



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE May 23, 2011

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Auditor of State David A. Vaudt today released an audit report on the City of Dyersville, Iowa.

The City's revenues totaled \$8,949,856 for the year ended June 30, 2010, a 76.4% increase over the prior year. Revenues included \$1,512,530 in property tax, \$623,742 from tax increment financing, \$1,861,548 from charges for service, \$1,505,625 from operating grants, contributions and restricted interest, \$2,617,650 from capital grants, contributions and restricted interest, \$507,852 from local option sales tax, \$52,358 from hotel/motel tax, \$84,883 from unrestricted investment earnings and \$183,668 from other general revenues.

Expenses for City operations totaled \$5,841,487, a 34.4% increase over the prior year. Expenses included \$1,275,011 for public safety, \$955,786 for public works and \$893,418 for culture and recreation. Expenses for business type activities totaled \$1,571,150.

The significant increase in revenues is due primarily to grant funds received by the City in the current year from the Federal government for the FEMA public assistance and infrastructure projects.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1020-0290-B00F.pdf>.

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CITY OF DYERSVILLE

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

CITY OF DYERSVILLE, IOWA

Table of Contents

	<u>Page</u>
OFFICIALS	3
INDEPENDENT AUDITOR'S REPORT	5-6
MANAGEMENT'S DISCUSSION AND ANALYSIS	7-13
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 16-17
Statement of Activities	B 18-19
Governmental Fund Financial Statements:	
Balance Sheet	C 20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 23
Statement of Revenues, Expenditures, and Changes in Fund Balances	E 24-25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 27
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 28-29
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H 30
Statement of Cash Flows	I 31-32
Notes to the Financial Statements	33-51
REQUIRED SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – Governmental Funds and Proprietary Funds and Budget to GAAP Reconciliation	53
Notes to Required Supplementary Information – Budgetary Reporting	54
Schedule of Funding Progress for the Retiree Health Plan	55
OTHER SUPPLEMENTARY INFORMATION:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	2 59
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	3 60-61
Schedule of Expenditures of Federal Awards	4 62
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	65-66
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	69-70
Schedule of Findings and Questioned Costs	71-75
Staff	76

CITY OF DYERSVILLE, IOWA
OFFICIALS
JUNE 30, 2010

Name	Title	Term Expires
(Before January 2010)		
James Heavens	Mayor	Jan 2010
Molly Evers	Council Member	Jan 2010
Robert Platz	Council Member	Jan 2010
Dan Willenborg	Council Member	Jan 2010
Michael English	Council Member	Jan 2012
Robert Kramer	Council Member	Jan 2012
Mick Michel	City Administrator	Appointed
Tricia Maiers	City Clerk/Treasurer	Appointed
Marc Casey	City Attorney	Appointed
C. J. May	Assistant City Attorney	Appointed
(After January 2010)		
James Heavens	Mayor	Jan 2014
Michael English	Council Member	Jan 2012
Robert Kramer	Council Member	Jan 2012
Molly Evers	Council Member	Jan 2014
Robert Platz	Council Member	Jan 2014
Dan Willenborg	Council Member	Jan 2014
Mick Michel	City Administrator	Appointed
Tricia Maiers	City Clerk/Treasurer	Appointed
Marc Casey	City Attorney	Appointed
William Blum	Assistant City Attorney	Appointed

CITY OF DYERSVILLE, IOWA



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STATE OF IOWA

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville, 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 City of Dyersville's management. Our responsibility is to express opinions on these financial statements based on our audit.

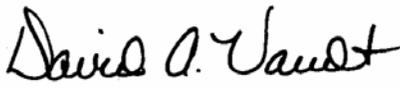
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2011 on our consideration of the City of Dyersville'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 the 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 53 through 55 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries 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 of Dyersville'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 four years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dyersville 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.

2010 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 101%, or \$3,647,419, from fiscal year 2009 to fiscal year 2010. Capital grants and contributions increased \$2,483,872 and operating grants increased \$873,332, primarily due to federal grants received for flood property buy-outs and FEMA public assistance. Tax increment financing increased 72%, or \$261,343, and property tax revenue levied for general purposes increased \$61,492 over fiscal year 2009.

Program expenses of the City's governmental activities increased 43%, or approximately \$1,293,000, in fiscal year 2010 over fiscal year 2009. Public works, health and social services, culture and recreation and interest on long term debt increased approximately \$793,000, \$105,000, \$277,000 and \$292,000, respectively. Public safety and general government expenditures decreased approximately \$162,000 and \$34,000 respectively. The overall increase over fiscal year 2009 is primarily due to payments to property owners under the flood buy-out program.

The City's net assets increased 24%, or approximately \$3.1 million, from June 30, 2009 to June 30, 2010. Of this amount, the net assets of the governmental activities increased approximately \$3 million and the net assets of the business-type activities increased approximately \$134,000.

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.

Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of Dyersville as a whole and present 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 statements by providing information about the most significant funds.

Notes to the 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue and Capital Projects Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is whether the City as a whole is better or worse off as a result of the year's activities? The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "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.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and intergovernmental receipts finance most of these activities.
- Business-type activities include the City's utility services, such as waterworks, sanitation and sanitary sewer systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds include the City's utility services, such as Water Utility, Sewage Disposal Works and Solid Waste. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business-type activities.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 8,423,966	\$ 8,894,852	\$ (859,368)	\$ 441,079	\$ 7,564,598	\$ 9,335,931
Capital assets	11,003,248	7,789,828	11,675,005	10,403,323	22,678,253	18,193,151
Total assets	19,427,214	16,684,680	10,815,637	10,844,402	30,242,851	27,529,082
Long-term liabilities	4,926,003	5,350,464	5,370,624	5,583,757	10,296,627	10,934,221
Other liabilities	3,645,227	3,452,742	86,292	37,783	3,731,519	3,490,525
Total liabilities	8,571,230	8,803,206	5,456,916	5,621,540	14,028,146	14,424,746
Net assets:						
Invested in capital assets, net of related debt	8,344,407	6,044,634	5,444,839	5,483,287	13,789,246	11,527,921
Restricted	1,987,830	1,575,807	-	-	1,987,830	1,575,807
Unrestricted	523,747	261,033	(86,118)	(258,425)	437,629	2,608
Total net assets	10,855,984	7,881,474	5,358,721	5,224,862	16,214,705	13,106,336
Liabilities and Net assets	\$ 19,427,214	\$ 16,684,680	\$ 10,815,637	\$ 10,846,402	\$ 30,242,851	\$ 27,531,082

Net Assets at Year-end

Net assets of governmental and business type activities increased over fiscal year 2009 by approximately \$3 million, or 38%, and \$134,000, or 3%, respectively. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$438,000 at the end of this year.

**Changes in Net Assets for
the year ended June 30,**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for service	\$ 290,487	\$ 271,363	\$ 1,571,061	\$ 1,471,758	\$ 1,861,548	\$ 1,743,121
Operating grants and contributions	1,505,625	632,293	-	-	1,505,625	632,293
Capital grants and contributions	2,491,865	7,993	125,785	-	2,617,650	7,993
General revenues:						
Property tax levied for:						
General purposes	1,224,152	1,162,660	-	-	1,224,152	1,162,660
Debt service	288,378	285,635	-	-	288,378	285,635
Tax increment financing	623,742	362,399	-	-	623,742	362,399
Local option sales tax	507,852	480,053	-	-	507,852	480,053
Hotel/motel tax	52,358	76,431	-	-	52,358	76,431
Unrestricted investment earnings	84,883	182,748	-	-	84,883	182,748
Miscellaneous	175,505	135,853	8,163	4,214	183,668	140,067
Total revenues	<u>7,244,847</u>	<u>3,597,428</u>	<u>1,705,009</u>	<u>1,475,972</u>	<u>8,949,856</u>	<u>5,073,400</u>
Program expenses:						
Public safety	1,275,011	1,436,550	-	-	1,275,011	1,436,550
Public works	955,786	162,989	-	-	955,786	162,989
Health and social services	105,409	800	-	-	105,409	800
Culture and recreation	893,418	615,964	-	-	893,418	615,964
Community and economic development	139,034	117,230	-	-	139,034	117,230
General government	350,867	385,113	-	-	350,867	385,113
Interest on long-term debt	550,812	258,484	-	-	550,812	258,484
Water utility	-	-	668,500	558,506	668,500	558,506
Sewage disposal works	-	-	647,834	634,155	647,834	634,155
Solid waste	-	-	254,816	176,726	254,816	176,726
Total expenses	<u>4,270,337</u>	<u>2,977,130</u>	<u>1,571,150</u>	<u>1,369,387</u>	<u>5,841,487</u>	<u>4,346,517</u>
Change in net assets	2,974,510	620,298	133,859	106,585	3,108,369	726,883
Net assets beginning of year	<u>7,881,474</u>	<u>7,261,176</u>	<u>5,224,862</u>	<u>5,118,277</u>	<u>13,106,336</u>	<u>12,379,453</u>
Net assets end of year	<u>\$ 10,855,984</u>	<u>\$ 7,881,474</u>	<u>\$ 5,358,721</u>	<u>\$ 5,224,862</u>	<u>\$ 16,214,705</u>	<u>\$ 13,106,336</u>

The increase in the City's property tax revenue was due primarily to an increase of TIF projects and approximately 4% in property valuations.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Dyersville completed the year, its governmental funds reported a combined fund balance of \$3,577,140, which is less than the \$5,170,968 total fund balance at June 30, 2009. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

General Fund revenues increased approximately \$40,000, or 2%, while expenditures decreased approximately \$142,000, or 7%, when compared to the prior year. The General Fund showed a decrease of \$38,974 from the prior year to \$357,721 compared to the prior year ending fund balance of \$396,695.

The Special Revenue, CDBG Fund is used to account for federal and state revenues related to flood repairs and future property buy-outs. This fund ended fiscal year 2010 with a deficit fund balance of \$460,079 compared to the prior year ending fund balance deficit of \$114,754.

The Special Revenue, Dyersville Economic Development TIF Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal year 2010 with a \$311,804 balance compared to the prior year ending fund balance of \$191,996.

The Special Revenue, Local Option Sales Tax Fund is used to account for revenues from the local option sales and services tax in the amount of one percent, with twenty-five percent to be used for property tax relief and seventy-five percent to reduce future borrowing. This fund ended fiscal year 2010 with a \$1,418,932 balance compared to the prior year ending fund balance of \$1,031,902.

The Capital Projects, Capital Improvements Fund is used to account for the resources and costs related to infrastructure and building construction and major improvements. This fund ended fiscal year 2010 with a \$1,902,269 balance compared to the prior year ending fund balance of \$3,295,898.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt. The fund ended fiscal year 2010 with a deficit fund balance of \$210,601 compared to the prior year ending fund balance of \$108,023.

Proprietary Fund Highlights

The Water Utility Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2010 with a \$2,789,565 net asset balance compared to the prior year ending net asset balance of \$2,708,092.

The Sewage Disposal Works Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2010 with a \$2,488,093 net asset balance compared to the prior year ending net asset balance of \$2,422,650.

The Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal year 2010 with an \$81,063 net asset balance compared to the prior year ending net asset balance of \$94,120.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Dyersville amended its budget two times. The amendments were done on March 1, 2010 and May 17, 2010. The amendments were needed to adjust receipts and disbursements.

On March 1, 2010, intergovernmental receipts were increased due to FEMA reimbursements and special assessment receipts were decreased due to pending litigation. Public safety disbursements were increased due to police capital disbursements and capital projects disbursements were increased to cover costs related to engineering and construction costs for existing projects. Culture and recreation disbursements were increased for park and library capital disbursements.

On May 17, 2010, receipts were increased for licenses and permits, use of money and property, intergovernmental receipts and transfers. Public safety disbursements were increased due to police capital disbursements and capital projects disbursements were increased to cover costs

related to engineering and construction costs for new and existing projects. Culture and recreation disbursements were increased for park and library capital disbursements. Even with the amendments, the City exceeded its budgetary amounts in the public safety, health and social services, general government, debt service and business-type activities functions for the year ended June 30, 2010.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$11,003,248 (net of accumulated depreciation) at June 30, 2010. Capital assets for business-type activities totaled \$11,675,005 (net of accumulated depreciation) at June 30, 2010. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included flood buy-out properties, equipment and infrastructure improvements.

For business-type activities, major additions included water and sewer improvements.

Long-Term Debt

At June 30, 2010, the City had \$4,923,003 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$5,348,931 at June 30, 2010. The long term debt includes capital lease purchase agreements for four trucks and one sewer camera system with a remaining balance of \$173,008 at June 30, 2010, of which a portion is recorded in governmental activities and a portion is recorded in business-type activities.

The City does not have a general obligation bond rating assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$14.3 million. Other obligations include accrued vacation pay and sick leave and net OPEB liability. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City in setting its fiscal 2011 budget. The City of Dyersville will experience a significant drop in General Fund and Enterprise Fund revenues from fiscal year 2008 to fiscal year 2011. The major factors for fiscal year 2011 which will play a role in this change are uncontrollable factors — reduction in intergovernmental receipts and an increase in operational costs, such as energy and insurance prices.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index (CPI) increase. The State's CPI increase was 1.1 percent for fiscal year 2009. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in food and energy prices over fiscal year 2009.

The General Fund is projected to end fiscal year 2011 with a fund balance of approximately \$333,000.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2011 are provided below:

General levy	\$ 8.07033
Debt service levy	1.16638
Total	\$ 9.23671

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact Mick J. Michel, City Administrator, at 340 1st Avenue East, Dyersville, Iowa 52040.

CITY OF DYERSVILLE

BASIC FINANCIAL STATEMENTS

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled cash investments	\$ 2,956,710	\$ 114,767	\$ 3,071,477
Receivables:			
Property tax:			
Delinquent	39,475	-	39,475
Succeeding year	2,317,388	-	2,317,388
Accounts and other	77,581	217,577	295,158
Special assessments	228,886	-	228,886
Accrued interest	1,178	-	1,178
Due from other governments	1,475,054	-	1,475,054
Internal balances	1,268,049	(1,268,049)	-
Inventories	-	21,834	21,834
Prepaid expenses	59,645	13,987	73,632
Restricted assets:			
Cash and pooled cash investments	-	23,717	23,717
Deferred charges	-	16,799	16,799
Capital assets			
Land	3,154,190	150,280	3,304,470
Buildings	3,495,240	-	3,495,240
Improvements other than buildings	610,572	45,237	655,809
Machinery and equipment	2,015,693	651,475	2,667,168
Infrastructure	3,615,465	10,669,021	14,284,486
Construction in progress	964,109	3,917,244	4,881,353
Accumulated depreciation	(2,852,021)	(3,758,252)	(6,610,273)
Total Assets	<u>19,427,214</u>	<u>10,815,637</u>	<u>30,242,851</u>

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 1,061,991	\$ 62,232	\$ 1,124,223
Accrued interest payable	16,202	17,498	33,700
Salaries and benefits payable	46,476	6,562	53,038
Unearned revenue:			
Succeeding year property tax	2,317,388	-	2,317,388
Other	203,170	-	203,170
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	20,693	20,693
Capital lease purchase agreements	8,480	49,218	57,698
Notes payable	310,000	120,000	430,000
Revenue bonds payable	-	144,000	144,000
Compensated absences	132,361	33,565	165,926
Portion due or payable after one year:			
Capital lease purchase agreements	27,162	88,148	115,310
Notes payable	4,445,000	2,925,000	7,370,000
Revenue bonds payable	-	1,989,000	1,989,000
Net OPEB liability	3,000	1,000	4,000
Total Liabilities	<u>8,571,230</u>	<u>5,456,916</u>	<u>14,028,146</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,344,407	5,444,839	13,789,246
Restricted for:			
Local option sales tax	1,418,932	-	1,418,932
Roads	154,102	-	154,102
Economic development	311,804	-	311,804
Library	44,005	-	44,005
Other purposes	58,987	-	58,987
Unrestricted	523,747	(86,118)	437,629
Total Net Assets	<u>\$ 10,855,984</u>	<u>\$ 5,358,721</u>	<u>\$ 16,214,705</u>

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Public safety	\$ 1,275,011	\$ 18,060	\$ 9,040	\$ -
Public works	955,786	-	369,318	1,078,554
Health and social services	105,409	-	-	-
Culture and recreation	893,418	272,427	27,838	-
Community and economic development	139,034	-	1,099,429	1,413,311
General government	350,867	-	-	-
Interest on long-term debt	550,812	-	-	-
Total governmental activities	<u>4,270,337</u>	<u>290,487</u>	<u>1,505,625</u>	<u>2,491,865</u>
Business-type activities:				
Water utility	668,500	617,438	-	125,785
Sewage disposal works	647,834	711,864	-	-
Solid waste	254,816	241,759	-	-
Total business-type activities	<u>1,571,150</u>	<u>1,571,061</u>	<u>-</u>	<u>125,785</u>
Total	<u>\$ 5,841,487</u>	<u>\$ 1,861,548</u>	<u>\$ 1,505,625</u>	<u>\$ 2,617,650</u>

General revenues

Property tax and other City tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Hotel/motel tax

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,247,911)	\$ -	\$ (1,247,911)
492,086	-	492,086
(105,409)	-	(105,409)
(593,153)	-	(593,153)
2,373,706	-	2,373,706
(350,867)	-	(350,867)
(550,812)	-	(550,812)
<u>17,640</u>	<u>-</u>	<u>17,640</u>
-	74,723	74,723
-	64,030	64,030
-	(13,057)	(13,057)
-	<u>125,696</u>	<u>125,696</u>
<u>17,640</u>	<u>125,696</u>	<u>143,336</u>
1,224,152	-	1,224,152
288,378	-	288,378
623,742	-	623,742
507,852	-	507,852
52,358	-	52,358
84,883	-	84,883
<u>175,505</u>	<u>8,163</u>	<u>183,668</u>
<u>2,956,870</u>	<u>8,163</u>	<u>2,965,033</u>
2,974,510	133,859	3,108,369
<u>7,881,474</u>	<u>5,224,862</u>	<u>13,106,336</u>
<u>\$ 10,855,984</u>	<u>\$ 5,358,721</u>	<u>\$ 16,214,705</u>

CITY OF DYERSVILLE, IOWA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	CDBG	Special Revenue Dyersville Economic Development TIF
ASSETS			
Cash and pooled cash investments	\$ 112,329	\$ -	\$ 52,876
Receivables:			
Property tax:			
Delinquent	26,066	-	9,531
Succeeding year	1,392,803	-	695,000
Accounts and other	77,153	-	-
Special assessments	-	-	-
Accrued interest	142	-	225
Due from other governments	21,840	444,942	-
Due from other funds	201,509	-	261,396
Prepaid expenditures	59,645	-	-
Total Assets	\$ 1,891,487	\$ 444,942	\$ 1,019,028
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 62,799	\$ 393,969	\$ 12,089
Salaries and benefits payable	43,236	-	-
Deferred revenue:			
Succeeding year property tax	1,392,803	-	695,000
Other	34,928	249,656	135
Due to other funds	-	261,396	-
Total Liabilities	1,533,766	905,021	707,224
FUND BALANCES			
Unreserved, reported in:			
General fund:			
Designated for Library capital expenditures	161,907	-	-
Undesignated	195,814	-	-
Special revenue funds:			
Designated for library	-	-	-
Undesignated	-	(460,079)	311,804
Capital projects funds:			
Undesignated	-	-	-
Debt service fund:			
Undesignated	-	-	-
Total Fund Balances	357,721	(460,079)	311,804
Total Liabilities and Fund Balances	\$ 1,891,487	\$ 444,942	\$ 1,019,028

See notes to the financial statements.

Local Option Sales Tax	Capital Projects			Nonmajor	Total
	Capital Improvements	Debt Service			
\$ 765,492	\$ 1,787,728	\$ -	\$ 238,285	\$ 2,956,710	
-	-	3,878	-	39,475	
-	-	229,585	-	2,317,388	
-	-	-	428	77,581	
-	228,886	-	-	228,886	
408	401	-	2	1,178	
81,153	904,781	-	22,340	1,475,056	
571,879	813,030	-	-	1,847,814	
-	-	-	-	59,645	
<u>\$ 1,418,932</u>	<u>\$ 3,734,826</u>	<u>\$ 233,463</u>	<u>\$ 261,055</u>	<u>\$ 9,003,733</u>	
\$ -	\$ 582,783	\$ 9,632	\$ 721	\$ 1,061,993	
-	-	-	3,240	46,476	
-	-	229,585	-	2,317,388	
-	1,132,914	3,338	-	1,420,971	
-	116,860	201,509	-	579,765	
-	<u>1,832,557</u>	<u>444,064</u>	<u>3,961</u>	<u>5,426,593</u>	
-	-	-	-	161,907	
-	-	-	-	195,814	
-	-	-	44,005	44,005	
1,418,932	-	-	154,102	1,424,759	
-	1,902,269	-	58,987	1,961,256	
-	-	(210,601)	-	(210,601)	
<u>1,418,932</u>	<u>1,902,269</u>	<u>(210,601)</u>	<u>257,094</u>	<u>3,577,140</u>	
<u>\$ 1,418,932</u>	<u>\$ 3,734,826</u>	<u>\$ 233,463</u>	<u>\$ 261,055</u>	<u>\$ 9,003,733</u>	

CITY OF DYERSVILLE, IOWA

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Exhibit D

Total fund balances - governmental funds (page 20) \$ 3,577,140

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not current
financial resources and, therefore, are not reported in the funds,
as follows:

Cost of capital assets	\$ 13,855,269	
Accumulated depreciation	<u>(2,852,021)</u>	
		11,003,248

Some of the City's revenues will be collected after year-end but
are not available soon enough to pay the current year's
expenditures and, therefore, are deferred in the funds. Those
revenues consist of:

Property tax	19,370	
Other	<u>1,198,431</u>	1,217,801

Some liabilities are not due and payable in the current year and,
therefore, are not reported in the funds. Those liabilities consist of:

Capital lease purchase agreements	(35,642)	
Notes payable	(4,755,000)	
Accrued interest	(16,202)	
Compensated absences	(132,361)	
Other postemployment benefits	<u>(3,000)</u>	<u>(4,942,205)</u>

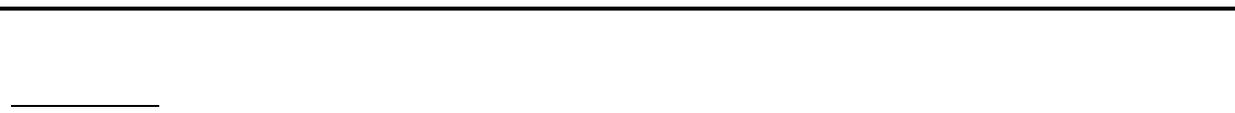
Net assets of governmental activities (page 16) \$ 10,855,984

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	CDBG	Special Revenue Dyersville Economic Development TIF
REVENUES:			
Property tax	\$ 1,210,836	\$ -	\$ -
Tax increment financing	-	-	623,742
Other city tax	237,033	-	-
Licenses and permits	19,875	-	-
Use of money and property	85,148	-	7,350
Intergovernmental	46,706	1,596,722	-
Charges for service	299,801	-	-
Special assessments	-	-	-
Miscellaneous	48,962	-	-
Total Revenues	1,948,361	1,596,722	631,092
EXPENDITURES:			
Operating:			
Public safety	747,304	430,572	-
Public works	172,320	-	-
Health and social services	800	1,511,475	-
Culture and recreation	772,337	-	-
Community and economic development	4,916	-	134,119
General government	289,658	-	-
Debt service	-	-	377,165
Capital projects	-	-	-
Total Expenditures	1,987,335	1,942,047	511,284
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(38,974)	(345,325)	119,808
FUND BALANCES (DEFICIT) BEGINNING OF YEAR	396,695	(114,754)	191,996
FUND BALANCES (DEFICIT) END OF YEAR	\$ 357,721	\$ (460,079)	\$ 311,804

See notes to the financial statements.



Local Option Sales Tax	Capital Projects			Total
	Capital Improvements	Debt Service	Nonmajor	
\$ -	\$ -	\$ 288,378	\$ -	\$ 1,499,214
-	-	-	-	623,742
379,794	-	3,897	-	620,724
-	-	-	-	19,875
7,236	3,089	-	258	103,081
-	129,493	-	369,318	2,142,239
-	-	-	8,815	308,616
-	6,536	-	-	6,536
-	-	-	-	48,962
<u>387,030</u>	<u>139,118</u>	<u>292,275</u>	<u>378,391</u>	<u>5,372,989</u>
-	-	-	54,623	1,232,499
-	-	-	315,344	487,664
-	-	-	-	1,512,275
-	-	-	12,538	784,875
-	-	-	-	139,035
-	-	-	-	289,658
-	-	610,899	-	988,064
-	1,532,747	-	-	1,532,747
<u>-</u>	<u>1,532,747</u>	<u>610,899</u>	<u>382,505</u>	<u>6,966,817</u>
387,030	(1,393,629)	(318,624)	(4,114)	(1,593,828)
<u>1,031,902</u>	<u>3,295,898</u>	<u>108,023</u>	<u>261,208</u>	<u>5,170,968</u>
<u>\$ 1,418,932</u>	<u>\$ 1,902,269</u>	<u>\$ (210,601)</u>	<u>\$ 257,094</u>	<u>\$ 3,577,140</u>

CITY OF DYERSVILLE, IOWA

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Exhibit F

Net change in fund balances - total governmental funds (page 24) \$ (1,593,828)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets expenditures in governmental funds	\$ 2,639,706	
Capital assets contributed by developers	942,525	
Depreciation expense	<u>(368,811)</u>	3,213,420

Because some revenues will not be collected for several months after the City's year end, they are not considered "available" revenues and are deferred in the governmental funds, as follows:

Property tax	13,319	
Grants	<u>916,018</u>	929,337

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 434,541

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(7,080)	
Other postemployment benefits	(3,000)	
Interest on long-term debt	<u>1,120</u>	<u>(8,960)</u>

Change in net assets of governmental activities (page 18) \$ 2,974,510

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
ASSETS				
CURRENT ASSETS				
Cash and pooled cash investments	\$ 85,683	\$ 185	\$ 28,899	\$ 114,767
Accounts receivable	86,677	99,218	31,682	217,577
Inventories	21,834	-	-	21,834
Due from other funds	116,860	-	-	116,860
Prepaid items	6,879	7,108	-	13,987
Total Current Assets	<u>317,933</u>	<u>106,511</u>	<u>60,581</u>	<u>485,025</u>
NONCURRENT ASSETS				
Restricted assets - cash and pooled cash investments	<u>23,717</u>	<u>-</u>	<u>-</u>	<u>23,717</u>
Deferred charges	<u>3,663</u>	<u>13,136</u>	<u>-</u>	<u>16,799</u>
Capital assets:				
Land	75,750	74,530	-	150,280
Improvements other than buildings	-	-	45,237	45,237
Machinery and equipment	228,374	318,428	59,365	606,167
Meters	45,308	-	-	45,308
Wells	532,236	-	-	532,236
Distribution system	4,116,661	-	-	4,116,661
Sewer system	-	6,020,124	-	6,020,124
Construction in progress	2,095,125	1,822,119	-	3,917,244
Accumulated depreciation	<u>(1,862,336)</u>	<u>(1,834,413)</u>	<u>(61,503)</u>	<u>(3,758,252)</u>
Net Capital Assets	<u>5,231,118</u>	<u>6,400,788</u>	<u>43,099</u>	<u>11,675,005</u>
Total Noncurrent Assets	<u>5,258,498</u>	<u>6,413,924</u>	<u>43,099</u>	<u>11,715,521</u>
Total Assets	<u>5,576,431</u>	<u>6,520,435</u>	<u>103,680</u>	<u>12,200,546</u>

See notes to the financial statements.

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 36,349	\$ 5,516	\$ 20,367	\$ 62,232
Accrued interest payable	8,886	8,612	-	17,498
Salaries and benefits payable	3,638	2,232	692	6,562
Due to other funds	-	1,384,909	-	1,384,909
Capital lease purchase agreement	8,480	40,738	-	49,218
Notes payable	80,000	40,000	-	120,000
Revenue bonds payable	40,000	104,000	-	144,000
Compensated absences	14,208	17,899	1,458	33,565
Total Current Liabilities	<u>191,561</u>	<u>1,603,906</u>	<u>22,517</u>	<u>1,817,984</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Customer deposits payable	<u>20,693</u>	<u>-</u>	<u>-</u>	<u>20,693</u>
NONCURRENT LIABILITIES				
Capital lease purchase agreement	27,162	60,986	-	88,148
Notes payable	2,020,000	905,000	-	2,925,000
Revenue bonds payable	527,000	1,462,000	-	1,989,000
Net OPEB liability	450	450	100	1,000
Total Noncurrent Liabilities	<u>2,574,612</u>	<u>2,428,436</u>	<u>100</u>	<u>5,003,148</u>
Total Liabilities	<u>2,786,866</u>	<u>4,032,342</u>	<u>22,617</u>	<u>6,841,825</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,495,257	2,906,483	43,099	5,444,839
Unrestricted	294,308	(418,390)	37,964	(86,118)
Total Net Assets	<u>\$ 2,789,565</u>	<u>\$ 2,488,093</u>	<u>\$ 81,063</u>	<u>\$ 5,358,721</u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

Exhibit H

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
OPERATING REVENUES:				
Charges for sales and services	\$ 617,438	\$ 711,864	\$ 241,759	\$ 1,571,061
Other	6,750	1,413	-	8,163
Total Operating Revenues	<u>624,188</u>	<u>713,277</u>	<u>241,759</u>	<u>1,579,224</u>
OPERATING EXPENSES:				
Employee expense	127,539	130,940	25,015	283,494
Utilities	44,088	42,811	-	86,899
Repair and maintenance	205,471	80,757	24,537	310,765
Supplies and services	61,019	109,594	193,490	364,103
Insurance	8,140	7,305	-	15,445
Depreciation	109,861	158,606	11,774	280,241
Total Operating Expenses	<u>556,118</u>	<u>530,013</u>	<u>254,816</u>	<u>1,340,947</u>
OPERATING INCOME (LOSS)	<u>68,070</u>	<u>183,264</u>	<u>(13,057)</u>	<u>238,277</u>
NONOPERATING EXPENSES:				
Interest expense	(111,759)	(116,741)	-	(228,500)
Bond issuance cost	(623)	(1,080)	-	(1,703)
Total Nonoperating Expenses	<u>(112,382)</u>	<u>(117,821)</u>	<u>-</u>	<u>(230,203)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(44,312)	65,443	(13,057)	8,074
Capital Contributions	<u>125,785</u>	<u>-</u>	<u>-</u>	<u>125,785</u>
CHANGE IN NET ASSETS	81,473	65,443	(13,057)	133,859
NET ASSETS BEGINNING OF YEAR	<u>2,708,092</u>	<u>2,422,650</u>	<u>94,120</u>	<u>5,224,862</u>
NET ASSETS END OF YEAR	<u>\$ 2,789,565</u>	<u>\$ 2,488,093</u>	<u>\$ 81,063</u>	<u>\$ 5,358,721</u>

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

Exhibit I

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 625,144	\$ 709,047	\$ 233,991	\$ 1,568,182
Cash payments to suppliers for goods and services	157,593	621,629	(197,815)	581,407
Cash payments to employees for services	(124,012)	(129,317)	(24,312)	(277,641)
Other operating receipts	6,750	1,413	-	8,163
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>665,475</u>	<u>1,202,772</u>	<u>11,864</u>	<u>1,880,111</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(436,168)	(989,970)	-	(1,426,138)
Proceeds from issuance of debt	-	98,000	-	98,000
Payment of debt	(122,041)	(193,479)	-	(315,520)
Interest paid	(112,185)	(117,138)	-	(229,323)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(670,394)</u>	<u>(1,202,587)</u>	<u>-</u>	<u>(1,872,981)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,919)	185	11,864	7,130
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>114,319</u>	<u>-</u>	<u>17,035</u>	<u>131,354</u>
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 109,400</u>	<u>\$ 185</u>	<u>\$ 28,899</u>	<u>\$ 138,484</u>

(continued)

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

Exhibit I
(continued)

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 68,070	\$ 183,264	\$ (13,057)	\$ 238,277
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	109,861	158,606	11,774	280,241
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	8,131	(2,817)	(7,767)	(2,453)
(Increase) decrease in inventories and prepaid items	13,366	(7,108)	-	6,258
Decrease in due from other funds (operations)	436,168	66,253	-	502,421
Increase in due to other funds (operations)	-	801,632	-	801,632
Increase in accounts payable	26,776	1,318	20,212	48,306
Increase in accrued liabilities	2,653	1,174	602	4,429
Increase in other postemployment benefits	450	450	100	1,000
Total adjustments	<u>597,405</u>	<u>1,019,508</u>	<u>24,921</u>	<u>1,641,834</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 665,475</u>	<u>\$ 1,202,772</u>	<u>\$ 11,864</u>	<u>\$ 1,880,111</u>
Reconciliation of cash and cash equivalents at year end to specific assets included in the Statement of Net Assets				
Current assets:				
Cash and pooled investments	\$ 85,683	\$ 185	\$ 28,899	\$ 114,767
Restricted assets:				
Cash and pooled investments	<u>23,717</u>	<u>-</u>	<u>-</u>	<u>23,717</u>
Cash and cash equivalents at year end	<u>\$ 109,400</u>	<u>\$ 185</u>	<u>\$ 28,899</u>	<u>\$ 138,484</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions of capital assets from outside sources	<u>\$ 125,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,785</u>

See notes to the financial statements.

Non-cash capital and financing activities:

During the year ended June 30, 2010, Water Utility and Sewage Disposal Works capital assets of \$426,168 and \$879,283, respectively, were paid for from the Capital Projects, Capital Improvements Fund, resulting in a corresponding decrease in due from other funds. The note proceeds and corresponding due to other funds for the Water Utility and Sewage Disposal Works Funds are reported in the Capital Projects, Capital Improvements Fund.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dyersville, Iowa, is a political subdivision of the State of Iowa located in Dubuque and Delaware counties. It was first incorporated in 1872 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 nonpartisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also operates and provides water, sewer and sanitation utilities.

The financial statements of the City of Dyersville, Iowa, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the City of Dyersville, 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 Organization

The City participates in a jointly governed organization that provides goods or services to the citizenry of the City but does 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: Bi-County Ambulance, Dubuque County Assessor's Board, Dubuque County Emergency Management Commission and the Dubuque County E911 Service Board.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – result when constraints placed on net asset use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary 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:

General Fund – The General Fund is the general operating fund of the City. All general tax revenues and other revenues 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 expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue Funds

The CDBG Fund is used to account for federal and state revenues related to flood repairs and property buy-outs.

The Dyersville Economic Development TIF Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The Local Option Sales Tax Fund is used to account revenue received from a 1% sales tax to be used for the reduction of future borrowings and property tax relief.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Capital Projects Fund – The Capital Improvements Fund is used to account for the resources and costs related to infrastructure, building construction and major improvements.

Debt Service Fund – 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:

Enterprise Funds

The Water Utility Fund is used to account for the operations of the City’s water facilities and services.

The Sewage Disposal Works Fund is used to account for the operations of the City’s sewage disposal works and services.

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City’s policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents property tax collected by the County but not remitted to the City at June 30, 2010 and unpaid tax. The succeeding year property tax receivable represents property tax certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2009.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 5,000
Equipment and vehicles	5,000
Infrastructure	5,000
Intangibles	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 – 50
Improvements other than buildings	20 – 50
Vehicles	3 – 10
Equipment	2 – 20
Infrastructure	30 – 50
Intangibles	5 - 20

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets which have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Unearned revenue on the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and Budgetary Accounting - The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, health and social services, general government, debt service and business-type activities functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

Deposits. 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.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 or Board of Trustees and the Treasurer of the State of Iowa; 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 has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,392,124	\$ 1,762,066	\$ -	\$ 3,154,190
Construction in progress	252,805	952,944	241,640	964,109
Total capital assets not being depreciated	<u>1,644,929</u>	<u>2,715,010</u>	<u>241,640</u>	<u>4,118,299</u>
Capital assets being depreciated				
Buildings	3,471,431	23,809	-	3,495,240
Improvements other than buildings	567,241	43,331	-	610,572
Machinery and equipment	1,813,735	201,958	-	2,015,693
Infrastructure	2,775,702	839,763	-	3,615,465
Total capital assets being depreciated	<u>8,628,109</u>	<u>1,108,861</u>	<u>-</u>	<u>9,736,970</u>
Less accumulated depreciation for:				
Buildings	1,126,641	99,030	-	1,225,671
Improvements other than buildings	175,310	30,789	-	206,099
Machinery and equipment	955,931	171,209	-	1,127,140
Infrastructure	225,328	67,783	-	293,111
Total accumulated depreciation	<u>2,483,210</u>	<u>368,811</u>	<u>-</u>	<u>2,852,021</u>
Total capital assets being depreciated, net	<u>6,144,899</u>	<u>740,050</u>	<u>-</u>	<u>6,884,949</u>
Governmental activities capital assets, net	<u>\$ 7,789,828</u>	<u>\$ 3,455,060</u>	<u>\$ 241,640</u>	<u>\$ 11,003,248</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 140,280	\$ 10,000	\$ -	\$ 150,280
Construction in progress	<u>2,611,793</u>	<u>1,305,451</u>	<u>-</u>	<u>3,917,244</u>
Total capital assets not being depreciated	<u>2,752,073</u>	<u>1,315,451</u>	<u>-</u>	<u>4,067,524</u>
Capital assets being depreciated				
Improvements other than buildings	45,237	-	-	45,237
Equipment and vehicles	540,788	110,687	-	651,475
Infrastructure, water and sewer network	<u>10,543,236</u>	<u>125,785</u>	<u>-</u>	<u>10,669,021</u>
Total capital assets being depreciated	<u>11,129,261</u>	<u>236,472</u>	<u>-</u>	<u>11,365,733</u>
Less accumulated depreciation for:				
Improvements other than buildings	188	2,262	-	2,450
Equipment and vehicles	288,864	67,836	-	356,700
Infrastructure, water and sewer network	<u>3,188,959</u>	<u>210,143</u>	<u>-</u>	<u>3,399,102</u>
Total accumulated depreciation	<u>3,478,011</u>	<u>280,241</u>	<u>-</u>	<u>3,758,252</u>
Total capital assets being depreciated, net	<u>7,651,250</u>	<u>(43,769)</u>	<u>-</u>	<u>7,607,481</u>
Business-type activities capital assets, net	<u>\$ 10,403,323</u>	<u>\$ (33,769)</u>	<u>(1,305,451)</u>	<u>\$ 11,675,005</u>

Depreciation expense was charged to functions of the City as follows:

Governmental activities:	
Public safety	\$ 74,389
Public works	64,490
Culture and recreation	147,297
General government	<u>82,635</u>
Total depreciation expense - governmental activities	<u>\$ 368,811</u>
Business-type activities:	
Water	\$ 109,861
Sewage disposal works	158,606
Solid waste	<u>11,774</u>
Total depreciation expense - business-type activities	<u>\$ 280,241</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

Governmental activities:

	Capital Lease Purchase Agreements	General Obligation Notes	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 43,683	\$ 5,181,500	\$ 125,281	\$ -	\$ 5,350,464
Increases	-	-	132,361	3,000	135,361
Decreases	<u>8,041</u>	<u>426,500</u>	<u>125,281</u>	<u>-</u>	<u>559,822</u>
Balance end of year	<u>\$ 35,642</u>	<u>\$ 4,755,000</u>	<u>\$ 132,361</u>	<u>\$ 3,000</u>	<u>\$ 4,926,003</u>
Due within one year	<u>\$ 8,480</u>	<u>\$ 310,000</u>	<u>\$ 132,361</u>	<u>\$ -</u>	<u>\$ 450,841</u>

For governmental activities, compensated absences are generally liquidated by the General Fund.

Business-type activities:

	Capital Lease Purchase Agreements	General Obligation Notes	Revenue Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 87,366	\$ 3,173,500	\$ 2,273,000	\$ 29,753	\$ -	\$ 5,563,619
Increases	98,000	-	-	33,565	1,000	132,565
Decreases	<u>48,000</u>	<u>128,500</u>	<u>140,000</u>	<u>29,753</u>	<u>-</u>	<u>346,253</u>
Balance end of year	<u>\$ 137,366</u>	<u>\$ 3,045,000</u>	<u>\$ 2,133,000</u>	<u>\$ 33,565</u>	<u>\$ 1,000</u>	<u>\$ 5,349,931</u>
Due within one year	<u>\$ 49,218</u>	<u>\$ 120,000</u>	<u>\$ 144,000</u>	<u>\$ 33,565</u>	<u>\$ -</u>	<u>\$ 346,783</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Capital Lease Purchase Agreements

The City has entered into capital lease purchase agreements to lease four trucks and one sewer camera system with historical costs of \$404,167, accumulated depreciation of \$123,349, and a net book value of \$280,818. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 4.75% to 5.48% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2010:

<u>Governmental Activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2011	\$ 10,199
	2012	10,199
	2013	8,969
	2014	5,290
	2015	<u>5,324</u>
	Total minimum lease payments	39,981
	Less amount representing interest	<u>(4,339)</u>
	Present value of net minimum lease payments	<u>\$ 35,642</u>
 <u>Business-type Activities</u>	 <u>Year Ending June 30,</u>	 <u>Trucks and Sewer Camera</u>
	2011	\$ 55,237
	2012	55,236
	2013	17,938
	2014	10,581
	2015	<u>10,648</u>
	Total minimum lease payments	149,640
	Less amount representing interest	<u>(12,274)</u>
	Present value of net minimum lease payments	<u>\$ 137,366</u>

General Obligation Notes

Governmental Activities:

Two issues of unmatured general obligation notes, totaling \$4,755,000, are outstanding at June 30, 2010. General obligation notes bear interest at rates ranging from 1.65% to 4.9% per annum and mature in varying annual amounts, ranging from \$60,000 to \$325,000, with the final maturities due in the year ending June 30, 2027.

Business-type Activities:

Two issues of unmatured general obligation notes, totaling \$3,045,000, are outstanding at June 30, 2010. General obligation notes bear interest at rates ranging from 2.7% to 4.9% per annum and mature in varying annual amounts, ranging from \$40,000 to \$165,000, with the final maturities due in the year ending June 30, 2027.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Details of general obligation notes payable at June 30, 2010, are as follows:

Governmental Activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
Economic development	10/01/03	1.65 - 4.00%	06/01/14	\$ 60,000 - 75,000	\$ 600,000	\$ 280,000
Refunding and economic development	03/18/08	2.70 - 4.90	06/01/27	245,000 - 325,000	4,930,000	<u>4,475,000</u>
Total						<u>\$ 4,755,000</u>

A summary of the annual general obligation note principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 310,000	\$ 193,857	\$ 503,857
2012	330,000	184,168	514,168
2013	345,000	173,318	518,318
2014	365,000	161,483	526,483
2015	305,000	148,477	453,477
2016-2020	1,110,000	604,758	1,714,758
2021-2025	1,350,000	348,890	1,698,890
2026-2027	<u>640,000</u>	<u>46,970</u>	<u>686,970</u>
Total	<u>\$ 4,755,000</u>	<u>\$ 1,861,921</u>	<u>\$ 6,616,921</u>

Business-type Activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
Sewer improvements	03/18/08	2.70 - 4.90%	06/01/27	\$ 40,000 - 75,000	\$ 1,015,000	\$ 945,000
Well improvements	03/18/08	2.70 - 4.90	06/01/27	80,000 - 165,000	2,235,000	<u>2,100,000</u>
Total						<u>\$ 3,045,000</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

A summary of the annual general obligation note principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 120,000	\$ 127,555	\$ 247,555
2012	120,000	123,955	243,955
2013	130,000	120,175	250,175
2014	150,000	115,885	265,885
2015	150,000	110,710	260,710
2016-2020	845,000	462,850	1,307,850
2021-2025	1,055,000	266,495	1,321,495
2026-2027	475,000	34,800	509,800
Total	<u>\$ 3,045,000</u>	<u>\$ 1,362,425</u>	<u>\$ 4,407,425</u>

Revenue Bonds

Business-type Activities:

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,269,000 of sewer revenue bonds issued in August 2001. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$1,999,858. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$167,289 and \$341,870, respectively. Annual principal and interest payments on the sewer revenue bonds are expected to require 49 percent of customer net revenues plus depreciation expense.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$849,000 of water revenue bonds issued in February 2002 and April 2003. Proceeds from the bonds provided financing for the construction of improvements to the well. The bonds are payable solely from water customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$683,700. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$57,180 and \$177,931, respectively. Annual principal and interest payments on the water revenue bonds are expected to require 32 percent of customer net revenues plus depreciation expense.

Six issues of unmatured Iowa Finance Authority revenue bonds, totaling \$2,133,000, are outstanding at June 30, 2010. These bonds bear interest at rates ranging from 3.00% to 4.30% per annum and mature in varying annual amounts, ranging from \$3,000 to \$61,000, with the final maturity due in the year ending June 30, 2022.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

- 1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- 2) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2010, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2010, are as follows:

Business-type Activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
Sewer improvements	08/01/01	3.92%	06/01/22	\$ 40,000 - 61,000	\$ 862,751	\$ 595,000
Sewer improvements	08/01/01	3.92%	06/01/22	29,000 - 44,000	627,500	432,000
Sewer improvements	08/01/01	3.92%	06/01/22	20,000 - 31,000	444,749	306,000
Sewer improvements	08/01/01	4.30%	06/01/22	15,000 - 24,000	334,000	233,000
Well improvements	02/08/02	3.00%	06/01/22	37,000 - 51,000	785,000	525,000
Well improvements	04/16/03	3.00%	6/1/2022	3,000 - 4,000	64,000	42,000
Total						<u>\$ 2,133,000</u>

A summary of the annual revenue bond principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 144,000	79,283	223,283
2012	149,000	73,949	222,949
2013	155,000	68,424	223,424
2014	160,000	62,670	222,670
2015	167,000	56,729	223,729
2016-2020	934,000	185,693	1,119,693
2021-2022	424,000	23,810	447,810
Total	<u>\$ 2,133,000</u>	<u>\$ 550,558</u>	<u>\$ 2,683,558</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2010, is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 201,509
Special Revenue: Dyersville Economic Development TIF	Special Revenue: CDBG	261,396
Special Revenue: Local Option Sales Tax	Enterprise: Sewage Disposal Works	571,879
Capital Projects: Capital Improvements	Enterprise: Sewage Disposal Works	813,030
Enterprise: Water Utility	Capital Projects: Capital Improvements	<u>116,860</u>
Total		<u>\$ 1,964,674</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. Amounts due to/from the Capital Projects, Capital Improvements Fund from/to the Enterprise, Water and Sewage Disposal Funds represent construction projects to be transferred to the respective funds upon completion.

NOTE 6 – 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 annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. The City's contributions to IPERS for the three years ended June 30, 2010, 2009 and 2008 were \$89,100, \$68,355 and \$65,404, respectively, equal to the required contributions for each year.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, during the year ended June 30, 2010.

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 22 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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.

Annual OPEB Cost and Net OPEB Obligation – The City’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 4,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>4,000</u>
Contributions made	-
Increase in net OPEB obligation	<u>4,000</u>
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 4,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, there were no contributions to the medical plan by the City or from plan members eligible for benefits.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 4,000	0%	\$ 4,000

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$26,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$26,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$861,000 and the ratio of the UAAL to covered payroll was 3%. As of June 30, 2010, there were no trust fund assets.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. Annual retirement was based on historical patterns for the covered group and termination was based on non-group specific age-based turnover data.

Projected claim costs of the medical plan are \$848 per month for retirees less than age 65 and \$933 per month for spouses of retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 8 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$5,500,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3,223,898 is outstanding at June 30, 2010. 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. The bond principal and interest do not constitute liabilities of the City.

NOTE 9 – DEFICIT BALANCES

At June 30, 2010, the Special Revenue, CDBG Fund had a deficit balance of \$460,079. The City anticipates grant reimbursements for the CDBG Fund will eliminate this deficit. The Debt Service Fund had a deficit balance of \$210,601. The City anticipates it will eliminate this deficit through future property tax revenue.

NOTE 10 – RISK MANAGEMENT

The City 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.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 11 – CONSTRUCTION COMMITMENTS

The City has entered into a contract totaling \$130,319 for tennis court construction. As of June 30, 2010, costs of \$119,891 have been incurred against the contract. The balance remaining at June 30, 2010 is \$10,428.

The City has entered into a contract totaling \$1,332,700 for a water tower project. As of June 30, 2010, costs of \$1,266,065 have been incurred against the contract. The balance remaining at June 30, 2010 is \$66,635.

The City has entered into a contract totaling \$627,930 for Highway 20 west industrial park paving and drainage. As of June 30, 2010, costs of \$471,961 have been incurred against the contract. The balance remaining at June 30, 2010 is \$155,969.

The City has entered into a contract totaling \$1,339,760 for waste water treatment plant phase II improvements. As of June 30, 2010, costs of \$605,156 have been incurred against the contract. The balance remaining at June 30, 2010 is \$734,604.

The City has entered into a contract totaling \$235,130 for 8th Street paving and storm sewer. As of June 30, 2010, costs of \$216,572 have been incurred against the contract. The balance remaining at June 30, 2010 is \$18,558.

The City has entered into a contract totaling \$220,520 for 1st Avenue bridge rehab. As of June 30, 2010, costs of \$118,547 have been incurred against the contract. The balance remaining at June 30, 2010 is \$101,973.

The City has entered into a contract totaling \$287,404 for well #5 water system modification. As of June 30, 2010, costs of \$103,686 have been incurred. The balance remaining at June 30, 2010 is \$183,718.

NOTE 12 – PROSPECTIVE ACCOUNTING CHANGES

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by the City. The following statement will impact the City:

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued February 2009, will be effective for the City 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.

The City's management has not yet determined the effect, if any, the remaining four statements will have on the City's financial statements.

NOTE 13 – OPERATING LEASE

The City has entered into a lease agreement with the St. Francis Xavier Basilica Corporation whereby the City leases the "convent building." The primary intent of leasing the convent is to fulfill the intended activities for senior citizens. The lease expires December 31, 2010, with lease expenditures of \$5,400 for the year ended June 30, 2010.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 14 – REBATE AND DEVELOPMENT AGREEMENTS

Rebate Agreements

The City has entered into tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The actual amount rebated during the year ended June 30, 2010 was \$134,118. The City has agreed to provide tax increment payments in a total amount not exceeding \$1,471,531.

Development Agreement and Establishment of Urban Renewal Area

The City entered into development agreements to assist in an urban renewal project and established an urban renewal area as follows:

In November 2009, the City entered into a private development agreement under the authorization of Chapter 403 of the Code of Iowa with Big River United Energy, LLC (the Company) which currently owns a 100 million gallon ethanol plant facility and adopted Dyersville Economic Development District Amendment #1 which encompasses the development property.

The agreement states the Company will be exempt from taxation on all or a portion of the actual value added by improvements to real property directly related to new jobs created by the Company for a period not to exceed 20 years beginning the year the improvements are first assessed for taxation. The Company agreed to pay the City an annual fee of \$175,000 in lieu of or in addition to paying property tax for the cost of providing and maintaining municipal facilities, infrastructure and services beginning July 1, 2010 through and including July 1, 2029 or until payments totaling \$3,500,000 have been made. As of June 30, 2010, no payments were due to the City.

The Company also agreed to donate annually a minimum of \$135,000 to Dyersville Industries, Inc., a not-for-profit organization, beginning July 1, 2010 and continuing through and including July 1, 2029 or until payments totaling \$2,700,000 have been made.

Residential Development Agreement

In May 2010, the City entered into a residential development agreement with William C. and Dianne M. Ernzen (property owners) and Hageman Homes, LLC (Developer) under the authorization of Chapter 403 of the Code of Iowa and the City agreed to annex the property into the City. The Developer has agreed to the following,

- To construct and develop a single family residential subdivision and establish a minimum of 25 single-family residential lots prior to December 1, 2010.
- To construct infrastructure improvements, including sanitary sewer and water mains, at the sole expense of the Developer.
- To maintain infrastructure improvements for a period of two years from date of their acceptance by the City.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

The City has agreed to the following,

- To reimburse the Developer for only the material cost difference above and beyond the minimum water main infrastructure improvement standards within the Project.
- To reimburse the Developer for the sanitary sewer main infrastructure improvement standards within the Project on a pro-rata basis based on the total number of lots developed. In year five, the City will reimburse the Developer for the remaining pro-rated amount of the outstanding balance of actual costs for the sanitary sewer improvements.
- To reimburse the developer \$15.00 for each square yard of concrete of a minimum width of 32 inches.

The residential development agreement will remain in effect for 10 years. As of June 30, 2010, no payments were due to the Developer for this project.

NOTE 15 – SUBSEQUENT EVENTS

In August 2010, the City entered into a development agreement with Engineering Services and Products Company, dba Farm Tek, under the authorization of Chapter 403 of the Code of Iowa. The City agreed to make economic development tax rebate payments to the Company for 15 fiscal years, which represents 80% of the incremental property tax to be paid with respect to the incremental value of the property by the Developer in a fiscal year, provided, however, the total paid in each year shall not exceed \$49,333 and total payments shall not exceed \$740,000. Payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2012. The City also agreed to make an Economic Development Grant in the amount of the actual costs for the infrastructure improvements.

In September 2010, the City entered into a development agreement with Nauman Masonry, Inc. under the authorization of Chapter 403 of the Code of Iowa for the purposes of constructing a new storage facility. The City agreed to make economic development tax rebate payments to the company for 10 fiscal years, which represents 50% of the incremental property tax to be paid with respect to the incremental value of the property by the Developer in that fiscal year, provided, however, the total paid in each year shall not exceed \$3,875 and the total payments made under the agreement shall not exceed \$38,750. Payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2013.

NOTE 16 – PENDING LITIGATION

The City is subject to pending litigation. The probability of loss, if any, is not determinable.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DYERSVILLE, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS AND BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Variance with Final Budget-Positive (Negative)
Receipts:						
Property tax	\$ 1,500,574	\$ -	\$ 1,500,574	\$ 1,496,321	\$ 1,496,321	\$ 4,253
Tax increment financing	618,675	-	618,675	625,000	625,000	(6,325)
Other city tax	635,296	-	635,296	644,438	644,438	(9,142)
Licenses and permits	19,158	-	19,158	15,600	21,600	(2,442)
Use of money and property	104,547	-	104,547	94,150	96,450	8,097
Intergovernmental	1,565,348	-	1,565,348	4,288,599	4,309,699	(2,744,351)
Charges for service	235,958	1,568,601	1,804,559	1,935,943	1,939,943	(135,384)
Special assessments	7,095	-	7,095	220,000	40,000	(32,905)
Miscellaneous	49,548	14,188	63,736	40,800	46,100	17,636
Total receipts	<u>4,736,199</u>	<u>1,582,789</u>	<u>6,318,988</u>	<u>9,360,851</u>	<u>9,219,551</u>	<u>(2,900,563)</u>
Disbursements:						
Public safety	1,269,712	-	1,269,712	822,698	886,373	(383,339)
Public works	509,425	-	509,425	475,725	532,272	22,847
Health and social services	1,128,125	-	1,128,125	1,550	1,550	(1,126,575)
Culture and recreation	802,952	-	802,952	783,507	836,504	33,552
Community and economic development	126,946	-	126,946	165,145	167,645	40,699
General government	275,066	-	275,066	253,917	273,857	(1,209)
Debt service	978,430	100	978,530	666,424	666,424	(312,106)
Capital projects	3,064,251	-	3,064,251	4,099,099	7,747,220	4,682,969
Business-type activities	-	1,564,162	1,564,162	1,512,937	1,556,811	(7,351)
Total disbursements	<u>8,154,907</u>	<u>1,564,262</u>	<u>9,719,169</u>	<u>8,781,002</u>	<u>12,668,656</u>	<u>2,949,487</u>
Excess (deficiency) of receipts over (under) disbursements	(3,418,708)	18,527	(3,400,181)	579,849	(3,449,105)	48,924
Other financing sources, net	-	-	-	1,000	1,000	(1,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(3,418,708)	18,527	(3,400,181)	580,849	(3,448,105)	47,924
Balances beginning of year	<u>6,947,298</u>	<u>(451,923)</u>	<u>6,495,375</u>	<u>1,165,100</u>	<u>6,495,375</u>	<u>-</u>
Balances end of year	<u>\$ 3,528,590</u>	<u>\$ (433,396)</u>	<u>\$ 3,095,194</u>	<u>\$ 1,745,949</u>	<u>\$ 3,047,270</u>	<u>\$ 47,924</u>
	Governmental Funds			Proprietary Funds		
	Enterprise					
Budget to GAAP Reconciliation	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 4,736,199	\$ 636,790	\$ 5,372,989	\$ 1,582,789	\$ 122,220	\$ 1,705,009
Expenditures/expenses	<u>8,154,907</u>	<u>(1,188,090)</u>	<u>6,966,817</u>	<u>1,564,262</u>	<u>6,888</u>	<u>1,571,150</u>
Net	(3,418,708)	1,824,880	(1,593,828)	18,527	115,332	133,859
Beginning fund balances/net assets	<u>6,947,298</u>	<u>(1,776,330)</u>	<u>5,170,968</u>	<u>(451,923)</u>	<u>5,676,785</u>	<u>5,224,862</u>
Ending fund balances/net assets	<u>\$ 3,528,590</u>	<u>\$ 48,550</u>	<u>\$ 3,577,140</u>	<u>\$ (433,396)</u>	<u>\$ 5,792,117</u>	<u>\$ 5,358,721</u>

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED 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. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise 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 \$3,887,654. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements in the public safety, health and social services, debt service, capital projects and business-type activities functions exceeded the amounts budgeted.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(Amounts in Thousands)
YEAR ENDED JUNE 30, 2010

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 26	26	0.0%	\$ 861	3.0%

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Road Use Tax – This fund is used to account for state revenues the City received for the maintenance and improvement of City streets.

Library Trust - This fund is used to account for the donations received for the Library and for the use of such donations for Library equipment and improvements.

CAPITAL PROJECTS FUND

Capital Equipment - This fund is used to account for the resources and costs related to the acquisition of significant equipment items.

**CITY OF DYERSVILLE, IOWA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010**

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Road Use Tax</u>	<u>Library Trust</u>	<u>Capital Equipment</u>	<u>Total</u>
ASSETS				
Cash and pooled cash investments	\$ 135,002	\$ 44,298	\$ 58,985	\$ 238,285
Receivables:				
Accounts	-	428	-	428
Accrued interest	-	-	2	2
Due from other governments	<u>22,340</u>	<u>-</u>	<u>-</u>	<u>22,340</u>
 Total Assets	 <u>\$ 157,342</u>	 <u>\$ 44,726</u>	 <u>\$ 58,987</u>	 <u>\$ 261,055</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 721	\$ -	\$ 721
Accrued payroll	<u>3,240</u>	<u>-</u>	<u>-</u>	<u>3,240</u>
Total Liabilities	<u>3,240</u>	<u>721</u>	<u>-</u>	<u>3,961</u>
FUND BALANCES				
Unreserved, reported in				
Special revenue funds:				
Designated for library	-	44,005	-	44,005
Undesignated	154,102	-	-	154,102
Capital projects fund:				
Undesignated	<u>-</u>	<u>-</u>	<u>58,987</u>	<u>58,987</u>
Total Fund Balances	<u>154,102</u>	<u>44,005</u>	<u>58,987</u>	<u>257,094</u>
 Total Liabilities and Fund Balances	 <u>\$ 157,342</u>	 <u>\$ 44,726</u>	 <u>\$ 58,987</u>	 <u>\$ 261,055</u>

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

Schedule 2

	Special Revenue		Capital Projects	Total
	Road Use Tax	Library Trust	Capital Equipment	
REVENUES				
Use of money and property	\$ -	\$ 156	\$ 102	\$ 258
Intergovernmental	369,318	-	-	369,318
Charges for service	-	8,815	-	8,815
Total Revenues	<u>369,318</u>	<u>8,971</u>	<u>102</u>	<u>378,391</u>
EXPENDITURES				
Operating:				
Public safety	54,623	-	-	54,623
Public works	315,344	-	-	315,344
Culture and recreation	-	12,538	-	12,538
Total Expenditures	<u>369,967</u>	<u>12,538</u>	<u>-</u>	<u>382,505</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	(649)	(3,567)	102	(4,114)
FUND BALANCES				
BEGINNING OF YEAR	<u>154,751</u>	<u>47,572</u>	<u>58,885</u>	<u>261,208</u>
FUND BALANCES END				
OF YEAR	<u>\$ 154,102</u>	<u>\$ 44,005</u>	<u>\$ 58,987</u>	<u>\$ 257,094</u>

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:				
Property tax	\$ 1,499,214	\$ 1,447,583	\$ 1,385,570	\$ 1,334,936
Tax increment financing	623,742	362,399	257,506	339,688
Local option sales tax	507,852	480,053	494,193	490,553
Other city tax	112,872	136,574	147,248	143,059
Licenses and permits	19,875	17,808	17,279	16,604
Use of money and property	103,081	200,559	124,712	92,909
Intergovernmental	2,142,239	605,322	381,761	368,337
Charges for service	308,616	250,551	239,593	250,071
Special assessments	6,536	7,993	7,873	7,605
Miscellaneous	<u>48,962</u>	<u>60,903</u>	<u>69,055</u>	<u>56,003</u>
 Total revenues	 <u>\$ 5,372,989</u>	 <u>\$ 3,569,745</u>	 <u>\$3,124,790</u>	 <u>\$ 3,099,765</u>
Expenditures:				
Operating:				
Public safety	\$ 1,232,499	\$ 1,180,029	\$ 865,895	\$ 895,784
Public works	487,664	498,396	426,909	468,335
Health and social services	1,512,275	800	1,000	800
Culture and recreation	784,875	813,427	703,071	695,435
Community and economic development	139,035	117,228	1,118,013	16,790
General government	289,658	303,319	301,154	326,609
Debt service	988,064	669,562	1,040,106	453,805
Capital projects	<u>1,532,747</u>	<u>59,057</u>	<u>471,918</u>	<u>221,687</u>
 Total expenditures	 <u>\$ 6,966,817</u>	 <u>\$ 3,641,818</u>	 <u>\$4,928,066</u>	 <u>\$ 3,079,245</u>

See accompanying independent auditor's report.

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	1,340,550	\$ 1,347,005	\$ 1,276,337	\$ 1,231,585	\$ 1,187,590
	410,153	300,510	288,945	325,246	255,904
	459,692	436,312	455,018	-	-
	89,807	99,136	96,474	56,544	484,049
	19,721	20,015	13,168	11,760	14,891
	67,584	52,846	62,981	78,660	114,860
	664,079	454,263	1,231,635	799,733	561,806
	201,149	176,035	176,066	146,181	112,875
	14,897	19,082	133,889	13,801	17,855
	<u>141,476</u>	<u>159,605</u>	<u>225,237</u>	<u>154,203</u>	<u>261,865</u>
\$	<u>3,409,108</u>	<u>\$ 3,064,809</u>	<u>\$ 3,959,750</u>	<u>\$ 2,817,713</u>	<u>\$ 3,011,695</u>
\$	764,856	\$ 822,616	\$ 1,281,597	\$ 1,249,182	\$ 594,142
	474,980	461,363	689,997	509,673	666,253
	1,300	1,800	1,950	1,950	1,950
	725,205	599,303	571,754	534,236	473,287
	19,963	94,770	25,188	21,769	15,004
	265,260	240,516	207,899	223,680	200,445
	483,459	598,694	1,312,560	514,830	512,485
	<u>133,028</u>	<u>1,553,254</u>	<u>1,415,084</u>	<u>481,928</u>	<u>1,559,627</u>
\$	<u>2,868,051</u>	<u>\$ 4,372,316</u>	<u>\$ 5,506,029</u>	<u>\$ 3,537,248</u>	<u>\$ 4,023,193</u>

CITY OF DYERSVILLE, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Schedule 4

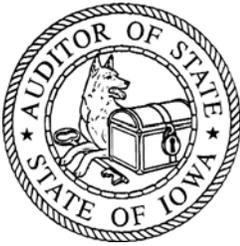
Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Emergency Watershed Protection Program	10.923	69-6114-9-59	\$ 32,498
Indirect:			
U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-218	223,553
U.S. Department of Justice: Iowa Department of Public Health: Tobacco Surveillance Grant	16.000		800
U.S. Department of Transportation: Iowa Department of Transportation: ARRA - Highway Planning and Construction	20.205	ESL-2160(609)-75-31	126,363
Governor's Traffic Safety Bureau: Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 10-410,TASK 23	5,648
U.S. Department of Commerce: Iowa Finance Authority: ARRA - Capitalization Grants for Clean Water Revolving Funds	66.458	CSG022R,CFG0223R	735,087
U.S. Department of Education: Iowa Department of Transportation: ARRA - State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act	84.397	S397A090016A	4,818
U.S. Department of Homeland Security: Iowa Department of Public Defense: Iowa Homeland Security and Emergency Management Division: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-1763	187,910
Iowa Homeland Security and Emergency Management Division: Hazard Mitigation Grant	97.039	DR-1763-31-01	1,117,766
Total indirect			2,401,945
Total			\$ 2,434,443

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

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

CITY OF DYERSVILLE, IOWA



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville, 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 April 29, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dyersville'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 an opinion on the effectiveness of the City of Dyersville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dyersville'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 all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting 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 of Dyersville's financial statements will not be prevented or detected and corrected on a timely basis. We do not consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dyersville'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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

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. 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 of Dyersville's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Dyersville'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 Dyersville and other parties to whom the City of Dyersville may report, including federal awarding agencies and pass-through entities, 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 Dyersville 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 29, 2011

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

CITY OF DYERSVILLE, IOWA



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
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with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the City of Dyersville, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Dyersville's major federal programs for the year ended June 30, 2010. The City of Dyersville's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Dyersville's management. Our responsibility is to express an opinion on the City of Dyersville's compliance based on our audit.

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

In our opinion, the City of Dyersville complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

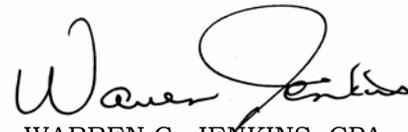
The management of the City of Dyersville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Dyersville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dyersville's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

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 Dyersville and other parties to whom the City of Dyersville may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 29, 2011

City of Dyersville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
 - CFDA Number 66.458 – ARRA Capitalization Grants for Clean Water Revolving Funds
 - CFDA Number 97.039 – Hazard Mitigation Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Dyersville did not qualify as a low-risk auditee.

City of Dyersville

Schedule of Findings

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-10 Library – During our review of the overdue listing provided by the Library, many books and media were over three months overdue. Although the Library denies patrons who have overdue material from checking out books and media, the Library does not charge fines for overdue books and media.

Recommendation – The Library should evaluate the procedures for books and media which are overdue and consider implementing a fee to encourage patrons to return books and media in a timely manner. The fee could then be used to offset the cost of materials.

Response – The City will forward your recommendation to the Library Board and encourage them to implement this policy recommendation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Dyersville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were reported.

INTERNAL CONTROL DEFICIENCIES

No material weaknesses in internal control over the major programs were noted.

City of Dyersville

Schedule of Findings

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public safety, health and social services, general government, debt service and business-type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City has been making efforts to review the receipts and disbursements amounts over the previous years. Furthermore, the City processed several budget amendments this fiscal year and has made significant efforts to comply with Chapter 384.18 of the Code of Iowa.

Conclusion – Response accepted.

IV-B-10 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Angela English, Library Secretary, Husband owns Ross English Insurance	Insurance	\$ 185,648
Mary Klostermann, Board of Adjustment, and Kevin Klostermann, Parks and Recreation, owners of Computer Doctors	Computer service and maintenance	33,377
Mary Jo Goldsmith, Administrative Assistant, Husband owns Goldsmith Painting	Painting	3,705
Adam Huehnergath, Parks and Recreation, Manager of Schwans	Food	1,256
Dan Recker, Police Officer, owner of Recker Signs	Signs and lettering	228
Joyce Bries, Library Board Member, owner of Pastry Place	Pastries	191
Brenda Ingles, Library Board Member, Manager of Subway	Food	192
Tom Turner, Flood Committee	Flood Buyout	83,354
Daniel Heinrichs, Flood Committee	Flood Buyout	86,295
Mike Comer, Police Officer	Flood Buyout	76,467

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

The transactions exceeding \$1,500 may represent conflicts of interest.

City of Dyersville

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City has consulted with legal counsel regarding this matter and believes we are compliant under Chapter 362.5(10) of the Code of Iowa.

Conclusion – Response accepted.

IV-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 the coverage is adequate for current operations.

IV-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-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.

IV-H-10 Revenue Bonds – No instances of non-compliance with the resolutions providing for the issuance of the water and sewer revenue bonds were noted.

IV-I-10 Financial Condition – At June 30, 2010, the Special Revenue, CDBG Fund and the Debt Service Fund had deficit balances of \$460,079 and \$210,601, respectively.

Recommendation – The City should investigate alternatives to eliminate the deficits to return the funds to sound financial positions.

Response – The City will investigate alternatives to eliminate the deficit to return the funds to sound financial positions.

Conclusion – Response accepted.

City of Dyersville

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Billie Jo Heth, Senior Auditor II
Samantha J. Brincks, CPA, Staff Auditor
Sara L. Roling, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State