



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE _____

March 21, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Dallas Center, Iowa.

The City's receipts totaled \$2,505,309 for the year ended June 30, 2013. The receipts included \$792,709 in property tax, \$68,942 from tax increment financing, \$947,875 from charges for service, \$291,676 from operating grants, contributions and restricted interest, \$401,050 in capital grants, contributions and restricted interest and \$3,057 from unrestricted interest on investments.

Disbursements for the year ended June 30, 2013 totaled \$2,347,202, and included \$501,678 for capital projects, \$408,878 for public works and \$258,324 for public safety. Also, disbursements for business type activities totaled \$513,817.

A copy of the 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/1321-0230-B00F.pdf>.

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CITY OF DALLAS CENTER
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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City of Dallas Center

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mitchell Hambleton	Mayor	Jan 2014
Daniel Willrich	Mayor Pro tem/Council Member	Jan 2014
Gary Stevens	Council Member	(Resigned Dec 2012)
Heidi Carter (Appointed Dec 2012)	Council Member	Nov 2013
Abbey Gilroy	Council Member	(Resigned Jun 2013)
Ryan Kluss (Appointed Jun 2013)	Council Member	Nov 2013
Mike Kidd	Council Member	Jan 2014
Terry Gibson	Council Member	Jan 2016
Cindy Riesselman	City Clerk	Indefinite
Ralph R. Brown	City Attorney	Indefinite

City of Dallas Center



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

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 Dallas Center, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we are unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

Qualified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2012, as discussed in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dallas Center as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dallas Center's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2012, as discussed in the Basis for Qualified Opinions paragraph, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 9 through 14 and 30 through 32, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2014 on our consideration of the City of Dallas Center's internal control over financial reporting and on 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 in considering the City of Dallas Center's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 20, 2014

City of Dallas Center

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dallas Center 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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2013 FINANCIAL HIGHLIGHTS

- The cash basis net position of the City's governmental activities increased approximately \$71,000 due to the receipt of donations from the Burnett Charitable Trust, increased property tax and tax increment financing receipts and receipt of state grants upon completion of the Highway 44 Turn Lane Project.
- The cash basis net position of the City's business type activities increased approximately \$87,000 due to increased charges for service and a decrease in utility maintenance disbursements.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's debt.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information that helps answer this question.

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water and sewer systems and the storm district. These activities are financed primarily by user fees and related 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. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government 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 statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Storm District operations. The Water and Sewer Funds are considered to be major funds of the City.

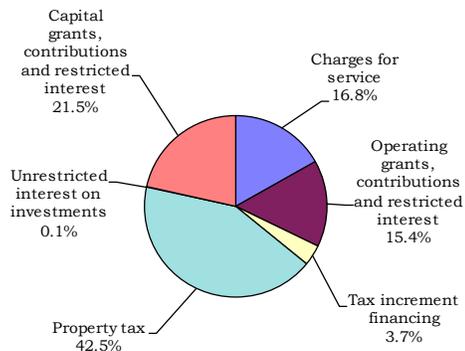
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

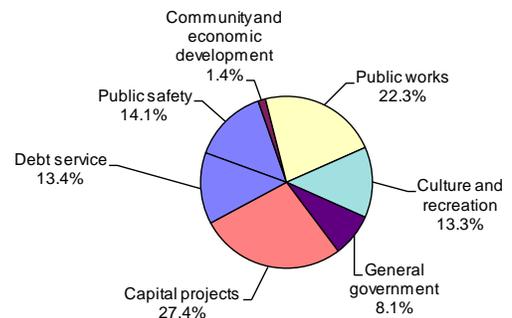
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,296,040 to \$1,366,908. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities	
	Year ended June 30, 2013
Receipts:	
Program receipts:	
Charges for service	\$ 314,256
Operating grants, contributions and restricted interest	288,426
Capital grants, contributions and restricted interest	401,050
General receipts:	
Property tax	792,709
Tax increment financing	68,942
Unrestricted interest on investments	2,027
Total receipts	<u>1,867,410</u>
Disbursements:	
Public safety	258,324
Public works	408,878
Health and social services	15
Culture and recreation	244,483
Community and economic development	26,190
General government	147,856
Debt service	245,961
Capital projects	501,678
Total disbursements	<u>1,833,385</u>
Change in cash basis net position, before transfers	34,025
Transfers, net	<u>36,843</u>
Change in cash basis net position	70,868
Cash basis net position beginning of year	<u>1,296,040</u>
Cash basis net position end of year	<u>\$ 1,366,908</u>

Receipts by Source



Disbursements by Function



The cash basis net position of the City's governmental funds increased due, in part, to donations received in the Special Revenue, Burnett Recreation and Library Funds, as well as increased property tax and tax increment financing receipts.

Changes in Cash Basis Net Position of Business Type Activities	
	Year ended June 30, 2013
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 351,232
Sewer	257,196
Storm district	25,191
Operating grants, contributions and restricted interest	3,250
General receipts:	
Unrestricted interest on investments	1,030
Total receipts	<u>637,899</u>
Disbursements:	
Water	311,567
Sewer	199,927
Storm district	2,323
Total disbursements	<u>513,817</u>
Change in cash basis net position before transfers	124,082
Transfers, net	<u>(36,843)</u>
Change in cash basis net position	87,239
Cash basis net position beginning of year	<u>517,820</u>
Cash basis net position end of year	<u>\$ 605,059</u>

The total business type activities net position increased from a year ago, from \$517,820 to \$605,059, primarily due to increased water rates and decreased maintenance costs.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Dallas Center completed the year, its governmental funds reported a combined fund balance of \$1,366,908, an increase of approximately \$71,000 over last year's total of \$1,296,040. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$28,274 from the prior year to a year-end balance of \$922,846, primarily due to purchases of vehicles and equipment, as well as transfers to the Capital Projects Fund for the remaining costs of the Highway 44 Turn Lane Project not funded by other grants.
- The Special Revenue, Road Use Tax Fund cash balance increased \$18,957 to a year-end balance of \$147,741 as road use tax receipts collected exceeded street disbursements and transfers to the Debt Service Fund for its share of general obligation debt payments.
- The Special Revenue, Employee Benefits Fund cash balance remained relatively consistent from the prior year, decreasing \$66 to a year-end balance of \$21,189.

- The Debt Service Fund cash balance decreased \$166 from the previous year to a year-end balance of \$9,953. Payments for general obligation debt slightly exceeded property tax levied for debt services and transfers in from other budgetary funds.
- The Capital Projects Fund did not retain a cash balance at year end as disbursements for the Highway 44 Turn Lane Project in excess of state grants received were financed by transfers in from the General Fund. The project was completed by the end of the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$38,383 to a year-end balance of \$248,953. The increase was primarily a result of increased water rates to help comply with water revenue bond provisions, as well as decreased water equipment repair and well maintenance disbursements.
- The Enterprise, Sewer Fund cash balance increased \$35,879 to a year-end balance of \$279,793. Charges for service rose slightly with the construction of additional houses and sewer charges collected exceeding the City’s payment of sewer revenue debt and disbursements such as sewer system maintenance and engineering fees.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 28, 2013 to provide for additional disbursements in the public safety function for vehicles and equipment, the public works function for lights, snow hauling and various materials, the culture and recreation function for bike racks, the community and economic development function for crosswalk materials and lights, the capital projects function for equipment and additional engineering costs and the business type activities functions for additional supplies and engineering costs.

The City’s receipts were \$155,258 more than budgeted. This was primarily due to the City receiving more intergovernmental and miscellaneous receipts than anticipated.

Total disbursements were \$395,488 less than budgeted, due primarily to disbursements for the business type activities and the culture and recreation functions being less than anticipated.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$2,837,000 of long-term notes and other long-term debt outstanding compared to \$3,152,000 last year, as shown below:

Outstanding Debt at Year-End		
	June 30,	
	2013	2012
General obligation capital loan notes	\$ 1,637,000	1,821,000
Revenue capital loan notes	1,165,000	1,296,000
Burnett loan	35,000	35,000
Total	\$ 2,837,000	3,152,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,672,000 is below its constitutional debt limit of approximately \$5,076,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Dallas Center's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. The City's fiscal year 2014 assessed value increased approximately \$2,700,000 over the fiscal year 2013 level.

The fiscal year 2014 budget contains total receipts of \$2,106,608 and disbursements of \$2,232,348. This budget is lower than the final fiscal year 2013 budget, which contained total receipts of \$2,350,051 and disbursements of \$2,742,689.

The fiscal year 2014 property tax levy is \$12.97817 per \$1,000 of taxable valuation, a decrease from \$12.98180 per \$1,000 of taxable valuation for fiscal year 2013. The employee benefits levy increased from \$2.52946 per \$1,000 of taxable valuation in fiscal year 2013 to \$2.56968 per \$1,000 of taxable valuation for fiscal year 2014 and the debt service levy decreased from \$2.08234 per \$1,000 of taxable valuation in fiscal year 2013 to \$2.03849 per \$1,000 of taxable valuation for fiscal year 2014. These parameters were taken into account when adopting the budget for fiscal year 2014.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Riesselman, City Clerk, PO Box 109, Dallas Center, Iowa 50063-0396.

Basic Financial Statements

City of Dallas Center

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 258,324	24,962	-	-
Public works	408,878	244,602	156,811	-
Health and social services	15	-	-	-
Culture and recreation	244,483	39,311	111,210	1,050
Community and economic development	26,190	1,750	-	-
General government	147,856	993	20,405	-
Debt service	245,961	-	-	-
Capital projects	501,678	2,638	-	400,000
Total governmental activities	1,833,385	314,256	288,426	401,050
Business type activities:				
Water	311,567	351,232	3,250	-
Sewer	199,927	257,196	-	-
Storm district	2,323	25,191	-	-
Total business type activities	513,817	633,619	3,250	-
Total	\$ 2,347,202	947,875	291,676	401,050
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Unrestricted interest on investments				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position:				
Restricted for:				
Nonspendable:				
Bequest				
Expendable:				
Streets				
Debt service				
Employee benefits				
Urban renewal purposes				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(233,362)	-	(233,362)
(7,465)	-	(7,465)
(15)	-	(15)
(92,912)	-	(92,912)
(24,440)	-	(24,440)
(126,458)	-	(126,458)
(245,961)	-	(245,961)
(99,040)	-	(99,040)
(829,653)	-	(829,653)

-	42,915	42,915
-	57,269	57,269
-	22,868	22,868
-	123,052	123,052
(829,653)	123,052	(706,601)

\$ 663,054	-	663,054
129,655	-	129,655
68,942	-	68,942
2,027	1,030	3,057
36,843	(36,843)	-
900,521	(35,813)	864,708
70,868	87,239	158,107
1,296,040	517,820	1,813,860
\$ 1,366,908	605,059	1,971,967

\$ 22,000	-	22,000
147,741	-	147,741
9,953	189,679	199,632
21,189	-	21,189
38,870	-	38,870
204,309	-	204,309
922,846	415,380	1,338,226
\$ 1,366,908	605,059	1,971,967

City of Dallas Center

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue		
	General	Road Use Tax	Employee Benefits
Receipts:			
Property tax	\$ 504,812	-	149,184
Tax increment financing	-	-	-
Other city tax	6,956	-	2,102
Licenses and permits	20,809	-	-
Use of money and property	6,212	93	30
Intergovernmental	40,126	155,428	-
Charges for service	282,789	-	-
Special assessments	-	1,037	-
Miscellaneous	32,298	-	-
Total receipts	894,002	156,558	151,316
Disbursements:			
Operating:			
Public safety	199,541	-	58,783
Public works	298,228	75,400	35,250
Health and social services	15	-	-
Culture and recreation	193,515	-	32,782
Community and economic development	20,564	-	-
General government	123,289	-	24,567
Debt service	-	-	-
Capital projects	65,835	8,158	-
Total disbursements	900,987	83,558	151,382
Excess (deficiency) of receipts over (under) disbursements	(6,985)	73,000	(66)
Other financing sources (uses):			
Loan proceeds	-	-	-
Operating transfers in	19,000	-	-
Operating transfers out	(40,289)	(54,043)	-
Total other financing sources (uses)	(21,289)	(54,043)	-
Change in cash balances	(28,274)	18,957	(66)
Cash balances beginning of year	951,120	128,784	21,255
Cash balances end of year	\$ 922,846	147,741	21,189
Cash Basis Fund Balances			
Nonspendable - bequest	\$ -	-	-
Restricted for:			
Streets	-	147,741	-
Debt service	-	-	-
Employee benefits	-	-	21,189
Urban renewal purposes	-	-	-
Other purposes	-	-	-
Assigned for:			
Fire truck	137,496	-	-
Library purposes	10,039	-	-
Street cuts	6,568	-	-
Public safety purposes	861	-	-
Equipment	106,324	-	-
Unassigned	661,558	-	-
Total cash basis fund balances	\$ 922,846	147,741	21,189

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
127,924	-	-	781,920
-	-	68,942	68,942
1,731	-	-	10,789
-	-	-	20,809
122	-	345	6,802
-	400,000	5,000	600,554
-	-	-	282,789
-	-	-	1,037
-	-	61,470	93,768
129,777	400,000	135,757	1,867,410
-	-	-	258,324
-	-	-	408,878
-	-	-	15
-	-	18,186	244,483
-	-	5,626	26,190
-	-	-	147,856
245,961	-	-	245,961
-	407,005	20,680	501,678
245,961	407,005	44,492	1,833,385
(116,184)	(7,005)	91,265	34,025
-	-	-	-
116,018	40,289	-	175,307
-	-	(44,132)	(138,464)
116,018	40,289	(44,132)	36,843
(166)	33,284	47,133	70,868
10,119	(33,284)	218,046	1,296,040
9,953	-	265,179	1,366,908
-	-	22,000	22,000
-	-	-	147,741
9,953	-	-	9,953
-	-	-	21,189
-	-	38,870	38,870
-	-	204,309	204,309
-	-	-	137,496
-	-	-	10,039
-	-	-	6,568
-	-	-	861
-	-	-	106,324
-	-	-	661,558
9,953	-	265,179	1,366,908

Exhibit C

City of Dallas Center

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2013

	Enterprise Funds			Total
	Water	Sewer	Nonmajor Storm District	
Operating receipts:				
Charges for service	\$ 340,482	257,196	25,191	622,869
Miscellaneous	10,750	-	-	10,750
Total operating receipts	351,232	257,196	25,191	633,619
Operating disbursements:				
Business type activities	205,272	130,620	2,323	338,215
Excess of operating receipts over operating disbursements	145,960	126,576	22,868	295,404
Non-operating receipts (disbursements):				
Rent	3,250	-	-	3,250
Interest on investments	468	453	109	1,030
Debt service	(106,295)	(69,307)	-	(175,602)
Total non-operating receipts (disbursements)	(102,577)	(68,854)	109	(171,322)
Excess of receipts over disbursements	43,383	57,722	22,977	124,082
Operating transfers out	(5,000)	(21,843)	(10,000)	(36,843)
Change in cash balances	38,383	35,879	12,977	87,239
Cash balances beginning of year	210,570	243,914	63,336	517,820
Cash balances end of year	\$ 248,953	279,793	76,313	605,059
Cash Basis Fund Balances				
Reserved for debt service	\$ 106,443	83,236	-	189,679
Unreserved	142,510	196,557	76,313	415,380
Total cash basis fund balances	\$ 248,953	279,793	76,313	605,059

See notes to financial statements.

City of Dallas Center

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Dallas Center is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Dallas Center has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission and Dallas County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the employee benefits property tax levy for the payment of employment benefits.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are incurred, there is both restricted and unrestricted cash basis net position 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 receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service function. In addition, the amount budgeted in the capital projects function was exceeded prior to the budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation capital loan notes and water and sewer revenue capital loan notes are as follows:

Years Ending June 30,	General Obligation Capital Loan Notes		Revenue Capital Loan Notes		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 199,000	52,853	118,000	33,862	317,000	86,715	403,715
2015	150,000	46,638	96,000	29,878	246,000	76,516	322,516
2016	135,000	42,455	98,000	27,110	233,000	69,565	302,565
2017	71,000	39,733	101,000	24,265	172,000	63,998	235,998
2018	77,000	38,050	104,000	21,335	181,000	59,385	240,385
2019-2023	370,000	157,807	320,000	72,798	690,000	230,605	920,605
2024-2028	350,000	101,325	269,000	33,510	619,000	134,835	753,835
2029-2031	285,000	23,930	59,000	1,770	344,000	25,700	369,700
Total	\$ 1,637,000	502,791	1,165,000	244,528	2,802,000	747,319	3,549,319

Water Revenue Capital Loan Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$350,000 and \$900,000 of water revenue capital loan notes issued February 1, 1999 and August 12, 2008, respectively. Proceeds from the notes provided financing for the construction of water main improvements. The notes are payable solely from water customer net receipts and are payable through 2029. Annual principal and interest payments on the notes are expected to require less than 72% of net receipts. The total principal and interest remaining to be paid on the notes is \$994,363. For the current year, principal and interest paid on the notes was \$104,302 and total customer net receipts were \$145,960.

Sewer Revenue Capital Loan Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$607,000 and \$260,000 of sewer revenue notes issued May 21, 2001 and October 1, 2003, respectively. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2020. Annual principal and interest payments on the notes are expected to require less than 55% of net receipts. The total principal and interest remaining to be paid on the notes is \$415,165. For the current year, principal and interest paid on the notes was \$69,150 and total customer net receipts were \$126,576.

The resolutions providing for the issuance of the water and sewer revenue capital loan notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers of 25% of the amount required to be deposited in the water and sewer revenue note sinking accounts shall be made to separate water and sewer note reserve accounts until \$89,000 and \$70,700, respectively, is accumulated in the note reserve accounts. At June 30, 2013, the balances in the water and sewer note reserve accounts were \$106,443 and \$83,236, respectively.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to retire any subordinate obligations and then can be used for any lawful purpose.

(4) Burnett Loan

On August 11, 2009, the City entered into a loan agreement with the Burnett Community Development Association for the purpose of making improvements to the Raccoon River Valley Trail and associated facilities. The loan bears interest at 2.78% per annum and is payable in full on May 4, 2014. At June 30, 2013, the outstanding principal balance was \$35,000.

(5) Interfund Loan

On November 8, 2011, the City authorized payment of the Highway 44 Turn Lane Project from Tax Increment Financing (TIF) funds. In addition, the City authorized the borrowing by the Special Revenue, Tax Increment Financing Fund from the General Fund of such funds as may be required to pay for the project. The total cost of the project was \$495,639, of which \$400,000 was paid with State RISE and U-Step grants. The remaining \$95,639 was borrowed from the General Fund. The General Fund will be repaid by the Tax Increment Financing Fund as receipts permit. The loan bears interest at 3.0% per annum. No repayments were made during the year. The balance remaining at June 30, 2013 is \$95,639.

(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 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2013 was \$35,370, equal to the required contribution for the year.

(7) Other Post Employment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 8 active and no retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent member premiums for the City and plan members are \$360 for single coverage and \$1,106 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2013, the City contributed \$79,022 and plan members eligible for benefits contributed \$4,512 to the plan.

(8) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, personal and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, personal and compensatory time payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 13,000
Personal	2,000
Comp Time	1,000
Total	<u>\$ 16,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise:	
	Water	\$ 5,000
	Sewer	4,000
	Storm District	10,000
		<u>19,000</u>
Debt Service	Special Revenue:	
	Road Use Tax	54,043
	Tax Increment Financing	44,132
	Enterprise:	
	Sewer	17,843
		<u>116,018</u>
Capital Projects	General	40,289
Total		<u>\$ 175,307</u>

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

(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.

(11) Economic Development Grant

The City has entered into a development agreement with E.I. DuPont de Nemours and Company and its wholly owned subsidiary, Pioneer Hi-Bred International, Inc., hereinafter collectively referred to as “Developer” and Dallas Center Partners 1, LLC, hereinafter referred to as “Partners”. Under the terms of the agreement, the Developer agreed to invest approximately \$5.6 million in improvements and construction of the Pioneer-Dallas Center Building and transfer the property to Partners. The Developer also agreed to maintain at least 133 full-time equivalent jobs at the Pioneer-Dallas Center location until December 31, 2019, the termination date of the agreement.

The City agreed to provide economic development grants in the form of tax rebates to the Developer of 50% of the incremental property tax generated upon completion of the Pioneer-Dallas Center Building, not to exceed \$500,000. The City will make up to five consecutive payments to the Developer beginning June 1, 2015 and ending no later than June 1, 2019. As of June 30, 2013, no payments have been made under this agreement.

City of Dallas Center

Other Information

City of Dallas Center
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax and other city tax	\$ 781,920	-
Tax increment financing	68,942	-
Other city tax	10,789	-
Licenses and permits	20,809	-
Use of money and property	6,802	4,280
Intergovernmental	600,554	-
Charges for service	282,789	622,869
Special assessments	1,037	-
Miscellaneous	93,768	10,750
Total receipts	1,867,410	637,899
Disbursements:		
Public safety	258,324	-
Public works	408,878	-
Health and social services	15	-
Culture and recreation	244,483	-
Community and economic development	26,190	-
General government	147,856	-
Debt service	245,961	-
Capital projects	501,678	-
Business type activities	-	513,816
Total disbursements	1,833,385	513,816
Excess (deficiency) of receipts over (under) disbursements	34,025	124,083
Other financing sources, net	36,843	(36,843)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	70,868	87,240
Balances beginning of year	1,296,040	517,819
Balances end of year	\$ 1,366,908	605,059

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
781,920	779,253	779,253	2,667
68,942	69,000	69,000	(58)
10,789	10,787	10,787	2
20,809	9,550	9,550	11,259
11,082	3,751	3,751	7,331
600,554	555,860	555,860	44,694
905,658	860,750	860,750	44,908
1,037	300	300	737
104,518	60,800	60,800	43,718
2,505,309	2,350,051	2,350,051	155,258
258,324	242,074	261,652	3,328
408,878	418,454	437,354	28,476
15	3,200	3,700	3,685
244,483	348,098	355,083	110,600
26,190	39,563	51,613	25,423
147,856	153,986	156,986	9,130
245,961	245,211	245,211	(750)
501,678	434,476	516,276	14,598
513,816	672,314	714,814	200,998
2,347,201	2,557,376	2,742,689	395,488
158,108	(207,325)	(392,638)	550,746
-	-	(108,000)	108,000
158,108	(207,325)	(500,638)	658,746
1,813,859	1,749,364	1,749,364	64,495
1,971,967	1,542,039	1,248,726	723,241

City of Dallas Center

Notes to Other Information – Budgetary Reporting

June 30, 2013

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. 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 Fund, the Permanent 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, one budget amendment increased budgeted disbursements by \$185,313. The budget amendment is reflected in the final budgeted amounts.

Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service function. In addition, the amount budgeted in the capital projects function was exceeded prior to the budget amendment.

Supplementary Information

City of Dallas Center

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

	Tax			Special
	Increment Financing	Burnett Program	Burnett Recreation	Burnett Library
Receipts:				
Tax increment financing	\$ 68,942	-	-	-
Use of money and property	37	1	111	118
Intergovernmental	-	-	-	-
Miscellaneous	-	-	30,735	30,735
Total receipts	<u>68,979</u>	<u>1</u>	<u>30,846</u>	<u>30,853</u>
Disbursements:				
Operating:				
Culture and recreation	-	526	-	15,103
Community and economic development	5,626	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>5,626</u>	<u>526</u>	<u>-</u>	<u>15,103</u>
Excess (deficiency) of receipts over (under) disbursements	63,353	(525)	30,846	15,750
Other financing uses:				
Operating transfers out	(44,132)	-	-	-
Change in cash balances	19,221	(525)	30,846	15,750
Cash balances beginning of year	19,649	525	59,801	73,241
Cash balances end of year	<u>\$ 38,870</u>	<u>-</u>	<u>90,647</u>	<u>88,991</u>
Cash Basis Fund Balances				
Nonspendable - bequest	\$ -	-	-	-
Restricted for:				
Urban renewal purposes	38,870	-	-	-
Recreational purposes	-	-	90,647	-
Library purposes	-	-	-	88,991
Public safety purposes	-	-	-	-
Playground equipment	-	-	-	-
Youth related purposes	-	-	-	-
Total cash basis fund balances	<u>\$ 38,870</u>	<u>-</u>	<u>90,647</u>	<u>88,991</u>

See accompanying independent auditor's report.

Revenue			Permanent		Total
Recreational Trail	Playground Equipment	Police Forfeiture	Books Perm Fund	Youth Perm Fund	
-	-	-	-	-	68,942
25	10	2	21	20	345
-	5,000	-	-	-	5,000
-	-	-	-	-	61,470
25	5,010	2	21	20	135,757
-	-	-	-	2,557	18,186
-	-	-	-	-	5,626
7,554	13,126	-	-	-	20,680
7,554	13,126	-	-	2,557	44,492
(7,529)	(8,116)	2	21	(2,537)	91,265
-	-	-	-	-	(44,132)
(7,529)	(8,116)	2	21	(2,537)	47,133
23,078	11,059	1,375	14,328	14,990	218,046
15,549	2,943	1,377	14,349	12,453	265,179
-	-	-	12,000	10,000	22,000
-	-	-	-	-	38,870
15,549	-	-	-	-	106,196
-	-	-	2,349	-	91,340
-	-	1,377	-	-	1,377
-	2,943	-	-	-	2,943
-	-	-	-	2,453	2,453
15,549	2,943	1,377	14,349	12,453	265,179

City of Dallas Center
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Sewer system	Mar 1, 2001	1.75-4.30%	\$ 250,000
Essential corporate purpose	Mar 23, 2011	1.00-4.15	1,455,000
Essential corporate purpose	Sep 15, 2005	3.20-4.20	500,000
Essential corporate purpose	June 15, 2007	3.95-4.50	295,000
Total			
Revenue capital loan notes:			
Water improvements	Feb 1, 1999	5.00-5.25%	\$ 350,000
Water improvements	Aug. 12, 2008	3.00	900,000
Sewer improvements	May 21, 2001	4.30	607,000
Sewer improvements	Oct 1, 2003	5.00-6.00	260,000
Total			
Burnett loan	Aug 20, 2009	2.78%	\$ 35,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
126,000	-	14,000	112,000	3,780
1,400,000	-	60,000	1,340,000	43,896
190,000	-	60,000	130,000	7,796
105,000	-	50,000	55,000	4,176
<u>\$ 1,821,000</u>	<u>-</u>	<u>184,000</u>	<u>1,637,000</u>	<u>59,648</u>
65,000	-	40,000	25,000	3,392
797,000	-	37,000	760,000	23,910
314,000	-	34,000	280,000	9,420
120,000	-	20,000	100,000	5,730
<u>\$ 1,296,000</u>	<u>-</u>	<u>131,000</u>	<u>1,165,000</u>	<u>42,452</u>
<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>971</u>

City of Dallas Center

Note Maturities

June 30, 2013

Year Ending June 30,	General Obligation Capital Loan Notes					
	Sewer System		Essential Corporate Purpose		Essential Corporate Purpose	
	Issued Mar 1, 2001		Issued March 23, 2011		Issued Sept 15, 2005	
	Interest	Amount	Interest	Amount	Interest	Amount
2014	1.75%	\$ 14,000	1.70%	\$ 65,000	4.10%	\$ 65,000
2015	1.75	15,000	1.70	70,000	4.20	65,000
2016	1.75	15,000	1.70	120,000	-	-
2017	1.75	16,000	2.05	55,000	-	-
2018	1.75	17,000	2.55	60,000	-	-
2019	1.75	17,000	2.55	65,000	-	-
2020	1.75	18,000	3.00	65,000	-	-
2021	-	-	3.00	90,000	-	-
2022	-	-	3.20	55,000	-	-
2023	-	-	3.45	60,000	-	-
2024	-	-	3.45	60,000	-	-
2025	-	-	3.70	65,000	-	-
2026	-	-	3.70	70,000	-	-
2027	-	-	4.00	75,000	-	-
2028	-	-	4.00	80,000	-	-
2029	-	-	4.10	90,000	-	-
2030	-	-	4.10	95,000	-	-
2031	-	-	4.15	100,000	-	-
Total		<u>\$ 112,000</u>		<u>\$ 1,340,000</u>		<u>\$ 130,000</u>

Year Ending June 30,	Revenue Capital Loan Notes					
	Water Improvements		Water Improvements		Sewer Improvements	
	Issued Feb 1, 1999		Issued Aug. 12, 2008		Issued May 21, 2001	
	Interest	Amount	Interest	Amount	Interest	Amount
2014	5.25%	\$ 25,000	3.00%	\$ 38,000	1.75%	\$ 35,000
2015	-	-	3.00	39,000	1.75	37,000
2016	-	-	3.00	40,000	1.75	38,000
2017	-	-	3.00	41,000	1.75	40,000
2018	-	-	3.00	42,000	1.75	42,000
2019	-	-	3.00	44,000	1.75	43,000
2020	-	-	3.00	45,000	1.75	45,000
2021	-	-	3.00	46,000	-	-
2022	-	-	3.00	48,000	-	-
2023	-	-	3.00	49,000	-	-
2024	-	-	3.00	51,000	-	-
2025	-	-	3.00	52,000	-	-
2026	-	-	3.00	54,000	-	-
2027	-	-	3.00	55,000	-	-
2028	-	-	3.00	57,000	-	-
2029	-	-	3.00	59,000	-	-
Total		<u>\$ 25,000</u>		<u>\$ 760,000</u>		<u>\$ 280,000</u>

See accompanying independent auditor's report.

Essential Corporate Purpose		
Issued June 15, 2007		
Interest	Amount	Total
4.00%	\$ 55,000	199,000
	-	150,000
	-	135,000
	-	71,000
	-	77,000
	-	82,000
	-	83,000
	-	90,000
	-	55,000
	-	60,000
	-	60,000
	-	65,000
	-	70,000
	-	75,000
	-	80,000
	-	90,000
	-	95,000
	-	100,000
	<u>\$ 55,000</u>	<u>1,637,000</u>

Sewer Improvements		
Issued Oct 1, 2003		
Interest	Amount	Total
4.60%	\$ 20,000	118,000
4.75	20,000	96,000
4.90	20,000	98,000
5.00	20,000	101,000
5.00	20,000	104,000
	-	87,000
	-	90,000
	-	46,000
	-	48,000
	-	49,000
	-	51,000
	-	52,000
	-	54,000
	-	55,000
	-	57,000
	-	59,000
	<u>\$ 100,000</u>	<u>1,165,000</u>

City of Dallas Center



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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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 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dallas Center, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 20, 2014. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dallas Center's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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 Dallas Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dallas Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

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 Dallas Center's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dallas Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 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 Dallas Center's Responses to the Findings

The City of Dallas Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Dallas Center's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dallas Center 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 20, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the City’s financial statements.

One individual had control over the collecting, depositing and posting of receipts.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will review its operating procedures to obtain the maximum internal control possible. In an effort to implement compensating controls, we do have a member of our City Council review, initial and date our reconciliations monthly, as well as the Mayor’s review of payroll information being initialed and dated each payroll period.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Dallas Center

Schedule of Findings

Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service function. In addition, the amount budgeted in the capital projects function was exceeded prior to the budget amendment. 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 sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Conclusion – Response accepted.

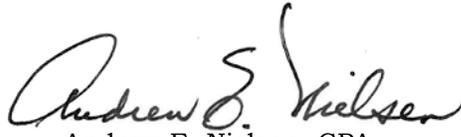
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) 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.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the revenue note requirements for the year ended June 30, 2013 were noted.

City of Dallas Center

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Brandon J. Vogel, Senior Auditor
Leslie M. Downing, Assistant Auditor
Ryan J. Pithan, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State