



Financial Statements  
June 30, 2012

City of Asbury, Iowa

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City of Asbury, Iowa  
Officials

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Adams	Mayor	January 2016
Bob Reisch	Mayor Pro Tem	January 2016
Craig Miller	Council Member	January 2014
John Richey	Council Member	January 2014
Troy Lorence	Council Member	January 2016
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



## Independent Auditor's Report

To the Honorable Mayor and Members of the City Council  
City of Asbury, Iowa

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, 2012, 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, Iowa. 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, Iowa, as of June 30, 2012, 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 October 9, 2012, 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.

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 eight years ended June 30, 2011, (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with another comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 25 through 26 are presented for purposes of additional analysis and are not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Eide Bailly LLP*

Dubuque, Iowa  
October 9, 2012

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, 2012. 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.

### **2012 Financial Highlights**

Receipts of the City increased 6.46%, or approximately \$255,000, not including bond proceeds, from fiscal year 2011 to fiscal year 2012. Local Option Sales Tax increased \$150,000 and Road Use Tax Funds increased \$126,800 due to increase in per capita allocations from population growth. Charges for Services increased approximately \$55,000 for receipts received due to the increase in the number of utility accounts.

Disbursements of the City's activities increased 11.83%, or approximately \$785,000, from fiscal year 2011 to fiscal year 2012. Capital Projects increased \$1,540,000. Capital expenditures included Seippel Road Improvement Project \$1,629,000, Althaus Pond Improvements \$86,000 and new park improvements \$160,000. Disbursements relating to Public Safety increased \$67,000, which included replacement of police vehicles for \$35,000, and the purchase of an additional storm siren for \$23,000. Public Works expenses increased \$57,800 due to the addition of a 4<sup>th</sup> public works employee and consulting fees for stormwater permit compliance. Business-type expenditures decreased due to the completion of the West Waterline Extension Project \$732,300 and the Carver Heights Lift Station.

The City's total cash basis net assets decreased 6.77%, or approximately \$650,000, from June 2011 to June 2012. Of this amount, the assets of the governmental activities decreased approximately \$1,000,000, and the assets of the business-type activities increased approximately \$360,000.

The City issued \$5,910,000 in new bonds to refinance five prior bond issues that were originally issued for water system improvements, sewer system improvements, the golf course acquisition as well as street improvements. The prior bond interest rates ranged from 3% to 4.75%, current market interest rates at the time of refunding were 1.9%, including fees. The re-issuance of the prior bonds, saved the City a net of \$550,000 over the period 2013-2028.

### **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 financial 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.

Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year and provides detailed information about 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, stormwater 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, elections, legal services, city hall, insurance and general administration.

Debt Service – includes general obligation and tax increment financing debt.

Capital Projects – includes sidewalks, right of way acquisition, Seippel Road improvements and park improvement 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

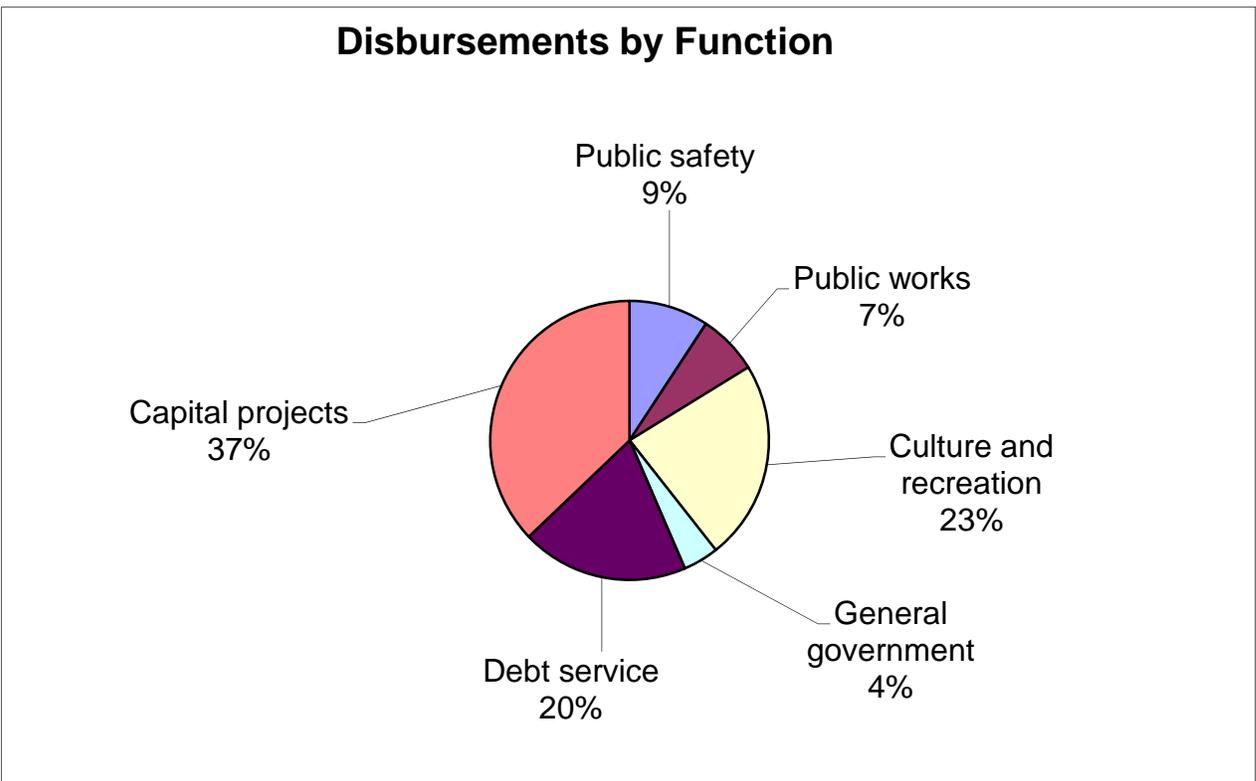
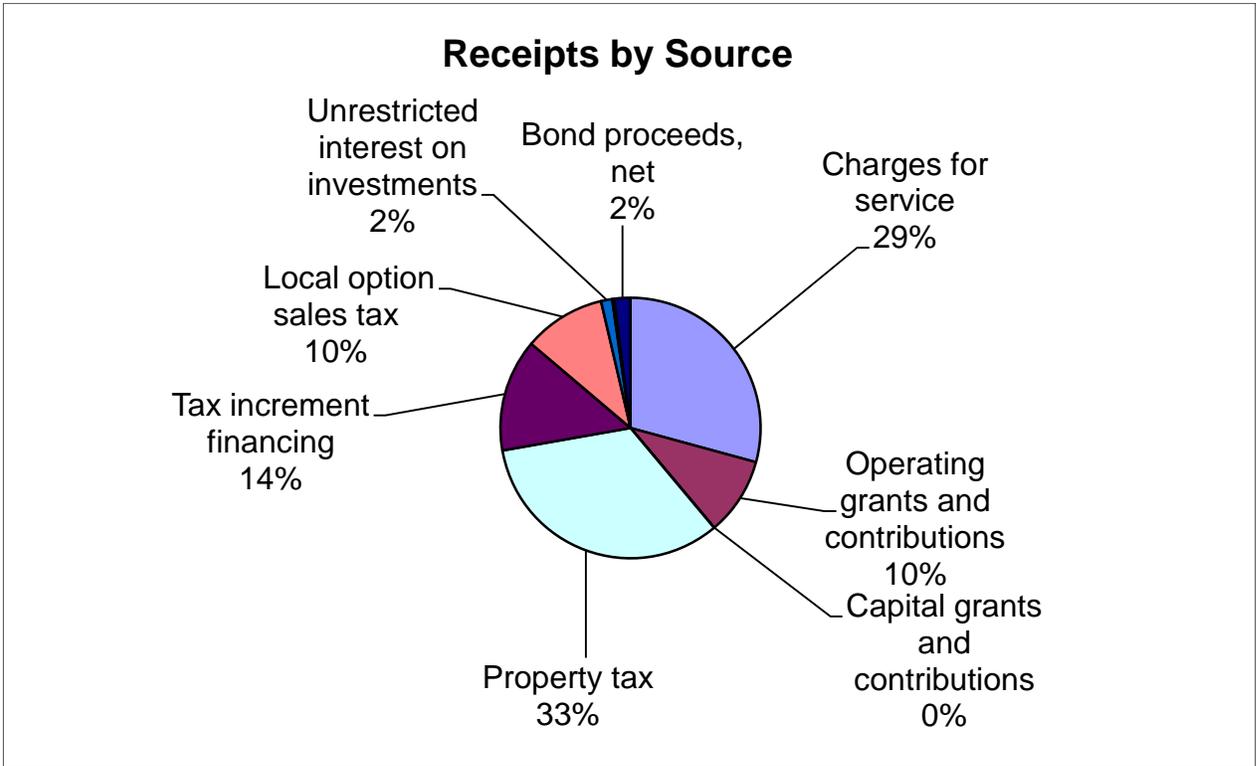
For the year ended June 30, 2012, the City's governmental activities were funded as follows:

Receipts of the City's governmental activities decreased 39.57%, or approximately \$2,700,000 from fiscal year 2011 to fiscal year 2012. In the prior year the city received bond proceeds in the amount of \$3,000,000 for street and infrastructure improvements for Seippel Road. Other City Tax increased \$150,376 and Intergovernmental revenue increased \$79,568 because of the increase in the city population and the related per capita increase for local option sales tax and road use tax funds.

Disbursements of the City's governmental activities increased 43% or approximately \$1,600,000 from fiscal year 2011 to fiscal year 2012. Disbursements relating to Public Safety increased \$67,000 because of the replacement of a police vehicle and additional part time police officer hours. Culture and Recreation disbursements increased approximately \$35,327 because of operations for the Meadows Golf Course. Capital Projects in process in fiscal year 2012 included the reconstruction of Seippel Road \$1,629,000, improvements to Althaus Pond park area \$71,000 and improvements to the new park area \$160,000.

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

	Year Ended June 30,	
	2012	2011
Program Receipts:		
Charges for service	\$ 1,250,747	\$ 1,224,841
Operating grants and contributions	412,197	332,629
Capital grants and contributions	884	-
General Receipts:		
Property tax	1,426,601	1,253,241
Tax increment financing	597,194	751,140
Local option sales tax	435,069	284,693
Unrestricted interest on investments	59,626	67,836
Other general receipts	11,258	11,548
Bond proceeds, net	85,109	3,000,000
Total receipts	4,278,685	6,925,928
Program Disbursements:		
Public safety	488,098	420,940
Public works	368,144	310,272
Culture and recreation	1,221,039	1,185,712
Community and economic development	13,776	16,204
General government	217,315	225,501
Debt service	1,021,652	1,106,015
Capital projects	1,958,449	417,762
Total disbursements	5,288,473	3,682,406
Change in Cash Basis Net Assets Before Transfers	(1,009,788)	3,243,522
Transfers, Net	2,826	-
Change in Cash Basis Net Assets	(1,006,962)	3,243,522
Cash Basis Net Assets Beginning of Year	6,026,368	2,782,846
Cash Basis Net Assets End of Year	\$ 5,019,406	\$ 6,026,368



**Business-type Activities**

For the year ended June 30, 2012, 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,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Sewer utility	\$ 753,518	\$ 731,179
Solid waste	221,955	211,790
Water	699,262	676,232
General receipts:		
Unrestricted interest on investments	36,675	60,739
Bond proceeds	-	1,160,000
	1,711,410	2,839,940
Total receipts		
Program Disbursements:		
Sewer utility	631,280	718,477
Solid waste	210,752	171,555
Water	505,813	1,278,586
	1,347,845	2,168,618
Total program disbursements		
Change in Cash Basis Net Assets Before Transfers	363,565	671,322
Transfers, Net	(2,826)	-
Change in Cash Basis Net Assets	360,739	671,322
Cash Basis Net Assets Beginning of Year	3,515,733	2,844,411
Cash Basis Net Assets End of Year	\$ 3,876,472	\$ 3,515,733

Receipts of the City's business-type activities decreased 39.57%, or approximately \$1,128,000, from fiscal year 2011 to fiscal year 2012. The City received a revenue bond for the West Waterline Extension in the amount of \$1,160,000 in fiscal year 2011. Other revenue increased for charges for services for additional users from new residential construction.

Disbursements for business-type activities decreased 37.85%, or approximately \$820,000. The city completed improvements for the West Waterline Extension and the Carver Heights Lift Station.

### **Individual Major Fund Analysis**

As of June 30, 2012, the City had cash balances on hand of \$5,019,406 in governmental fund types and \$3,876,472 in business-type funds. The governmental fund type decreased \$1,006,962 and business fund types increased \$360,739, respectively, during fiscal year 2011-2012. The decrease in governmental and business type funds on hand are for projects that were completed in the fiscal year.

- The General Fund cash balance increased \$460,814 from the prior year to \$2,352,172. Approximately \$147,000 was due to an increase in property valuations. The city intends to use the receipts to help offset future property tax increases.
- The Special Revenue Fund, Road Use Tax Fund cash balance increased \$186,800 to \$846,127. This increase was attributable to additional funds received due to adjustment for per capita population. The City intends to fund upgrades to city roads.
- The Special Revenue Fund, Local Option Sales Tax cash fund balance increased \$58,762 to \$485,199. This increase was attributable to additional funds received due to adjustment for per capita population. The city is required to use this money for the specific purpose of police and fire protection, street lighting, snow and ice control, insurance and street improvements.
- The Special Revenue Fund, Tax Increment Financing Fund was established to account for major urban renewal projects. This fund balance is required to be used for tax increment funded projects.
- The Capital Project, Seippel Road Project Fund cash balance decreased \$1,903,502 to \$772,172. This was due to the construction improvements of Seippel Road.
- The Debt Service Fund cash balance increased \$10,249 to \$14,901. The increase was due to the refunding of bonds and payments of special assessments.

### **Individual Major Business Type Fund Analysis**

- The Enterprise, Sewer Utility Fund cash balance increased \$137,993 to \$1,842,914. This increase was due to less than normal repairs, maintenance and utility expenses.
- The Enterprise, Water Fund cash balance increased \$209,492 to \$1,784,220. This increase was due to less than normal repairs, maintenance, utility and consulting expenses.

### **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 bond refunding.

For the year ended June 30, 2012, total actual receipts including other financing sources were \$297,151 under the final budget while total actual disbursements were \$9,345,371 under the final budget. The large difference for budgeted and actual expenditures occurred because the capital projects for road improvements and sewer main extension were budgeted and not completed in the current fiscal year. A large difference also occurred in Debt Service because of the debt refunding.

### Debt Outstanding

As of year-end, the City had \$11,972,903 debt outstanding compared to \$12,609,310 in 2011.

Outstanding Debt at Year-End

	June 30,	
	2012	2011
General Obligation Notes:		
2000 Park expansion	\$ -	\$ 30,000
2001 Street improvements	-	65,000
2002 Water improvements	-	384,000
2007 Street improvements	100,000	640,000
Total General Obligation Notes	100,000	1,119,000
General Obligation Bonds:		
2004 Water improvements	-	1,205,000
2005 Sewer improvements	-	1,215,000
2005 Water improvements	-	393,000
2008 Golf course acquisition	645,000	2,750,000
2011 Seippel Road	3,000,000	3,000,000
2012A Refunding	2,140,000	-
2012B Refunding	525,000	-
2012C Refunding	2,940,000	-
Total General Obligation Bonds	9,250,000	8,563,000
Revenue Notes:		
2001 Water improvements	240,000	300,000
2006 Sewer improvements	1,301,000	1,439,000
2010 Water improvements	1,005,000	1,085,000
Total Revenue Notes	2,546,000	2,824,000
Purchase Agreement:		
2009 Yamaha Golf Carts	76,903	103,310
Total	\$ 11,972,903	\$ 12,609,310

The City as of June 30, 2012 is at 60.27% of its bonding capacity. The City's outstanding general obligation debt limit was \$15,347,147.

### Economic Factors

While property taxes are important to the City, they represent less than 25% of revenue sources excluding other financing sources. TIF revenues comprise 10% of total revenues. Charges for services comprise 46% 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, 2013, 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 is in the process of updating the Comprehensive Plan and performing the annual review of the Capital Improvement Plan. The City Council is beginning the architectural review of a new municipal building that will house the library, police department and general city services. All future plans will require the City Council and Mayor to balance the growth of the community with an appropriate tax levy and charge for services. Capital projects budgeted for next year completing the improvements to Seippel Road, new equipment purchases, and sewer main extensions to the new annexed area. These projects will be financed with a combination of revenue and general obligation bonds. While the City had a corporate tax levy of 10.30 in 2012 the Fiscal Year 2013 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's Administrator at 5080 Asbury Road, Asbury, IA 52002 or telephone 563-556-7106.

Elizabeth Bonz  
City Administrator



Basic Financial Statements  
June 30, 2012

# City of Asbury, Iowa

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	Disbursements	Program Receipts		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Governmental activities:				
Public safety	\$ 488,098	\$ 118,750	\$ -	\$ -
Public works	368,144	-	395,529	-
Culture and recreation	1,221,039	1,057,972	2,200	-
Community and economic development	13,776	2,200	-	-
General government	217,315	64,316	14,468	-
Debt service	1,021,652	-	-	-
Capital projects	1,958,449	7,509	-	884
Total governmental activities	<u>5,288,473</u>	<u>1,250,747</u>	<u>412,197</u>	<u>884</u>
Business-type activities:				
Sewer utility	631,280	753,518	-	-
Solid waste	210,752	221,955	-	-
Water	505,813	699,262	-	-
Total business-type activities	<u>1,347,845</u>	<u>1,674,735</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,636,318</u>	<u>\$ 2,925,482</u>	<u>\$ 412,197</u>	<u>\$ 884</u>
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Issuance of current refunding bonds				
Issuance of advance refunding bonds				
Payment of current refunded bonds				
Payment to refunded bond escrow agent				
Other general receipts				
Transfers, net				
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				
Unrestricted				
Total cash basis net assets				

See Notes to Financial Statements

City of Asbury, Iowa  
 Exhibit A – Statement of Activities and Net Assets – Cash Basis  
 As of and for the Year Ended June 30, 2012

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (369,348)	\$ -	\$ (369,348)
27,385	-	27,385
(160,867)	-	(160,867)
(11,576)	-	(11,576)
(138,531)	-	(138,531)
(1,021,652)	-	(1,021,652)
(1,950,056)	-	(1,950,056)
<u>(3,624,645)</u>	<u>-</u>	<u>(3,624,645)</u>
-	122,238	122,238
-	11,203	11,203
-	193,449	193,449
<u>-</u>	<u>326,890</u>	<u>326,890</u>
<u>(3,624,645)</u>	<u>326,890</u>	<u>(3,297,755)</u>
1,205,649	-	1,205,649
220,952	-	220,952
597,194	-	597,194
435,069	-	435,069
59,626	36,675	96,301
3,245,000	-	3,245,000
2,665,000	-	2,665,000
(3,185,300)	-	(3,185,300)
(2,639,591)	-	(2,639,591)
11,258	-	11,258
2,826	(2,826)	-
<u>2,617,683</u>	<u>33,849</u>	<u>2,651,532</u>
(1,006,962)	360,739	(646,223)
<u>6,026,368</u>	<u>3,515,733</u>	<u>9,542,101</u>
<u>\$ 5,019,406</u>	<u>\$ 3,876,472</u>	<u>\$ 8,895,878</u>
\$ 846,127	\$ -	\$ 846,127
772,172	-	772,172
14,901	148,548	163,449
868,720	-	868,720
<u>2,517,486</u>	<u>3,727,924</u>	<u>6,245,410</u>
<u>\$ 5,019,406</u>	<u>\$ 3,876,472</u>	<u>\$ 8,895,878</u>

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Tax Increment Financing (TIF)
<b>Receipts:</b>				
Property tax	\$ 1,100,743	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	597,194
Other City tax	-	-	435,069	-
Licenses and permits	170,298	-	-	-
Use of money and property	31,605	-	5,285	2,453
Intergovernmental	16,668	395,529	-	-
Charges for service	1,071,844	-	-	-
Special assessments	-	-	-	-
Miscellaneous	11,975	-	-	-
<b>Total receipts</b>	<b>2,403,133</b>	<b>395,529</b>	<b>440,354</b>	<b>599,647</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	488,098	-	-	-
Public works	172,315	195,829	-	-
Culture and recreation	1,114,571	-	-	-
Community and economic development	13,776	-	-	-
General government	217,315	-	-	-
<b>Debt service:</b>				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>2,006,075</b>	<b>195,829</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Receipts over (Under) Disbursements</b>	<b>397,058</b>	<b>199,700</b>	<b>440,354</b>	<b>599,647</b>
<b>Other Financing Sources (Uses):</b>				
Issuance of current refunding bonds	-	-	-	-
Issuance of advance refunding bonds	-	-	-	-
Payment of current refunded bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	319,369	-	-	-
Transfers out	(255,613)	(12,900)	(381,592)	(433,179)
<b>Total other financing sources (uses)</b>	<b>63,756</b>	<b>(12,900)</b>	<b>(381,592)</b>	<b>(433,179)</b>
<b>Net Change in Cash Balances</b>	<b>460,814</b>	<b>186,800</b>	<b>58,762</b>	<b>166,468</b>
<b>Cash Balances Beginning of Year</b>	<b>1,891,358</b>	<b>659,327</b>	<b>426,437</b>	<b>-</b>
<b>Cash Balances End of Year</b>	<b>\$ 2,352,172</b>	<b>\$ 846,127</b>	<b>\$ 485,199</b>	<b>\$ 166,468</b>
<b>Cash Basis Fund Balances</b>				
Restricted	\$ -	\$ 846,127	\$ 485,199	\$ 166,468
Assigned	727,356	-	-	-
Unassigned	1,624,816	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 2,352,172</b>	<b>\$ 846,127</b>	<b>\$ 485,199</b>	<b>\$ 166,468</b>

See Notes to Financial Statements

City of Asbury, Iowa  
 Exhibit B – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances  
 Governmental Funds  
 As of and for the Year Ended June 30, 2012

<u>Capital Projects</u> Seippel Road Project	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 220,952	\$ 104,906	\$ 1,426,601
-	-	-	597,194
-	-	-	435,069
-	-	-	170,298
15,462	1,971	2,850	59,626
-	-	-	412,197
-	-	-	1,071,844
-	-	7,509	7,509
-	-	1,263	13,238
<u>15,462</u>	<u>222,923</u>	<u>116,528</u>	<u>4,193,576</u>
-	-	-	488,098
-	-	-	368,144
-	-	106,468	1,221,039
-	-	-	13,776
-	-	-	217,315
-	620,000	-	620,000
-	401,652	-	401,652
1,628,964	-	329,485	1,958,449
<u>1,628,964</u>	<u>1,021,652</u>	<u>435,953</u>	<u>5,288,473</u>
<u>(1,613,502)</u>	<u>(798,729)</u>	<u>(319,425)</u>	<u>(1,094,897)</u>
-	3,245,000	-	3,245,000
-	2,665,000	-	2,665,000
-	(3,185,300)	-	(3,185,300)
-	(2,639,591)	-	(2,639,591)
-	723,869	437,134	1,480,372
(290,000)	-	(104,262)	(1,477,546)
<u>(290,000)</u>	<u>808,978</u>	<u>332,872</u>	<u>87,935</u>
(1,903,502)	10,249	13,447	(1,006,962)
<u>2,675,674</u>	<u>4,652</u>	<u>368,920</u>	<u>6,026,368</u>
<u>\$ 772,172</u>	<u>\$ 14,901</u>	<u>\$ 382,367</u>	<u>\$ 5,019,406</u>
\$ 772,172	\$ 14,901	\$ 217,053	\$ 2,501,920
-	-	166,743	894,099
-	-	(1,429)	1,623,387
<u>\$ 772,172</u>	<u>\$ 14,901</u>	<u>\$ 382,367</u>	<u>\$ 5,019,406</u>

City of Asbury, Iowa  
 Exhibit C – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances  
 Proprietary Funds  
 As of and for the Year Ended June 30, 2012

	Enterprise Funds			Total
	Sewer Utility	Water	Nonmajor Solid Waste	
<b>Operating Receipts:</b>				
Use of money and property	\$ 18,581	\$ 16,043	\$ 2,051	\$ 36,675
Charges for service	753,518	699,262	221,955	1,674,735
Total operating receipts	<u>772,099</u>	<u>715,305</u>	<u>224,006</u>	<u>1,711,410</u>
<b>Operating Disbursements:</b>				
Salaries and wages	82,252	72,180	17,119	171,551
Employee benefits and costs	26,176	24,722	5,771	56,669
Staff development	160	2,625	-	2,785
Repair, maintenance, and utilities	174,217	62,011	-	236,228
Contractual services	118,648	88,824	185,327	392,799
Commodities	2,620	37,706	2,535	42,861
Capital outlay	46,037	108,307	-	154,344
Total operating disbursements	<u>450,110</u>	<u>396,375</u>	<u>210,752</u>	<u>1,057,237</u>
Excess (deficiency) of Operating Receipts over (under) Operating Disbursements	321,989	318,930	13,254	654,173
<b>Non-Operating Disbursements:</b>				
Debt service	<u>(181,170)</u>	<u>(109,438)</u>	<u>-</u>	<u>(290,608)</u>
Excess (deficiency) of Receipts over (under) Disbursements	140,819	209,492	13,254	363,565
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(2,826)</u>	<u>-</u>	<u>-</u>	<u>(2,826)</u>
Net Change in Cash Balances	137,993	209,492	13,254	360,739
Cash Balances Beginning of Year	<u>1,704,921</u>	<u>1,574,728</u>	<u>236,084</u>	<u>3,515,733</u>
Cash Balances End of Year	<u>\$ 1,842,914</u>	<u>\$ 1,784,220</u>	<u>\$ 249,338</u>	<u>\$ 3,876,472</u>
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ -	\$ 148,548	\$ -	\$ 148,548
Unrestricted	1,842,914	1,635,672	249,338	3,727,924
Total cash basis fund balances	<u>\$ 1,842,914</u>	<u>\$ 1,784,220</u>	<u>\$ 249,338</u>	<u>\$ 3,876,472</u>

## **Note 1 - Significant Accounting Policies**

The City of Asbury, Iowa, 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, Iowa, 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 Empowerment Board, and DMATS Policy Committee.

### **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.

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 the road use tax allocation from the State of Iowa to be used 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.

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

### **Capital Projects**

The Seippel Road Construction Fund is used to account for activities of the Seippel Road reconstruction project.

### **Debt Service**

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

The City reports the following major proprietary funds:

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

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

### **Measurement Focus and Basis of Accounting**

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating 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 Supplementary Information. During the year ended June 30, 2012, no disbursements exceeded the amounts budgeted.

### **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.

### **Fund Equity**

The City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective with the June 30, 2011 financial statements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

The non-spendable classification contains amounts not in spendable form or legally or contractually required to be maintained intact. Restricted amounts contain restraints on their use externally imposed by creditors, grantors, contributors, or laws or regulation of other governments; or imposed by law through constitutional provisions or enabling legislation. Committed amounts can only be used for specific purposes imposed by formal action of the government's highest level of decision-making authority. The highest level of decision-making authority is the City Council and it takes an ordinance, resolution of formal vote of approval to establish a fund balance commitment. Amounts intended to be used for specific purposes are assigned as needed by the City Administrator. Assignments should not cause deficits in the unassigned fund balance. Unassigned fund balance is the residual classification for the general fund.

When committed, assigned, and unassigned resources are available for use, it is the government's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

**Note 2 - Cash and Investments**

The City's deposits in banks at June 30, 2012, 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, 2012.

**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.

**Note 3 - Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds, revenue notes, and other are as follows:

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 50,000	\$ 25,508	\$ 555,000	\$ 257,714	\$ 285,000	\$ 82,468
2014	50,000	23,508	565,000	249,465	288,000	72,668
2015	-	-	640,000	240,284	295,000	62,778
2016	-	-	655,000	229,645	302,000	52,728
2017	-	-	670,000	217,709	249,000	42,280
2018-2022	-	-	3,395,000	646,754	1,127,000	100,105
2023-2027	-	-	1,825,000	344,094	-	-
2028-2031	-	-	945,000	88,826	-	-
	<u>\$ 100,000</u>	<u>\$ 49,016</u>	<u>\$ 9,250,000</u>	<u>\$ 2,274,491</u>	<u>\$ 2,546,000</u>	<u>\$ 413,027</u>

Year Ending June 30,	Golf Cart Purchase Agreement		Total	
	Principal	Interest	Principal	Interest
2013	\$ 27,682	\$ 2,918	\$ 917,682	\$ 368,608
2014	29,019	1,581	932,019	347,222
2015	20,202	199	955,202	303,261
2016	-	-	957,000	282,373
2017	-	-	919,000	259,989
2018-2022	-	-	4,522,000	746,859
2023-2027	-	-	1,825,000	344,094
2028-2031	-	-	945,000	88,826
	<u>\$ 76,903</u>	<u>\$ 4,698</u>	<u>\$ 11,972,903</u>	<u>\$ 2,741,232</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 and \$1,160,000 of a water revenue note issued in August 2010. Proceeds from the note issued in May 2001 provided financing for the purchase of private water systems. Proceeds from the note issued in August 2010 provided financing for the West Waterline Extension project. The total principal and interest remaining to be paid on the notes is \$1,463,927. For the current year, principal and interest paid and total customer net receipts were \$188,938 and \$411,194, respectively. The 2001 note is payable from TIF funds and is payable through 2016. The 2010 note is payable solely from water funds and is payable through 2022.

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 \$1,494,100. For the current year, principal and interest paid and total customer net receipts were \$181,170 and \$349,445, respectively.

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

- a) The notes will only be redeemed from the future earnings of the water fund activity and the note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to water revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c) Additional monthly transfers of \$1,000 to a water reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions, or repairs to the system.
- d) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in a water revenue surplus account. This account is restricted for the purpose of paying for any improvement, extension, or repair to the system or for note and interest payments which the other accounts might be unable to make.

On February 17, 2012, the City issued \$3,245,000 of general obligation refunding bonds to refund \$3,197,000 of general obligation notes and bonds. The refunding was undertaken to reduce total future debt service payments. The result of the transaction is a reduction of \$269,945 in future debt service payments.

On February 17, 2012, the City issued \$2,665,000 of general obligation advance refunding bonds to provide resources for the purpose of retiring \$2,485,000 of general obligation bonds. As a result, the refunded general obligation bonds are considered to be defeased. The advance refunding was undertaken to reduce total future debt service payments. The result of the transaction is a reduction of \$205,585 in future debt service payments.

#### **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 5.38% of their annual covered salary, and the City is required to contribute 8.07% 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, 2012, 2011, and 2010, were \$62,942, \$53,744, and \$47,115, respectively, equal to the required contributions for each year.

#### **Note 5 - Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 14 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 benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$425 for single coverage and \$956 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, 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, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 9,196

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, 2012.

**Note 7 - Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012, is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax Nonmajor Governmental Funds	\$ 215,107 104,262 <u>319,369</u>
Debt Service	General Special Revenue: Tax Increment Financing Local Option Sales Tax	124,205  433,179 166,485 <u>723,869</u>
Nonmajor Governmental Funds	General Special Revenue: Road Use Tax Capital Projects: Seippel Road Project Enterprise Funds: Sewer	131,408 12,900 290,000 2,826 <u>437,134</u>
		<u>\$ 1,480,372</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, Iowa, 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 had active construction projects at June 30, 2012. 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>
Seippel Road	\$ 1,586,754	\$ 1,431,366	\$ 155,388
Althaus Pond Project	82,313	71,211	11,102
New Park Infrastructure Phase II	207,653	131,822	75,831

**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 bond principal and interest does not constitute liabilities of the City.

As of June 30, 2012, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$4,357,312.

**Note 11 - Litigation**

The City is not currently a defendant in any claims or lawsuits.

**Note 12 - Fund Balance Reporting**

The detail of the City's cash basis fund balances at June 30, 2012, is as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>
<b>Restricted For</b>					
Road improvements	\$ -	\$ -	\$ -	\$ 846,127	\$ 846,127
Police	-	-	-	87,336	87,336
Street lighting	-	-	-	53,371	53,371
Fire services	-	-	-	29,112	29,112
Snow	-	-	-	48,520	48,520
Insurance	-	-	-	72,780	72,780
Street maintenance	-	-	-	194,080	194,080
TIF	-	-	-	166,468	166,468
Seippel road	-	-	772,172	-	772,172
Debt service	-	14,901	-	-	14,901
Special levies	-	-	-	3,373	3,373
Trail contribution	-	-	-	1,119	1,119
K-9 fund	-	-	-	346	346
Tax increment financing	-	-	-	212,215	212,215
Total restricted	<u>-</u>	<u>14,901</u>	<u>772,172</u>	<u>1,714,847</u>	<u>2,501,920</u>
<b>Assigned To</b>					
Economic development	727,356	-	-	-	727,356
Asbury intersection	-	-	95,943	-	95,943
Burr Oak reconstruction	-	-	2,160	-	2,160
Asbury walking trail	-	-	19,094	-	19,094
Sidewalk assessment	-	-	4,883	-	4,883
Park expansion project	-	-	44,663	-	44,663
Total assigned	<u>727,356</u>	<u>-</u>	<u>166,743</u>	<u>-</u>	<u>894,099</u>
Unassigned	<u>1,624,816</u>	<u>-</u>	<u>(1,429)</u>	<u>-</u>	<u>1,623,387</u>
<b>Total Fund Balances</b>	<u><u>\$ 2,352,172</u></u>	<u><u>\$ 14,901</u></u>	<u><u>\$ 937,486</u></u>	<u><u>\$ 1,714,847</u></u>	<u><u>\$ 5,019,406</u></u>

**Note 13 - Deficit Balance**

At June 30, 2012, the Capital Projects Fund, Golf Course Improvement Fund, had a deficit balance of \$1,429. The deficit balance is the result of capital projects where permanent financing is not in place. The deficit will be eliminated upon funding in future periods.

#### **Note 14 - Prospective Accounting Changes**

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

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, *Technical Corrections – 2012 – an amendment to GASB Statements No. 10 and No. 62*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider.

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



Supplementary Information  
June 30, 2012

## City of Asbury, Iowa

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	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property tax	\$ 1,426,601	\$ -	\$ 1,426,601
Tax increment financing	597,194	-	597,194
Other City tax	435,069	-	435,069
Licenses and permits	170,298	-	170,298
Use of money and property	59,626	36,675	96,301
Intergovernmental	412,197	-	412,197
Charges for service	1,071,844	1,674,735	2,746,579
Special assessments	7,509	-	7,509
Miscellaneous	13,238	-	13,238
Total receipts	<u>4,193,576</u>	<u>1,711,410</u>	<u>5,904,986</u>
Disbursements:			
Public safety	488,098	-	488,098
Public works	368,144	-	368,144
Culture and recreation	1,221,039	-	1,221,039
Community and economic development	13,776	-	13,776
General government	217,315	-	217,315
Debt service	1,021,652	-	1,021,652
Capital projects	1,958,449	-	1,958,449
Business-type activities	-	1,347,845	1,347,845
Total disbursements	<u>5,288,473</u>	<u>1,347,845</u>	<u>6,636,318</u>
Excess (Deficiency) of Receipts over (Under) Disbursements	(1,094,897)	363,565	(731,332)
Other Financing Sources, Net	<u>87,935</u>	<u>(2,826)</u>	<u>85,109</u>
Excess of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	(1,006,962)	360,739	(646,223)
Balances Beginning of Year	<u>6,026,368</u>	<u>3,515,733</u>	<u>9,542,101</u>
Balances End of Year	<u>\$ 5,019,406</u>	<u>\$ 3,876,472</u>	<u>\$ 8,895,878</u>

City of Asbury, Iowa

Schedule 1 – Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Cash Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
Supplementary Information  
Year Ended June 30, 2012

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 1,419,303	\$ 1,419,303	\$ 7,298
443,179	443,179	154,015
305,058	454,006	(18,937)
131,335	131,335	38,963
87,500	87,500	8,801
376,000	391,980	20,217
2,645,432	2,645,432	101,147
-	-	7,509
35,100	35,100	(21,862)
<u>5,442,907</u>	<u>5,607,835</u>	<u>297,151</u>
536,928	536,928	48,830
493,768	585,768	217,624
1,222,924	1,247,924	26,885
26,025	26,025	12,249
294,390	294,390	77,075
1,100,246	7,010,246	5,988,594
3,247,000	3,305,900	1,347,451
2,820,709	2,971,508	1,623,663
<u>9,741,990</u>	<u>15,978,689</u>	<u>9,342,371</u>
(4,299,083)	(10,370,854)	9,639,522
<u>4,412,000</u>	<u>10,206,491</u>	<u>(10,121,382)</u>
112,917	(164,363)	(481,860)
<u>5,795,300</u>	<u>9,542,101</u>	<u>-</u>
<u>\$ 5,908,217</u>	<u>\$ 9,377,738</u>	<u>\$ (481,860)</u>

The budgetary comparison is presented as 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 \$6,236,699. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

Capital Projects

	Asbury Intersection Project	Burr Oak Reconstruction	Asbury Walking Trail	Sidewalk Assessment Fund
Receipts:				
Property tax	\$ -	\$ -	\$ -	\$ -
Use of money and property	950	-	-	-
Special assessments	-	851	6,658	-
Miscellaneous	-	-	-	379
Total receipts	<u>950</u>	<u>851</u>	<u>6,658</u>	<u>379</u>
Disbursements:				
Operating:				
Culture and recreation	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of Receipts over (under) Disbursements	<u>950</u>	<u>851</u>	<u>6,658</u>	<u>379</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash Balances	950	851	6,658	379
Cash Balances Beginning of Year	<u>94,993</u>	<u>1,309</u>	<u>12,436</u>	<u>4,504</u>
Cash Balances End of Year	<u><u>\$ 95,943</u></u>	<u><u>\$ 2,160</u></u>	<u><u>\$ 19,094</u></u>	<u><u>\$ 4,883</u></u>
Cash Basis Fund Balances				
Restricted	\$ -	\$ -	\$ -	\$ -
Assigned	95,943	2,160	19,094	4,883
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u><u>\$ 95,943</u></u>	<u><u>\$ 2,160</u></u>	<u><u>\$ 19,094</u></u>	<u><u>\$ 4,883</u></u>

City of Asbury, Iowa  
Schedule 2 – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the Year Ended June 30, 2012

Capital Projects				
Public Works Garage	Land Acquisition Fund	Park Expansion Project	Dump Truck Fund	Golf Course Improvement
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	884	-	-
-	-	884	-	-
-	-	15,039	-	91,429
50,657	12,900	231,182	34,746	-
50,657	12,900	246,221	34,746	91,429
(50,657)	(12,900)	(245,337)	(34,746)	(91,429)
9,488	12,900	290,000	34,746	90,000
-	-	-	-	-
9,488	12,900	290,000	34,746	90,000
(41,169)	-	44,663	-	(1,429)
41,169	-	-	-	-
\$ -	\$ -	\$ 44,663	\$ -	\$ (1,429)
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	44,663	-	-
-	-	-	-	(1,429)
\$ -	\$ -	\$ 44,663	\$ -	\$ (1,429)

City of Asbury, Iowa

Schedule 2 – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances (continued)  
 Nonmajor Governmental Funds  
 As of and for the Year Ended June 30, 2012

	Special Revenue			Total
	Special Levies	Special Projects	Low Moderate Income	
<b>Receipts:</b>				
Property tax	\$ 104,906	\$ -	\$ -	\$ 104,906
Use of money and property	-	-	1,900	2,850
Special assessments	-	-	-	7,509
Miscellaneous	-	-	-	1,263
Total receipts	<u>104,906</u>	<u>-</u>	<u>1,900</u>	<u>116,528</u>
<b>Disbursements:</b>				
<b>Operating:</b>				
Culture and recreation	-	-	-	106,468
Capital projects	-	-	-	329,485
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>435,953</u>
Excess (deficiency) of Receipts over (under) Disbursements	<u>104,906</u>	<u>-</u>	<u>1,900</u>	<u>(319,425)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	437,134
Transfers out	(104,262)	-	-	(104,262)
Total other financing sources (uses)	<u>(104,262)</u>	<u>-</u>	<u>-</u>	<u>332,872</u>
Net Change in Cash Balances	644	-	1,900	13,447
Cash Balances Beginning of Year	<u>2,729</u>	<u>1,465</u>	<u>210,315</u>	<u>368,920</u>
Cash Balances End of Year	<u>\$ 3,373</u>	<u>\$ 1,465</u>	<u>\$ 212,215</u>	<u>\$ 382,367</u>
<b>Cash Basis Fund Balances</b>				
Restricted	\$ 3,373	\$ 1,465	\$ 212,215	\$ 217,053
Assigned	-	-	-	166,743
Unassigned	-	-	-	(1,429)
Total cash basis fund balances	<u>\$ 3,373</u>	<u>\$ 1,465</u>	<u>\$ 212,215</u>	<u>\$ 382,367</u>

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>
General Obligation Notes:				
2000 Park expansion	4/1/2000	5.80%	\$ 280,000	\$ 30,000
2001 Street improvements	7/1/2001	4.90	515,000	65,000
2002 Water improvements	10/1/2002	3.00	681,000	384,000
2007 Street improvements	2/15/2007	4.05-4.15	800,000	<u>640,000</u>
Total General Obligation Notes				<u>1,119,000</u>
General Obligation Bonds:				
2004 Water improvements	1/9/2004	3.00	1,800,000	1,205,000
2005 Sewer improvements	6/7/2005	3.00	1,700,000	1,215,000
2005 Water improvements	6/7/2005	3.00	600,000	393,000
2008 Golf course acquisition	9/2/2008	3.75-4.20	3,100,000	2,750,000
2011 Seippel Road Construction	4/26/2011	2.00-4.00	3,000,000	3,000,000
2012A Refunding	2/17/2012	2.00-2.62	2,140,000	-
2012B Refunding	2/17/2012	1.00-2.00	525,000	-
2012C Refunding	2/17/2012	0.50-2.00	3,245,000	-
Total General Obligation Bonds				<u>8,563,000</u>
Revenue Notes:				
2001 Water improvements	5/1/2001	6.25	900,000	300,000
2006 Sewer improvements	6/1/2006	3.00	2,100,000	1,439,000
2010 Water improvements	8/1/2010	2.00-3.75	1,160,000	<u>1,085,000</u>
Total Revenue Notes				<u>2,824,000</u>
Purchase Agreement:				
2009 Yamaha Golf Carts	1/1/2009	4.87	160,212	<u>103,310</u>
Total				<u>\$ 12,609,310</u>

City of Asbury, Iowa  
Schedule 3 – Schedule of Indebtedness  
Year Ended June 30, 2012

Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ -	\$ 30,000	\$ -	\$ 1,740	\$ -
-	65,000	-	3,185	-
-	384,000	-	8,128	-
-	540,000	100,000	27,285	-
-	1,019,000	100,000	40,338	-
-	1,205,000	-	25,506	-
-	1,215,000	-	25,718	-
-	393,000	-	8,319	-
-	2,105,000	645,000	123,705	-
-	-	3,000,000	97,550	-
2,140,000	-	2,140,000	15,069	-
525,000	-	525,000	2,587	-
3,245,000	305,000	2,940,000	11,410	-
5,910,000	5,223,000	9,250,000	309,864	-
-	60,000	240,000	19,500	-
-	138,000	1,301,000	43,170	-
-	80,000	1,005,000	29,437	-
-	278,000	2,546,000	92,107	-
-	26,407	76,903	4,193	-
\$ 5,910,000	\$ 6,546,407	\$ 11,972,903	\$ 446,502	\$ -

City of Asbury, Iowa  
Schedule 4 – Bond and Note Maturities  
June 30, 2012

General Obligation Notes		
Year Ending June 30,	Street Improvement Note Issued February 15, 2007	
	Interest	
	Rates	Amount
2013	4.05%	\$ 50,000
2014	4.15	50,000
		<u>\$ 100,000</u>

General Obligation Bonds						
Year Ending June 30,	Golf Course Acquisition Bond Issued September 2, 2008		Seippel Road Construction Issued April 26, 2011		2012A Refunding Issued February 17, 2012	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2013	3.75	\$ 120,000	2.00	\$ 105,000	-	\$ -
2014	4.00	125,000	2.00	110,000	-	-
2015	4.00	125,000	2.00	115,000	-	-
2016	4.10	135,000	2.00	120,000	-	-
2017	4.20	140,000	2.13	125,000	-	-
2018	-	-	2.68	130,000	2.00	265,000
2019	-	-	2.63	135,000	2.00	225,000
2020	-	-	3.25	140,000	2.00	200,000
2021	-	-	3.25	145,000	2.00	200,000
2022	-	-	3.25	155,000	2.00	200,000
2023	-	-	3.25	160,000	2.00	200,000
2024	-	-	3.50	165,000	2.00	200,000
2025	-	-	3.50	175,000	2.12	200,000
2026	-	-	3.75	185,000	2.25	175,000
2027	-	-	3.75	190,000	2.62	175,000
2028	-	-	4.00	200,000	2.62	100,000
2029	-	-	4.00	205,000	-	-
2030	-	-	4.00	215,000	-	-
2031	-	-	4.00	225,000	-	-
		<u>\$ 645,000</u>		<u>\$ 3,000,000</u>		<u>\$ 2,140,000</u>

City of Asbury, Iowa  
Schedule 4 – Bond and Note Maturities  
June 30, 2012

General Obligation Bonds					
Year Ending June 30,	2012B Refunding		2012C Refunding		Total
	Issued February 17, 2012		Issued February 17, 2012		
	Interest Rates	Amount	Interest Rates	Amount	
2013	-	\$ -	0.50	\$ 330,000	\$ 555,000
2014	-	-	0.60	330,000	565,000
2015	1.00	70,000	0.80	330,000	640,000
2016	1.00	65,000	1.00	335,000	655,000
2017	1.25	75,000	1.10	330,000	670,000
2018	1.25	60,000	1.20	265,000	720,000
2019	1.70	60,000	1.40	320,000	740,000
2020	1.70	65,000	1.60	350,000	755,000
2021	2.00	65,000	1.80	250,000	660,000
2022	2.00	65,000	2.00	100,000	520,000
2023	-	-	-	-	360,000
2024	-	-	-	-	365,000
2025	-	-	-	-	375,000
2026	-	-	-	-	360,000
2027	-	-	-	-	365,000
2028	-	-	-	-	300,000
2029	-	-	-	-	205,000
2030	-	-	-	-	215,000
2031	-	-	-	-	225,000
		<u>\$ 525,000</u>		<u>\$ 2,940,000</u>	<u>\$ 9,250,000</u>

Year Ending June 30,	Purchase Agreement	
	Yamaha Golf Carts	
	Issued January 1, 2009	
	Interest Rates	Amount
2013	4.87%	\$ 27,682
2014	4.87	29,019
2015	4.87	20,202
		<u>\$ 76,903</u>

City of Asbury, Iowa  
Schedule 4 – Bond and Note Maturities (continued)  
June 30, 2012

Year Ending June 30,	Revenue Notes			
	Water Improvement Note		Sewer Improvement Note	
	Issued May 1, 2001		Issued June 1, 2006	
	Interest Rates	Amount	Interest Rates	Amount
2013	6.25	\$ 60,000	3.00	\$ 140,000
2014	6.25	60,000	3.00	143,000
2015	6.25	60,000	3.00	145,000
2016	6.25	60,000	3.00	147,000
2017	-	-	3.00	149,000
2018	-	-	3.00	151,000
2019	-	-	3.00	154,000
2020	-	-	3.00	156,000
2021	-	-	3.00	116,000
		<u>\$ 240,000</u>		<u>\$ 1,301,000</u>

	Water Improvement Note		Total
	Issued August 1, 2010		
	Interest Rates	Amount	
2013	2.00	\$ 85,000	\$ 285,000
2014	2.00	85,000	288,000
2015	2.00	90,000	295,000
2016	2.25	95,000	302,000
2017	2.50	100,000	249,000
2018	2.75	100,000	251,000
2019	3.00	105,000	259,000
2020	3.25	110,000	266,000
2021	3.50	115,000	231,000
2022	3.75	120,000	120,000
		<u>\$ 1,005,000</u>	<u>\$ 2,546,000</u>

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Receipts:</b>				
Property tax	\$ 1,426,601	\$ 1,253,241	\$ 1,114,280	\$ 1,023,441
Tax increment financing	597,194	751,140	785,152	745,590
Other City tax	435,069	284,693	293,913	275,165
Licenses and permits	170,298	180,275	185,489	148,934
Use of money and property	59,626	67,836	101,091	64,433
Intergovernmental	412,197	332,629	232,794	203,276
Charges for service	1,071,844	1,035,711	982,911	777,291
Special assessments	7,509	9,024	122,223	50,429
Miscellaneous	13,238	24,470	42,998	44,227
Total receipts	<u>\$ 4,193,576</u>	<u>\$ 3,939,019</u>	<u>\$ 3,860,851</u>	<u>\$ 3,332,786</u>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 488,098	\$ 420,940	\$ 394,059	\$ 356,179
Public works	368,144	310,272	358,947	306,387
Culture and recreation	1,221,039	1,185,712	1,012,938	1,011,131
Community and economic development	13,776	16,204	1,656	85
General government	217,315	225,501	185,550	197,364
Debt service	1,021,652	1,106,015	1,141,855	964,006
Capital projects	1,958,449	417,762	540,646	4,179,669
Total disbursements	<u>\$ 5,288,473</u>	<u>\$ 3,682,406</u>	<u>\$ 3,635,651</u>	<u>\$ 7,014,821</u>

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

City of Asbury, Iowa  
Schedule 5 – Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds  
For the Last Nine Years

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004(1)</u>
\$ 874,744	\$ 749,292	\$ 698,113	\$ 640,926	\$ 532,391
727,701	798,308	781,591	643,685	373,198
287,944	279,948	260,615	252,359	262,832
120,056	127,193	139,115	137,426	126,610
160,180	172,745	100,468	42,971	27,890
210,987	215,376	205,127	216,003	239,081
7,280	6,944	9,129	9,011	8,161
-	500,000	-	-	9,873
63,877	51,768	60,272	48,962	46,394
<u>\$ 2,452,769</u>	<u>\$ 2,901,574</u>	<u>\$ 2,254,430</u>	<u>\$ 1,991,343</u>	<u>\$ 1,626,430</u>
\$ 413,991	\$ 311,126	\$ 322,405	\$ 277,912	\$ 272,199
286,423	167,845	260,239	152,003	243,126
127,492	84,965	101,733	73,876	71,435
17,745	12,245	2,597	4,501	4,948
193,480	254,068	306,853	287,928	287,549
960,719	896,999	753,351	492,174	425,181
853,990	86,979	33,391	-	736,904
<u>\$ 2,853,840</u>	<u>\$ 1,814,227</u>	<u>\$ 1,780,569</u>	<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  
City of Asbury, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Asbury, Iowa (City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 9, 2012. The 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**

Management of the City is responsible for establishing and maintaining effective 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 a 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-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that 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-12 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012, 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 Mayor, City Council, and management of the City of Asbury, Iowa, and is not intended to be and should not be used by anyone other than these specified parties.



Dubuque, Iowa  
October 9, 2012

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

**Material Weakness**

**I-A-12 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-12 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.

**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-12 Certified Budget** – Disbursements during the year ended June 30, 2012, did not exceed the amounts budgeted.

**II-B-12 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-12 Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**II-D-12 Business Transactions** – No business transactions between the City and City officials or employees were noted.

**II-E-12 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-12 Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

**II-G-12 Deposits and Investments** – No instances of noncompliance 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-12 Economic Development** – We noted no instances of noncompliance 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-12 Payment of General Obligation Bonds** – We noted no instances where general obligation bond payments were paid from funds other than the Debt Service Fund.

**II-J-12 Revenue Bonds and Notes** – No instances of noncompliance with the revenue bond and note resolutions were noted.



October 9, 2012

To the Honorable Mayor and  
Members of the City Council  
City of Asbury, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Asbury, Iowa (City), for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 1, 2012. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Asbury, Iowa, are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2012. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements noted in performing the audit.

To the Honorable Mayor and  
Members of the City Council  
City of Asbury, Iowa  
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### **Disagreements with Management**

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 9, 2012.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

### **Other Information in Documents Containing Audited Financial Statements**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Mayor, City Council, and management of the City of Asbury and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

EIDE BAILLY LLP

A handwritten signature in cursive script that reads "Eide Bailly LLP".