



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

May 14, 2007

Contact: Andy Nielsen
515/281-5834

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

The City has implemented new reporting standards for the year ended June 30, 2006, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$2,149,706 for the year ended June 30, 2006. The receipts included \$568,341 in property tax, \$30 from tax increment financing, \$824,647 from charges for service, \$207,654 from operating grants, contributions and restricted interest, \$495,000 from bond proceeds and \$54,034 from unrestricted interest on investments.

Disbursements for the year totaled \$2,153,984, and included \$835,820 for public works, \$230,177 for public safety and \$217,450 for culture and recreation. Also, disbursements for business type activities totaled \$605,594.

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/reports.htm>.

#

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

JUNE 30, 2006

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	18
Notes to Financial Statements		19-23
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		26-27
Notes to Required Supplementary Information – Budgetary Reporting		28
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	30-31
Schedule of Indebtedness	2	32-33
Bond and Note Maturities	3	34-35
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>		36-37
Schedule of Findings		39-42
Staff		43

City of Dallas Center

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
William Stammerman	Mayor	Jan 2006
William Ellerman	Mayor Pro tem/Council Member	Jan 2008
Mike Kastantin	Council Member	Jan 2006
Leonard Moss	Council Member	Jan 2006
Terry Gibson	Council Member	Jan 2008
Gary Stevens	Council Member	Jan 2008
Shirley Petersen	City Clerk	Indefinite
Ralph R. Brown	City Attorney	Indefinite
(After January 2006)		
Mitchell Hambleton	Mayor	Jan 2010
Kim Cross	Mayor Pro tem/Council Member	Jan 2010
William Ellerman	Council Member	Jan 2008
Terry Gibson	Council Member	Jan 2008
Gary Stevens	Council Member	Jan 2008
Dan Willrich	Council Member	Jan 2010
Shirley Petersen	City Clerk	Indefinite
Ralph R. Brown	City Attorney	Indefinite

City of Dallas Center



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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 Dallas Center, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Dallas Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

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, 2005, as discussed in the preceding 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, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 8, during the year ended June 30, 2006, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2007 on our consideration of the City of Dallas Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 26 through 28 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 Dallas Center's basic financial statements. Other 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. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, 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, 2005, as discussed in the third paragraph, 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

January 19, 2007

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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since 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.

2006 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased approximately \$62,000 due, in part, to increases in property tax and charges for service and a decrease in tax increment financing (TIF).
- The cash basis net assets of the City's business type activities decreased approximately \$66,000 due to the 12th Street Water Main Improvements Project

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds 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 Statement of Activities and Net Assets reports information that helps answer this question.

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

The Statement of Activities and Net Assets 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. 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, 3) the Debt Service Fund and 4) 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 two Enterprise Funds, considered to be major funds of the City, to provide separate information for water and sewer operations,.

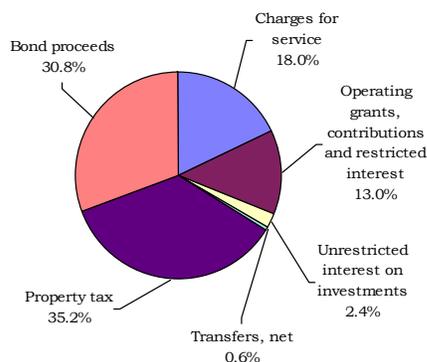
The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

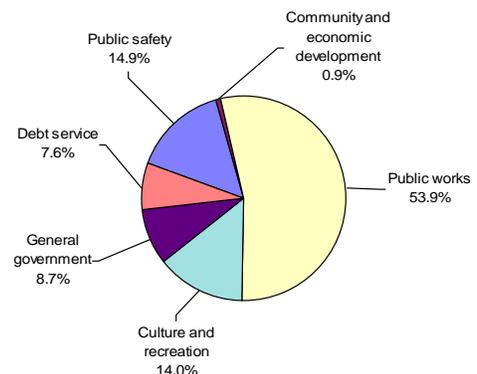
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,552,899 to \$1,615,058. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		Year ended June 30, 2006
Receipts and transfers:		
Program receipts:		
Charges for service		\$ 290
Operating grants, contributions and restricted interest		208
General receipts:		
Property tax		568
Unrestricted interest on investments		39
Bond proceeds		495
Transfers, net		10
Total receipts and transfers		<u>1,610</u>
Disbursements:		
Public safety		230
Public works		836
Culture and recreation		217
Community and economic development		14
General government		134
Debt service		117
Total disbursements		<u>1,548</u>
Increase in cash basis net assets		62
Cash basis net assets beginning of year		<u>1,553</u>
Cash basis net assets end of year		<u>\$ 1,615</u>

Receipts by Source



Disbursements by Function



The cash basis net assets of the City's governmental funds increased primarily due to an increase in property tax and charges for service and a decrease in TIF.

The cost of all governmental activities this year was \$1.548 million. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$1.051 million because some of the cost was paid by those directly benefited from the programs (\$290,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$208,000). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,051,000 in tax (some of which could only be used for certain programs) and other receipts, such as interest and bond proceeds.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	
	Year ended June 30, 2006
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 280
Sewer	255
General receipts:	
Unrestricted interest on investments	15
Total receipts	<u>550</u>
Disbursements and transfers:	
Water	413
Sewer	193
Transfers	10
Total disbursements and transfers	<u>616</u>
Decrease in cash basis net assets	(66)
Cash basis net assets beginning of year	<u>724</u>
Cash basis net assets end of year	<u><u>\$ 658</u></u>

The total business type activities cash basis net assets decreased from a year ago, decreasing from \$724,892 to \$658,455. The cash basis net assets of the City's business type activities decreased primarily due to utility projects.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Dallas Center completed the year, its governmental funds reported a combined fund balance of \$1,615,058, an increase of more than \$62,000 above last year's total of \$1,552,899. 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 increased \$62,400 from the prior year to a year-end balance of \$1,281,810. This increase is due, in part, to an increase in property tax and charges for service for the disposal of abandoned vehicles.
- The Road Use Tax Fund cash balance decreased \$44,993 to \$176,226 during the fiscal year. This decrease was due to the 12th Street Improvements Project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$135,887 to a year-end balance of \$279,630. This decrease was due primarily to the 12th Street Water Main Improvements Project.
- The Sewer Fund cash balance increased \$69,450 to a year-end balance of \$378,825. The increase was due, in part, to funds received for the Cross Development sewer connections.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 31, 2006 and resulted in an increase in operating disbursements of approximately \$901,000 for the 11th and 12th street projects which will be funded in part from the issuance of capital loan notes.

The City’s receipts were \$148,515 more than budgeted receipts. Charges for service receipts were approximately \$200,000 more than budgeted receipts due to increases in fines and forfeitures.

Total disbursements were \$258,256 less than budgeted, due primarily to the City’s budget for the public works function. The public works disbursements were less than budgeted due to decreased spending.

DEBT ADMINISTRATION

At June 30, 2006, the City had approximately \$2,279,000 in long-term bonds and notes outstanding, as follows:

<u>Outstanding Debt at Year-End</u>	
	<u>June 30, 2006</u>
General obligation capital loan bonds/notes	\$ 1,035,000
Revenue capital loan notes	<u>1,244,000</u>
Total	<u>\$ 2,279,000</u>

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 \$1,035,000 is below its constitutional debt limit of approximately \$2,860,000.

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 2007 budget, tax rates and fees charged for various City activities. The City’s FY2007 assessed value has decreased \$80,195 from the FY2006 level.

The FY2007 budget contains total receipts of \$1,961,194 and disbursements of \$2,311,017. This budget is higher than the original FY2006 budget, which contained total receipts of \$1,719,502 and disbursements of \$1,820,886.

The proposed FY2006/2007 levy is \$10.9919 per \$1,000 of taxable valuation, a decrease from \$11.43425 per \$1,000 of taxable valuation for FY2005/2006. The employee benefit levy decreased from \$1.93135 per \$1,000 of taxable valuation in FY2005/2006 to \$1.51905 per \$1,000 of taxable valuation in FY2006/2007 and the debt service levy decreased from \$1.40290 per \$1,000 of taxable valuation in FY2005/2006 to \$1.37281 per \$1,000 of taxable valuation in FY2006/2007. These parameters were taken into account when adopting the budget for FY2006/2007.

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 Shirley Petersen, City Clerk, PO Box 109, Dallas Center, Iowa 50063-0396.

Basic Financial Statements

City of Dallas Center

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2006

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 230,177	112,014	100
Public works	835,820	138,905	145,214
Culture and recreation	217,450	35,127	62,340
Community and economic development	14,445	1,750	-
General government	133,700	2,349	-
Debt service	116,798	-	-
Total governmental activities	1,548,390	290,145	207,654
Business type activities:			
Water	412,915	279,843	-
Sewer	192,679	254,659	-
Total business type activities	605,594	534,502	-
Total	\$ 2,153,984	824,647	207,654

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Unrestricted interest on investments
 Bond proceeds, net of \$5,000 discount
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Streets
 Debt service
 Permanent funds
 Other purposes
 Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(118,063)	-	(118,063)
(551,701)	-	(551,701)
(119,983)	-	(119,983)
(12,695)	-	(12,695)
(131,351)	-	(131,351)
(116,798)	-	(116,798)
(1,050,591)	-	(1,050,591)
-	(133,072)	(133,072)
-	61,980	61,980
-	(71,092)	(71,092)
(1,050,591)	(71,092)	(1,121,683)
500,357	-	500,357
30	-	30
67,984	-	67,984
39,379	14,655	54,034
495,000	-	495,000
10,000	(10,000)	-
1,112,750	4,655	1,117,405
62,159	(66,437)	(4,278)
1,552,899	724,892	2,277,791
\$ 1,615,058	658,455	2,273,513
\$ 176,226	-	176,226
13,265	112,045	125,310
27,169	-	27,169
117,188	-	117,188
1,281,210	546,410	1,827,620
\$ 1,615,058	658,455	2,273,513

Exhibit B

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, 2006

	Special Revenue			Total
	General	Road Use Tax	Nonmajor	
Receipts:				
Property tax	\$ 406,733	-	161,608	568,341
Tax increment financing	-	-	30	30
Licenses and permits	23,357	-	-	23,357
Use of money and property	39,239	70	939	40,248
Intergovernmental	15,676	145,214	-	160,890
Charges for service	243,125	-	18,000	261,125
Miscellaneous	28,486	-	23,072	51,558
Total receipts	756,616	145,284	203,649	1,105,549
Disbursements:				
Operating:				
Public safety	230,177	-	-	230,177
Public works	216,130	618,562	1,128	835,820
Culture and recreation	203,012	-	14,438	217,450
Community and economic development	14,445	-	-	14,445
General government	133,700	-	-	133,700
Debt service	-	48,715	68,083	116,798
Total disbursements	797,464	667,277	83,649	1,548,390
Excess (deficiency) of receipts over (under) disbursements	(40,848)	(521,993)	120,000	(442,841)
Other financing sources (uses):				
Bond proceeds, net of \$5,000 discount	-	495,000	-	495,000
Operating transfers in	103,248	-	-	103,248
Operating transfers out	-	(18,000)	(75,248)	(93,248)
Total other financing sources (uses)	103,248	477,000	(75,248)	505,000
Net change in cash balances	62,400	(44,993)	44,752	62,159
Cash balances beginning of year	1,218,810	221,219	112,870	1,552,899
Cash balances end of year	\$ 1,281,210	176,226	157,622	1,615,058
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	13,265	13,265
Unreserved:				
General fund	1,281,210	-	-	1,281,210
Special revenue funds	-	176,226	117,188	293,414
Permanent funds	-	-	27,169	27,169
Total cash basis fund balances	\$ 1,281,210	176,226	157,622	1,615,058

See notes to financial statements.

City of Dallas Center

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, 2006

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 279,843	254,659	534,502
Operating disbursements:			
Business type activities	358,797	58,063	416,860
Excess (deficiency) of operating receipts over (under) operating disbursements	(78,954)	196,596	117,642
Non-operating receipts (disbursements):			
Interest on investments	3,185	11,470	14,655
Debt service	(54,118)	(134,616)	(188,734)
Net non-operating disbursements	(50,933)	(123,146)	(174,079)
Excess (deficiency) of receipts over (under) disbursements	(129,887)	73,450	(56,437)
Operating transfers out	(6,000)	(4,000)	(10,000)
Net change in cash balances	(135,887)	69,450	(66,437)
Cash balances beginning of year	415,517	309,375	724,892
Cash balances end of year	\$ 279,630	378,825	658,455
Cash Basis Fund Balances			
Reserved for debt service	\$ 55,351	56,694	112,045
Unreserved	224,279	322,131	546,410
Total cash basis fund balances	\$ 279,630	378,825	658,455

See notes to financial statements.

City of Dallas Center

Notes to Financial Statements

June 30, 2006

(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 and Dallas County Emergency Management Commission.

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

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

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

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

The City reports the following major governmental funds:

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

The Special Revenue, Road Use Tax Fund is used to account for road construction and maintenance.

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Dallas Center 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 are both restricted and unrestricted cash basis 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 receipts.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety, debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Bonds and Notes Payable

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

Years Ending June 30,	General Obligation Capital Loan Bonds/Notes		Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2007	\$ 80,000	43,900	136,000	57,257	216,000
2008	86,000	40,850	142,000	51,249	228,000	92,099
2009	91,000	37,473	139,000	44,646	230,000	82,119
2010	92,000	33,840	140,000	38,103	232,000	71,943
2011	97,000	30,083	96,000	31,472	193,000	61,555
2012 - 2016	521,000	81,704	381,000	94,126	902,000	175,830
2017 - 2020	68,000	7,439	210,000	21,619	278,500	29,058
Total	\$ 1,035,000	275,289	1,244,000	338,472	2,279,500	613,761

General Obligation Capital Loan Bonds/Notes

The Code of Iowa requires principal and interest on general obligation debt be paid from the Debt Service Fund. However, during the year, \$48,715 of general obligation debt principal and interest was paid from the Special Revenue, Road Use Tax Fund.

Revenue Capital Loan Notes

The resolutions providing for the issuance of the 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 percent 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 \$52,500 and \$123,780, respectively, in the note reserve accounts is accumulated. At June 30, 2006, the balances in the water and sewer note reserve accounts was \$55,318 and \$56,489, 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.

The City has not made transfers on a monthly basis to the revenue note sinking accounts as required by the note resolutions. In addition, the minimum required balance for the sewer reserve account has not been accumulated.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% 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, 2006 was \$17,357, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and comp 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, sick leave and comp time payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 12,000
Sick leave	47,000
Comp time	<u>5,000</u>
Total	<u>\$ 64,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2006.

(6) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 18,000
	Employee Benefits	75,248
	Enterprise:	
	Water	6,000
	Sewer	<u>4,000</u>
Total		<u>\$ 103,248</u>

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

(7) 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.

(8) Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2006. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation of these standards had no effect on the beginning balances of the City.

City of Dallas Center

Required Supplementary 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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax and other city tax	\$ 568,371	-
Licenses and permits	23,357	-
Use of money and property	40,248	14,655
Intergovernmental	160,890	-
Charges for service	261,125	534,502
Miscellaneous	51,558	-
Total receipts	<u>1,105,549</u>	<u>549,157</u>
Disbursements:		
Public safety	230,177	-
Public works	835,820	-
Health and social services	-	-
Culture and recreation	217,450	-
Community and economic development	14,445	-
General government	133,700	-
Debt service	116,798	-
Capital projects	-	-
Business type activities	-	605,594
Total disbursements	<u>1,548,390</u>	<u>605,594</u>
Excess (deficiency) of receipts over (under) disbursements	(442,841)	(56,437)
Other financing sources, net	505,000	(10,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	62,159	(66,437)
Balances beginning of year	<u>1,552,899</u>	<u>724,892</u>
Balances end of year	<u>\$ 1,615,058</u>	<u>658,455</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
568,371	569,224	569,224	(853)
23,357	15,443	88,443	(65,086)
54,903	33,283	33,283	21,620
160,890	163,401	163,401	(2,511)
795,627	573,540	595,540	200,087
51,558	54,800	56,300	(4,742)
<u>1,654,706</u>	<u>1,409,691</u>	<u>1,506,191</u>	<u>148,515</u>
230,177	158,528	228,528	(1,649)
835,820	394,741	994,741	158,921
-	3,000	3,000	3,000
217,450	214,814	222,814	5,364
14,445	10,690	30,690	16,245
133,700	172,034	172,034	38,334
116,798	68,083	116,598	(200)
-	16,000	40,000	40,000
605,594	473,185	603,835	(1,759)
<u>2,153,984</u>	<u>1,511,075</u>	<u>2,412,240</u>	<u>258,256</u>
(499,278)	(101,384)	(906,049)	406,771
495,000	-	495,000	-
(4,278)	(101,384)	(411,049)	406,771
2,277,791	2,185,216	2,185,216	92,575
<u>2,273,513</u>	<u>2,083,832</u>	<u>1,774,167</u>	<u>499,346</u>

City of Dallas Center

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Permanent Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$901,165. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety, debt service and business type activities functions.

Other 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, 2006

	Special			
	Burnette Charitable	Employee Benefits	Fines/ Forfeitures	Burnette Project
Receipts:				
Property tax	\$ -	93,624	-	-
Use of money and property	13	36	14	12
Charges for service	-	-	18,000	-
Miscellaneous	9,986	-	-	9,986
Total receipts	<u>9,999</u>	<u>93,660</u>	<u>18,014</u>	<u>9,998</u>
Disbursements:				
Operating:				
Public works	-	-	-	-
Culture and recreation	4,307	-	-	9,631
Debt service	-	-	-	-
Total disbursements	<u>4,307</u>	<u>-</u>	<u>-</u>	<u>9,631</u>
Excess (deficiency) of receipts over (under) disbursements	5,692	93,660	18,014	367
Other financing uses:				
Operating transfers out	-	(75,248)	-	-
Net change in cash balances	5,692	18,412	18,014	367
Cash balances beginning of year	9,333	22,290	-	4,909
Cash balances end of year	<u>\$ 15,025</u>	<u>40,702</u>	<u>18,014</u>	<u>5,276</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
Special revenue funds	15,025	40,702	18,014	5,276
Permanent funds	-	-	-	-
Total cash basis fund balance	<u>\$ 15,025</u>	<u>40,702</u>	<u>18,014</u>	<u>5,276</u>

See accompanying independent auditor's report.

Revenue			Permanent			Total
Sidewalk Project	Playground Equipment	TIF	Debt Service	Burnette Charitable Books	Burnette Charitable Youth	
-	-	30	67,984	-	-	161,638
12	1	142	44	329	336	939
-	-	-	-	-	-	18,000
-	3,100	-	-	-	-	23,072
12	3,101	172	68,028	329	336	203,649
1,128	-	-	-	-	-	1,128
-	-	-	-	500	-	14,438
-	-	-	68,083	-	-	68,083
1,128	-	-	68,083	500	-	83,649
(1,116)	3,101	172	(55)	(171)	336	120,000
-	-	-	-	-	-	(75,248)
(1,116)	3,101	172	(55)	(171)	336	44,752
8,742	-	27,272	13,320	14,066	12,938	112,870
7,626	3,101	27,444	13,265	13,895	13,274	157,622
-	-	-	13,265	-	-	13,265
7,626	3,101	27,444	-	-	-	117,188
-	-	-	-	13,895	13,274	27,169
7,626	3,101	27,444	13,265	13,895	13,274	157,622

City of Dallas Center
Schedule of Indebtedness
Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan bonds/notes:			
Sewer system	Mar 1, 2001	4.30%	\$ 250,000
Sewer system	Mar 1, 2001	4.00-5.00	500,000
Essential corporate purpose	Oct 1, 2005	3.20-4.20	500,000
Total			
Water revenue capital loan notes:			
Water improvements	Apr 1, 1996	4.50-5.85%	\$ 175,000
Water improvements	Feb 1, 1999	5.00-5.25	350,000
Total			
Sewer revenue capital loan notes:			
Sewer improvements	Mar 1, 1999	4.40-5.80%	\$ 500,000
Sewer improvements	May 21, 2001	4.30	607,000
Sewer improvements	Oct 1, 2003	5.00-6.00	260,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
205,000	-	10,000	195,000	8,815
405,000	-	30,000	375,000	18,860
-	500,000	35,000	465,000	13,515
\$ 610,000	500,000	75,000	1,035,000	41,190
85,000	-	10,000	75,000	4,870
280,000	-	25,000	255,000	14,248
\$ 365,000	-	35,000	330,000	19,118
255,000	-	50,000	205,000	10,863
514,000	-	25,000	489,000	22,102
235,000	-	15,000	220,000	11,300
\$ 1,004,000	-	90,000	914,000	44,265

City of Dallas Center
Bond and Note Maturities
June 30, 2006

Year Ending June 30,	General Obligation Bonds/Notes					
	Sewer System		Sewer System		Essential Corporate Purpose	
	Issued Mar 1, 2001		Issued Mar 1, 2001		Issued Oct 1, 2005	
	Interest	Amount	Interest	Amount	Interest	Amount
2007	4.30%	\$ 10,000	4.20%	\$ 30,000	3.40%	\$ 40,000
2008	4.30	11,000	4.30	35,000	3.50	40,000
2009	4.30	11,000	4.40	35,000	3.60	45,000
2010	4.30	12,000	4.50	35,000	3.70	45,000
2011	4.30	12,000	4.60	35,000	3.80	50,000
2012	4.30	13,000	4.80	35,000	3.90	55,000
2013	4.30	14,000	4.90	40,000	4.00	60,000
2014	4.30	14,000	5.00	40,000	4.10	65,000
2015	4.30	15,000	5.00	45,000	4.20	65,000
2016	4.30	15,000	5.00	45,000		-
2017	4.30	16,000		-		-
2018	4.30	17,000		-		-
2019	4.30	17,000		-		-
2020	4.30	18,000		-		-
Total		\$ 195,000		\$ 375,000		\$ 465,000

Year Ending June 30,	Revenue Capital					
	Water Improvements		Water Improvements		Sewer Improvements	
	Issued Apr 1, 1996		Issued Feb 1, 1999		Issued Mar 1, 1999	
	Interest	Amount	Interest	Amount	Interest	Amount
2007	5.60%	\$ 15,000	5.00%	\$ 30,000	4.20%	\$ 50,000
2008	5.70	15,000	5.00	30,000	4.25	55,000
2009	5.80	15,000	5.01	30,000	4.35	50,000
2010	5.85	15,000	5.05	30,000	4.40	50,000
2011	5.85	15,000	5.10	30,000		-
2012		-	5.15	40,000		-
2013		-	5.20	40,000		-
2014		-	5.25	25,000		-
2015		-		-		-
2016		-		-		-
2017		-		-		-
2018		-		-		-
2019		-		-		-
2020		-		-		-
Total		\$ 75,000		\$ 255,000		\$ 205,000

See accompanying independent auditor's report.

Total
80,000
86,000
91,000
92,000
97,000
103,000
114,000
119,000
125,000
60,000
16,000
17,000
17,000
18,000
<u>1,035,000</u>

Loan Notes						
Sewer Improvements			Sewer Improvements		Total	
Issued May 21, 2001			Issued Oct 1, 2003			
Interest	Amount		Interest	Amount		
4.30%	\$	26,000	4.30%	\$	15,000	136,000
4.30		27,000	5.00		15,000	142,000
4.30		29,000	5.00		15,000	139,000
4.30		30,000	5.00		15,000	140,000
4.30		31,000	4.10		20,000	96,000
4.30		32,000	4.25		20,000	92,000
4.30		34,000	4.40		20,000	94,000
4.30		35,000	4.60		20,000	80,000
4.30		37,000	4.75		20,000	57,000
4.30		38,000	4.90		20,000	58,000
4.30		40,000	5.00		20,000	60,000
4.30		42,000	5.00		20,000	62,000
4.30		43,000			-	43,000
4.30		45,000			-	45,000
		<u>\$ 489,000</u>			<u>\$ 220,000</u>	<u>1,244,000</u>

City of Dallas Center



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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 Dallas Center, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2007. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted 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 Dallas Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Dallas Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is 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 certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

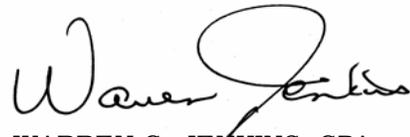
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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 Dallas Center and other parties to whom the City of Dallas Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 19, 2007

City of Dallas Center
Schedule of Findings
Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the City:

- (1) Investments--investing, recording and custody.
- (2) Receipts--collecting, depositing, journalizing and posting.

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.

Conclusion – Response accepted.

- (B) Information Systems – The City does not have a written disaster recovery plan.

Recommendation – The City should develop a written disaster recovery plan and maintain the plan off site.

Response – The Safety Committee will include the City Hall in the City's disaster recovery plan.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Dallas Center

Schedule of Findings

Year ended June 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public works, 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 budget will be amended in accordance with Chapter 384.18 of the Code of Iowa.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Whimsical	Flowers	\$ 45
Country Charm	Flowers	61

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved closed scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation

Response – The expenditures in question were for funeral flowers for a deceased council member and father of our City Attorney. Going forward, the City will document the public purpose of such disbursements before approval.

Conclusion – Response accepted.

- (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.

City of Dallas Center

Schedule of Findings

Year ended June 30, 2006

- (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 insure the coverage is adequate for current operations.
- (6) Council minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

However, some minutes of Council meetings do not provide information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.

Recommendation – The minutes of Council meetings should indicate information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa

Response – In the event of a split vote, the minutes will reflect each council member's vote as required by Chapter 21.3 of the Code of Iowa.

Conclusion – Response accepted.

- (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) Payment of General Obligation Bonds – Principal and interest on one of the general obligation bonds was paid from the Road Use Tax Fund. Chapter 384.4 of the Code of Iowa states, in part "Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the Debt Service Fund."

Recommendation – In the future, the City should transfer from the Special Revenue, Road Use Tax Fund to the Debt Service Fund. Payments of the principal and interest on bonds should then be disbursed from the Debt Service Fund.

Response – Principal and interest on general obligation bonds will be paid from the Debt Service Fund as Chapter 384.4 of the Code of Iowa states.

Conclusion – Response accepted.

- (9) Sewer Revenue Capital Loan Notes – The balance in the sewer revenue note reserve account was insufficient to meet the requirements of the sewer revenue note resolution.

Recommendation – The City should review the sewer revenue note resolution requirements and make the necessary transfer to the sewer revenue note reserve account to meet the minimum reserve requirement.

Response – The City will review bond requirements and make transfers as necessary.

Conclusion – Response accepted.

City of Dallas Center

Schedule of Findings

Year ended June 30, 2006

- (10) Road Use Tax Funds – Chapter 312.6 of the Code of Iowa states “Funds received by municipal corporations from the road use tax fund shall be used for any purpose relating to the construction, maintenance and supervision of the public roads.” The City transferred \$18,000 to various equipment replacement accounts which are also funded with General Fund and Water Fund monies. The City did not track the replacement accounts into which the Road Use Tax funds were transferred. As a result, the City is unable to identify equipment purchased with Road Use Tax funds were used for purposes in accordance with the Code of Iowa

Recommendation – The City should establish procedures to ensure Road Use Tax funds are used in accordance with the Code of Iowa.

Response – As Road Use Tax funds are transferred to equipment replacement accounts, they will be placed in designated accounts restricted to eligible road use tax purposes. The funds transferred in FY06 will be reviewed and placed in eligible Road Use Tax purpose accounts.

Conclusion – Response accepted.

- (11) Interest on Investments – Interest on investments and savings accounts has been credited to various funds within the City. Chapter 12C.7(2) of the Code of Iowa states that interest earned “shall be credited to the general fund of the governmental body making the investment, or deposit, with the exception of specific funds for which investments are otherwise provided by law.”

Recommendation – The City should credit interest earned to the General Fund, except for those funds for which an exception is provided by law.

Response – The City will credit interest earned to the General Fund, except for those funds for which an exception is provided by law.

Conclusion – Response accepted.

City of Dallas Center

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Jeffrey L. Lenhart, Staff Auditor
Matthew R. Ritchey, 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