u>1,291,000</u>	<u>1,485,000</u>
General Obligation Bonds:		
2004 Water improvements	1,287,000	1,367,000
2004 Sewer improvements	230,000	455,000
2005 Sewer improvements	1,318,000	1,418,000
2005 Water improvements	430,000	466,000
2008 Golf course acquisition	2,860,000	2,965,000
Total General Obligation Bonds	<u>6,125,000</u>	<u>6,671,000</u>
Revenue Notes:		
2001 Water improvements	360,000	420,000
2006 Sewer improvements	1,575,000	1,709,000
Total Revenue Notes	<u>1,935,000</u>	<u>2,129,000</u>
Purchase Agreement:		
2009 Yamaha Golf Cart	128,500	152,530
Total	<u>\$ 9,479,500</u>	<u>\$ 10,437,530</u>

The City as of June 30, 2010 is at 57.33% of its bonding capacity. The City's outstanding general obligation debt limit was \$13,799,146.

Economic Factors

While property taxes are important to the City, they represent less than 21% of revenue sources excluding other financing sources. TIF revenues comprise 15% of total revenues. Charges for service comprise 49% of total revenues. 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, 2011, 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 plans to update the Comprehensive Plan and Capital Improvement Plan and conduct a space needs assessment to balance the growth of the community with an appropriate tax levy and charge for services. Capital projects budgeted for next year include an expansion of the City salt storage facility, new equipment, and the continuation of sidewalk improvements along Asbury Road and the design work for Seippel Road improvements and water main extensions to the new annexed area. These projects will be financed with a combination of revenue bonds and reserves. While the City had a corporate tax levy of 10.30 in 2010 the Fiscal Year 2011 total corporate tax levy will again be \$10.30.

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 Administrator at 5080 Asbury Road, Asbury, IA 52002 or telephone 563-556-7106.

Elizabeth Bonz
City Administrator



Basic Financial Statements
June 30, 2010

City of Asbury

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business-type Activities	Total
\$ (249,204)	\$ -	\$ (249,204)
(131,681)	-	(131,681)
(27,969)	-	(27,969)
(1,656)	-	(1,656)
(127,918)	-	(127,918)
(1,141,855)	-	(1,141,855)
(417,893)	-	(417,893)
<u>(2,098,176)</u>	<u>-</u>	<u>(2,098,176)</u>
-	27,561	27,561
-	28,117	28,117
-	38,321	38,321
<u>-</u>	<u>93,999</u>	<u>93,999</u>
<u>\$ (2,098,176)</u>	<u>\$ 93,999</u>	<u>\$ (2,004,177)</u>
956,043	-	956,043
158,236	-	158,236
785,152	-	785,152
293,913	-	293,913
101,088	54,412	155,500
28,944	-	28,944
9,272	(9,272)	-
<u>2,332,648</u>	<u>45,140</u>	<u>2,377,788</u>
234,472	139,139	373,611
2,548,374	2,705,272	5,253,646
<u>\$ 2,782,846</u>	<u>\$ 2,844,411</u>	<u>\$ 5,627,257</u>
\$ 550,195	\$ -	\$ 550,195
407,122	-	407,122
1,825,529	2,844,411	4,669,940
<u>\$ 2,782,846</u>	<u>\$ 2,844,411</u>	<u>\$ 5,627,257</u>

Debt Service	Other Nonmajor Governmental Funds	Total
\$ 158,236	\$ 82,579	\$ 1,114,280
-	-	785,152
-	-	293,913
-	-	185,489
410	41,594	101,091
-	10,701	232,794
-	-	982,911
-	122,223	122,223
-	1,139	42,998
<u>158,646</u>	<u>258,236</u>	<u>3,860,851</u>
-	-	394,059
-	-	358,947
398	8,878	1,012,938
-	-	1,656
-	-	185,550
800,000	-	800,000
341,855	-	341,855
-	527,692	540,646
<u>1,142,253</u>	<u>536,570</u>	<u>3,635,651</u>
<u>(983,607)</u>	<u>(278,334)</u>	<u>225,200</u>
965,299	481,822	1,672,328
-	(123,274)	(1,663,056)
<u>965,299</u>	<u>358,548</u>	<u>9,272</u>
(18,308)	80,214	234,472
<u>18,308</u>	<u>(28,381)</u>	<u>2,548,374</u>
<u>\$ -</u>	<u>\$ 51,833</u>	<u>\$ 2,782,846</u>
\$ -	\$ -	\$ 742,855
-	-	1,354,458
-	148,507	782,207
-	(96,674)	(96,674)
<u>\$ -</u>	<u>\$ 51,833</u>	<u>\$ 2,782,846</u>

CITY OF ASBURY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds			Total
	Sewer Utility	Water	Nonmajor Waste	
Operating receipts:				
Use of money and property	\$ 31,404	\$ 19,597	\$ 3,411	\$ 54,412
Charges for service	700,001	642,248	201,003	1,543,252
Total operating receipts	<u>731,405</u>	<u>661,845</u>	<u>204,414</u>	<u>1,597,664</u>
Operating disbursements:				
Business-type activities:				
Salaries and wages	77,078	68,276	15,282	160,636
Employee benefits and costs	25,804	22,991	4,687	53,482
Staff development	1,398	2,970	-	4,368
Repair, maintenance, and utilities	145,438	63,691	-	209,129
Contractual services	40,343	198,550	150,566	389,459
Commodities	4,071	32,973	2,351	39,395
Capital outlay	188,766	214,476	-	403,242
Total operating disbursements	<u>482,898</u>	<u>603,927</u>	<u>172,886</u>	<u>1,259,711</u>
Excess of operating receipts over operating disbursements	248,507	57,918	31,528	337,953
Non-operating disbursements:				
Debt service	(189,542)	-	-	(189,542)
Excess of receipts over disbursements	<u>58,965</u>	<u>57,918</u>	<u>31,528</u>	<u>148,411</u>
Other financing sources (uses)				
Transfers in	25,753	-	-	25,753
Transfers out	(34,053)	-	(972)	(35,025)
Total other financing sources (uses)	<u>(8,300)</u>	<u>-</u>	<u>(972)</u>	<u>(9,272)</u>
Net change in cash balances	50,665	57,918	30,556	139,139
Cash balances beginning of year	<u>1,611,611</u>	<u>931,752</u>	<u>161,909</u>	<u>2,705,272</u>
Cash balances end of year	<u>\$ 1,662,276</u>	<u>\$ 989,670</u>	<u>\$ 192,465</u>	<u>\$ 2,844,411</u>
Cash Basis Fund Balances				
Unreserved	<u>\$ 1,662,276</u>	<u>\$ 989,670</u>	<u>\$ 192,465</u>	<u>\$ 2,844,411</u>

See notes to financial statements.

CITY OF ASBURY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, sewer, and solid waste 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 not meeting 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 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, 2010, no disbursements exceeded the amounts budgeted in the general government and business-type activities functions.

Property Tax 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.

Subsequent Events

The City has evaluated subsequent events through November 5, 2010, the date which the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

The City's deposits in banks at June 30, 2010, 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, 2010.

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) to 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 – BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 172,000	\$ 51,185	\$ 562,000	\$ 226,541	\$ 196,000	\$ 70,650
2012	178,000	43,729	345,000	208,095	198,000	62,670
2013	89,000	35,888	356,000	196,882	200,000	54,630
2014	90,000	32,718	369,000	185,303	203,000	46,530
2015	96,000	29,468	376,000	172,982	205,000	38,340
2016-2020	526,000	91,915	2,096,000	663,613	817,000	90,120
2021-2025	140,000	9,415	1,376,000	366,168	116,000	3,480
2026-2028	-	-	645,000	94,815	-	-
	<u>\$ 1,291,000</u>	<u>\$ 294,318</u>	<u>\$ 6,125,000</u>	<u>\$ 2,114,399</u>	<u>\$ 1,935,000</u>	<u>\$ 366,420</u>

Year Ending June 30,	Golf Cart Purchase Agreement		Total	
	Principal	Interest	Principal	Interest
2011	\$ 25,191	\$ 5,409	\$ 955,191	\$ 353,785
2012	26,407	4,193	747,407	318,687
2013	27,682	2,918	672,682	290,318
2014	29,019	1,581	691,019	266,132
2015	20,201	199	697,201	240,989
2016-2020	-	-	3,439,000	845,648
2021-2025	-	-	1,632,000	379,063
2026-2028	-	-	645,000	94,815
	<u>\$ 128,500</u>	<u>\$ 14,300</u>	<u>\$ 9,479,500</u>	<u>\$ 2,789,437</u>

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$900,000 of a water revenue note issued in May 2001. Proceeds from the note provided financing for the purchase of private water systems. The note is payable solely from water customer net receipts and is payable through 2016. The total principal and interest remaining to be paid on the note is \$441,900. For the current year, principal and interest paid and total customer net receipts were \$87,300 and \$38,321, respectively.

NOTES TO FINANCIAL STATEMENTS

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,100,000 of a sewer revenue note issued in June 2006. Proceeds from the note provided financing for the construction of improvements to the sewer treatment plant. The note is payable solely from sewer customer net receipts and is payable through 2021. The total principal and interest remaining to be paid on the note is \$1,859,520. For the current year, principal and interest paid and total customer net receipts were \$185,270 and \$217,103, respectively.

NOTE 4 – 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.

Most regular plan members are required to contribute 4.30% of their annual covered salary, and the City is required to contribute 6.65% 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, 2010, 2009, and 2008, were \$47,115, \$39,548, and \$27,220, respectively, equal to the required contributions for each year.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 13 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$334 for single coverage and \$775 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, there were no participants and no contributions to the plan.

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 liability for earned compensated absences payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ <u>5,343</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, 2010.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 143,021
	Nonmajor Governmental Funds	82,186
		<u>225,207</u>
Debt Service	Special Revenue:	
	General	200,991
	Tax Increment Financing	700,258
	Local Option Sales Tax	64,050
		<u>965,299</u>
Nonmajor Governmental Funds	General	159,451
	Special Revenue:	
	Road Use Tax	94,195
	Local Option Sales Tax	97,543
	Tax Increment Financing	80,273
	Nonmajor Governmental Funds	15,335
	Nonmajor Enterprise Funds	35,025
		<u>481,822</u>
Sewer Utility	Nonmajor Governmental Funds	<u>25,753</u>
Total		<u>\$ 1,698,081</u>

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – COMMITMENTS AND CONTINGENCY

The City had an active construction project at June 30, 2010. 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>
West Waterline Extension	\$ 819,671	\$ 91,532	\$ 728,139

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.

As of June 30, 2010, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$2,546,868.

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 – DEFICIT BALANCE

At June 30, 2010, the Capital Projects Fund, Burr Oak Reconstruction, had a deficit balance of \$201,825.

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

NOTE 13 – SUBSEQUENT EVENT

On July 27, 2010, the City issued \$1,160,000 of Water Revenue bonds to finance the extension of the West Waterline Project. The interest rates on the bonds range from 2.00 to 3.75 percent, and the maturity date is June 1, 2022.

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – PROSPECTIVE ACCOUNTING CHANGE

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

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued February 2009, will be effective for the fiscal year ending June 30, 2011. This Statement establishes new standards for fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, issued December 2009, will be effective for the fiscal year ending June 30, 2013. This Statement permits an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method.

Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, issued December 2009, will be effective for the fiscal year ending June 30, 2011. This Statement establishes new standards for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the fiscal year ending June 30, 2011. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

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



Required Supplementary Information
June 30, 2010

City of Asbury

<u>Budgeted Amounts</u>		Final to Actual Variance- Positive (Negative)
<u>Original</u>	<u>Final</u>	
\$ 1,138,940	\$ 1,138,940	\$ (24,660)
781,870	781,870	3,282
335,448	335,448	(41,535)
63,785	63,785	121,704
104,500	104,500	51,003
209,475	209,475	23,319
2,677,769	2,677,769	(151,606)
-	-	122,223
56,000	56,000	(13,002)
<u>5,367,787</u>	<u>5,367,787</u>	<u>90,728</u>
434,286	434,286	40,227
393,559	416,559	57,612
1,147,351	1,164,351	151,413
8,725	8,725	7,069
282,422	265,422	79,872
1,143,395	1,143,395	1,540
1,274,000	1,305,500	764,854
1,990,496	3,167,294	1,718,041
<u>6,674,234</u>	<u>7,905,532</u>	<u>2,820,628</u>
(1,306,447)	(2,537,745)	2,911,356
<u>1,588,000</u>	<u>2,438,000</u>	<u>(2,438,000)</u>
281,553	(99,745)	473,356
<u>5,268,496</u>	<u>5,253,646</u>	<u>-</u>
<u>\$ 5,550,049</u>	<u>\$ 5,153,901</u>	<u>\$ 473,356</u>

CITY OF ASBURY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY
REPORTING
JUNE 30, 2010

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 eight major classes of disbursements known as functions, not by fund. These eight functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, 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, two budget amendments increased budgeted disbursements by \$1,231,298. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.



Other Supplementary Information
June 30, 2010

City of Asbury

Capital Projects (Cont.)			Special Revenue				Total Governmental Funds
Public Works Garage	Asbury Overlay Project	Dump Truck Fund	Special Levies	Trail Contribution	Low Moderate Income	K-9 Fund	
\$ -	\$ -	\$ -	\$ 82,579	\$ -	\$ -	\$ -	\$ 82,579
28	18	-	-	-	1,216	19	41,594
-	10,701	-	-	-	-	-	10,701
-	-	-	-	-	-	-	122,223
-	-	-	-	-	-	611	1,139
<u>28</u>	<u>10,719</u>	<u>-</u>	<u>82,579</u>	<u>-</u>	<u>1,216</u>	<u>630</u>	<u>258,236</u>
-	-	-	-	-	-	-	8,878
-	88,082	200,288	-	-	-	-	527,692
-	88,082	200,288	-	-	-	-	536,570
<u>28</u>	<u>(77,363)</u>	<u>(200,288)</u>	<u>82,579</u>	<u>-</u>	<u>1,216</u>	<u>630</u>	<u>(278,334)</u>
-	77,363	200,288	-	-	80,273	-	481,822
(15,335)	-	-	(82,186)	-	(25,753)	-	(123,274)
(15,335)	77,363	200,288	(82,186)	-	54,520	-	358,548
(15,307)	-	-	393	-	55,736	630	80,214
15,307	-	-	2,171	1,119	78,550	9,908	(28,381)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,564</u>	<u>\$ 1,119</u>	<u>\$ 134,286</u>	<u>\$ 10,538</u>	<u>\$ 51,833</u>
\$ -	\$ -	\$ -	\$ 2,564	\$ 1,119	\$ 134,286	\$ 10,538	\$ 148,507
-	-	-	-	-	-	-	(96,674)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,564</u>	<u>\$ 1,119</u>	<u>\$ 134,286</u>	<u>\$ 10,538</u>	<u>\$ 51,833</u>

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>
\$ 90,000	\$ -	\$ 30,000	\$ 60,000	\$ 5,146	\$ -
28,000	-	28,000	-	1,400	-
180,000	-	55,000	125,000	8,650	-
457,000	-	36,000	421,000	13,710	-
<u>730,000</u>	<u>-</u>	<u>45,000</u>	<u>685,000</u>	<u>30,774</u>	<u>-</u>
<u>1,485,000</u>	<u>-</u>	<u>194,000</u>	<u>1,291,000</u>	<u>59,680</u>	<u>-</u>
1,367,000	-	80,000	1,287,000	41,010	-
455,000	-	225,000	230,000	15,248	-
1,418,000	-	100,000	1,318,000	42,540	-
466,000	-	36,000	430,000	13,980	-
<u>2,965,000</u>	<u>-</u>	<u>105,000</u>	<u>2,860,000</u>	<u>131,230</u>	<u>-</u>
<u>6,671,000</u>	<u>-</u>	<u>546,000</u>	<u>6,125,000</u>	<u>244,008</u>	<u>-</u>
420,000	-	60,000	360,000	27,300	-
<u>1,709,000</u>	<u>-</u>	<u>134,000</u>	<u>1,575,000</u>	<u>51,270</u>	<u>-</u>
<u>2,129,000</u>	<u>-</u>	<u>194,000</u>	<u>1,935,000</u>	<u>78,570</u>	<u>-</u>
<u>152,530</u>	<u>-</u>	<u>24,030</u>	<u>128,500</u>	<u>6,570</u>	<u>-</u>
<u>\$ 10,437,530</u>	<u>\$ -</u>	<u>\$ 958,030</u>	<u>\$ 9,479,500</u>	<u>\$ 388,828</u>	<u>\$ -</u>

CITY OF ASBURY
BOND AND NOTE MATURITIES
JUNE 30, 2010

Schedule 3

Year Ending June 30,	General Obligation Notes			
	Park Expansion Note Issued April 1, 2000		Street Improvement Note Issued July 1, 2001	
	Interest Rates	Amount	Interest Rates	Amount
	2011	5.70	\$ 30,000	4.80
2012	5.80	30,000	4.90	65,000
		<u>\$ 60,000</u>		<u>\$ 125,000</u>

Year Ending June 30,	General Obligation Notes				
	Water Improvement Note Issued October 1, 2002		Street Improvement Note Issued February 15, 2007		Total
	Interest Rates	Amount	Interest Rates	Amount	
2011	3.00	\$ 37,000	3.90	\$ 45,000	\$ 172,000
2012	3.00	38,000	3.95	45,000	178,000
2013	3.00	39,000	4.00	50,000	89,000
2014	3.00	40,000	4.10	50,000	90,000
2015	3.00	41,000	4.15	55,000	96,000
2016	3.00	43,000	4.20	55,000	98,000
2017	3.00	44,000	4.25	60,000	104,000
2018	3.00	45,000	4.30	60,000	105,000
2019	3.00	46,000	4.35	60,000	106,000
2020	3.00	48,000	4.40	65,000	113,000
2021	-	-	4.45	70,000	70,000
2022	-	-	4.50	70,000	70,000
		<u>\$ 421,000</u>		<u>\$ 685,000</u>	<u>\$ 1,291,000</u>

(continued)

CITY OF ASBURY
BOND AND NOTE MATURITIES
JUNE 30, 2010

Schedule 3
(continued)

General Obligation Bonds						
Year Ending June 30,	Water Improvement Bond		Sewer Improvement Bond		Sewer Improvement Bond	
	Issued January 9, 2004		Issued September 1, 2004		Issued June 7, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	3.00	\$ 82,000	3.45	\$ 230,000	3.00	\$ 103,000
2012	3.00	85,000	-	-	3.00	106,000
2013	3.00	87,000	-	-	3.00	109,000
2014	3.00	90,000	-	-	3.00	113,000
2015	3.00	93,000	-	-	3.00	116,000
2016	3.00	96,000	-	-	3.00	119,000
2017	3.00	98,000	-	-	3.00	123,000
2018	3.00	101,000	-	-	3.00	127,000
2019	3.00	104,000	-	-	3.00	130,000
2020	3.00	108,000	-	-	3.00	134,000
2021	3.00	111,000	-	-	3.00	138,000
2022	3.00	114,000	-	-	-	-
2023	3.00	118,000	-	-	-	-
		<u>\$ 1,287,000</u>		<u>\$ 230,000</u>		<u>\$ 1,318,000</u>

General Obligation Bonds						
Year Ending June 30,	Water Improvement Bond		Golf Course Acquisition Bond		Total	
	Issued June 7, 2005		Issued September 2, 2008			
	Interest Rates	Amount	Interest Rates	Amount		
2011	3.00	\$ 37,000	3.50	\$ 110,000	\$ 562,000	
2012	3.00	39,000	3.75	115,000	345,000	
2013	3.00	40,000	3.75	120,000	356,000	
2014	3.00	41,000	4.00	125,000	369,000	
2015	3.00	42,000	4.00	125,000	376,000	
2016	3.00	43,000	4.10	135,000	393,000	
2017	3.00	45,000	4.20	140,000	406,000	
2018	3.00	46,000	4.30	145,000	419,000	
2019	3.00	48,000	4.40	150,000	432,000	
2020	3.00	49,000	4.63	155,000	446,000	
2021	-	-	4.63	165,000	414,000	
2022	-	-	4.63	170,000	284,000	
2023	-	-	4.63	180,000	298,000	
2024	-	-	4.75	185,000	185,000	
2025	-	-	4.75	195,000	195,000	
2026	-	-	4.90	205,000	205,000	
2027	-	-	4.90	215,000	215,000	
2028	-	-	4.90	225,000	225,000	
		<u>\$ 430,000</u>		<u>\$ 2,860,000</u>	<u>\$ 6,125,000</u>	

(continued)

CITY OF ASBURY
BOND AND NOTE MATURITIES
JUNE 30, 2010

Schedule 3
(continued)

Year Ending June 30,	Revenue Notes				Total
	Water Improvement Note		Sewer Improvement Note		
	Issued May 1, 2001		Issued June 1, 2006		
	Interest Rates	Amount	Interest Rates	Amount	
2011	6.25	\$ 60,000	3.00	\$ 136,000	\$ 196,000
2012	6.25	60,000	3.00	138,000	198,000
2013	6.25	60,000	3.00	140,000	200,000
2014	6.25	60,000	3.00	143,000	203,000
2015	6.25	60,000	3.00	145,000	205,000
2016	6.25	60,000	3.00	147,000	207,000
2017	-	-	3.00	149,000	149,000
2018	-	-	3.00	151,000	151,000
2019	-	-	3.00	154,000	154,000
2020	-	-	3.00	156,000	156,000
2021	-	-	3.00	116,000	116,000
		<u>\$ 360,000</u>		<u>\$ 1,575,000</u>	<u>\$ 1,935,000</u>

Year Ending June 30,	Purchase Agreement	
	Yamaha Golf Cart	
	Issued January 1, 2009	
	Interest Rates	Amount
2011	4.87	\$ 25,191
2012	4.87	26,407
2013	4.87	27,682
2014	4.87	29,019
2015	4.87	20,201
		<u>\$ 128,500</u>

<u>2005</u>	<u>2004(1)</u>
\$ 640,926	\$ 532,391
643,685	373,198
252,359	262,832
137,426	126,610
42,971	27,890
216,003	239,081
9,011	8,161
-	9,873
48,962	46,394
<u>\$ 1,991,343</u>	<u>\$ 1,626,430</u>
\$ 277,912	\$ 272,199
152,003	243,126
73,876	71,435
4,501	4,948
287,928	287,549
492,174	425,181
-	736,904
<u>\$ 1,288,394</u>	<u>\$ 2,041,342</u>



**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, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 5, 2010. Our report expressed unqualified opinions 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings and Responses as item I-A-10 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings and Responses as item I-B-10 to be a significant deficiency.

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*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part II of the accompanying Schedule of Findings and Responses. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the City's responses, we did not audit the City's responses, and accordingly, we express no opinion on them.

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 and 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
November 5, 2010

CITY OF ASBURY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

MATERIAL WEAKNESS

I-A-10 Preparation of Financial Statements

Criteria – A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

Condition – As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause – We recognize that with a limited number of office employees, preparation of the financial statements is difficult.

Effect – The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

Recommendation – We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements internally.

Response – This finding and recommendation is not a result of any change in City procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. The City will continue to seek additional training and experience and evaluate the need for additional resources to enable our staff to achieve the goal of drafting our financial statements internally.

Conclusion – Response accepted.

SIGNIFICANT DEFICIENCY

I-B-10 Segregation of Duties

Criteria – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition - 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. Also, the City does not have a formal process for the preparation, approval, and posting of journal entries.

Cause – The City has limited time and staffing constraints.

CITY OF ASBURY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2010

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

Effect – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation – We recommend that City staff review operating procedures in order to obtain the maximum internal controls possible.

Response – With the limited number of employees in the Finance Department, it is impossible to achieve a perfect system of internal accounting control. We will continue to review the situation and assign incompatible duties to separate individuals whenever possible.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-10 Certified Budget – Disbursements during the year ended June 30, 2010, did not exceed the amounts budgeted.
- II-B-10 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-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-10 Business Transactions – No business transactions between the City and City officials or employees were noted.
- II-E-10 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-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-10 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-H-10 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.
- II-I-10 Payment of General Obligation Bonds – We noted no instances where general obligation bond payments were paid from funds other than the Debt Service Fund.