



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE April 2, 2008

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

The City's revenues totaled \$5,454,333 for the year ended June 30, 2007, a 14.8 percent increase over the prior year. Revenues included \$1,336,669 in property tax, \$339,685 from tax increment financing, \$1,480,259 from charges for service, \$368,335 from operating grants, contributions and restricted interest, \$1,092,753 from capital grants, contributions and restricted interest, \$490,553 from local option sales tax, \$85,560 from unrestricted investment earnings and \$260,519 from other general revenues.

Expenses for City operations totaled \$3,885,140, a 9% increase over the previous year. Expenses included \$805,255 for public safety, \$756,687 for culture and recreation and \$571,370 for public works. Expenses for business type activities totaled \$1,235,896.

The significant increase in revenues is due primarily to capital grants and contributions received by the City in the current year from Vision Iowa and contributions from developers. No similar or significant capital contributions were received during fiscal year 2006.

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

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**CITY OF DYERSVILLE**

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

**JUNE 30, 2007**

# CITY OF DYERSVILLE, IOWA

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**CITY OF DYERSVILLE, IOWA**  
**OFFICIALS**  
**JUNE 30, 2007**

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
James Heavens	Mayor	Jan 2008
Michael English	Council Member	Jan 2008
Ray Sauser	Council Member	Jan 2008
Dan Willenborg	Council Member	Jan 2010
Robert Platz	Council Member	Jan 2010
Molly Evers	Council Member	Jan 2010
Mick Michel	City Administrator	Appointed
Tricia Maiers	City Clerk/Treasurer	Appointed
Marc Casey	City Attorney	Appointed
William Blum	Assistant City Attorney	Appointed

# **City of Dyersville**



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David A. Vaudt, CPA  
Auditor of State

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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 Dyersville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Dyersville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2008 on our consideration of the City of Dyersville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 52 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dyersville's basic financial statements. 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the four years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The report of the other auditors stated the supplementary information for the four years ended June 30, 2005, was subjected to the auditing procedures applied in their audits of the financial statements and, in their opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 18, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Dyersville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

Revenues of the City's governmental activities increased 0.3%, or approximately \$13,000, from fiscal 2006 to fiscal 2007. Capital grants, contributions and restricted interest and tax increment financing decreased approximately \$20,000 and \$70,000, respectively.

Program expenses of the City's governmental activities increased 10%, or approximately \$247,000, in fiscal 2007 from fiscal 2006. Public safety, public works, culture and recreation, general government and interest on long-term debt increased approximately \$99,000, \$103,000, \$15,000, \$32,000 and \$600, respectively. Health and social services and community and economic development decreased approximately \$500 and \$3,200, respectively.

The City's net assets increased 14%, or approximately \$1,569,000, from June 30, 2006 to June 30, 2007. Of this amount, the net assets of the governmental activities increased approximately \$1,273,000 and the net assets of the business-type activities increased approximately \$296,000.

### **USING THIS ANNUAL REPORT**

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

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

Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City of Dyersville as a whole and present an overall view of the City's finances.

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

Notes to 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.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

### Net Assets at Year-end

	Government Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 4,269,631	\$ 3,837,709	\$ (381,396)	\$ (243,667)	\$ 3,888,235	\$ 3,594,042
Capital assets	7,446,173	7,051,091	8,116,899	7,757,795	15,563,072	14,808,886
Total assets	11,715,804	10,888,800	7,735,503	7,514,128	19,451,307	18,402,928
Long-term liabilities	1,773,759	2,092,316	2,716,495	2,784,562	4,490,254	4,876,878
Other liabilities	1,801,124	1,928,394	111,598	118,518	1,912,722	2,046,912
Total liabilities	3,574,883	4,020,710	2,828,093	2,903,080	6,402,976	6,923,790
Net assets:						
Invested in capital assets, net of related debt	5,807,630	5,041,074	5,425,733	4,991,179	11,233,363	10,032,253
Restricted	1,784,876	3,098,707	-	-	1,784,876	3,098,707
Unrestricted	548,415	(1,271,691)	(518,323)	(380,131)	30,092	(1,651,822)
Total net assets	\$ 8,140,921	\$ 6,868,090	\$ 4,907,410	\$ 4,611,048	\$ 13,048,331	\$ 11,479,138

Net assets of governmental and business type activities increased from FY06 approximately \$1,273,000, or 19%, and \$296,000, or 6%, respectively. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$30,000 at the end of this year.

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

	Government Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for service	\$ 219,898	\$ 219,832	\$ 1,260,361	\$ 984,011	\$ 1,480,259	\$ 1,203,843
Operating grants, contributions and restricted interest	368,335	378,277	-	-	368,335	378,277
Capital grants, contributions and restricted interest	588,121	608,535	504,632	90,300	1,092,753	698,835
General revenues:						
Property tax levied for:						
General purposes	1,055,845	1,059,523	-	-	1,055,845	1,059,523
Debt service	280,824	286,071	-	-	280,824	286,071
Tax increment financing	339,685	410,153	-	-	339,685	410,153
Local option sales tax	490,553	459,692	-	-	490,553	459,692
Hotel/motel tax	85,560	62,988	-	-	85,560	62,988
Unrestricted investment earnings	77,000	51,499	-	-	77,000	51,499
Miscellaneous	176,187	131,980	7,332	6,965	183,519	138,945
Total revenues	<u>3,682,008</u>	<u>3,668,550</u>	<u>1,772,325</u>	<u>1,081,276</u>	<u>5,454,333</u>	<u>4,749,826</u>
Program expenses:						
Public safety	805,255	706,005	-	-	805,255	706,005
Public works	571,370	468,146	-	-	571,370	468,146
Health and social services	800	1,300	-	-	800	1,300
Culture and recreation	756,687	741,982	-	-	756,687	741,982
Community and economic development	16,788	19,963	-	-	16,788	19,963
General government	406,132	373,710	-	-	406,132	373,710
Interest on long-term debt	92,212	91,620	-	-	92,212	91,620
Water utility	-	-	482,874	427,272	482,874	427,272
Sewage disposal works	-	-	588,121	568,075	588,121	568,075
Solid waste	-	-	164,901	164,177	164,901	164,177
Total expenses	<u>2,649,244</u>	<u>2,402,726</u>	<u>1,235,896</u>	<u>1,159,524</u>	<u>3,885,140</u>	<u>3,562,250</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	1,032,764	1,265,824	536,429	(78,248)	1,569,193	1,187,576
Transfers	240,067	-	(240,067)	-	-	-
Change in net assets	1,272,831	1,265,824	296,362	(78,248)	1,569,193	1,187,576
Net assets beginning of year	6,868,090	5,602,266	4,611,048	4,689,296	11,479,138	10,291,562
Net assets end of year	<u>\$ 8,140,921</u>	<u>\$ 6,868,090</u>	<u>\$ 4,907,410</u>	<u>\$ 4,611,048</u>	<u>\$ 13,048,331</u>	<u>\$ 11,479,138</u>

The City increased property tax rates for general purposes and debt service for fiscal 2007 approximately 0.2%. This decreased the City's property tax revenue by approximately \$9,000 in fiscal year 2007. Revenues from capital grants and contributions increased approximately \$394,000 due to contributions from developers.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

### *Governmental Fund Highlights*

As the City of Dyersville completed the year, its governmental funds reported a combined fund balance of \$2,208,597, which is more than the \$1,905,675 total fund balance at June 30, 2006. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

General Fund revenues and expenditures decreased 10% and 5%, respectively, when compared to the prior year. The General Fund showed a decrease of \$211,381 from the prior year to a \$724,438 balance compared to the prior year ending fund balance of \$935,819.

The Road Use Tax Fund is used to account for state revenues allocated to the City for maintenance and improvement of City streets. This fund ended fiscal 2007 with a \$238,575 balance compared to the prior year ending fund balance of \$709,862. Expenditures increased from the prior year, primarily due to moving certain public works expenditures from the General Fund to the Road Use Tax Fund.

The Dyersville Economic Development TIF Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2007 with a \$613,781 balance compared to the prior year ending fund balance of \$549,370.

The Local Option Sales Tax Fund is used to account for revenues from the local sales and service tax in the amount of one percent and used to pay for twenty-five percent for property relief and seventy-five percent to reduce future borrowing. This fund ended fiscal 2007 with a \$690,868 balance compared to the prior year ending fund balance of \$1,613,231. Transfers out increased from the prior year, primarily due to transfers to the Capital Projects, Capital Improvements Fund to reduce future borrowings for capital improvements.

The Capital Improvements Fund is used to account for the resources and costs related to infrastructure and building construction and major improvements. This fund ended fiscal 2007 with a \$(245,933) deficit balance compared to the prior year ending deficit balance of \$(2,146,822). The fiscal year 2007 deficit is a result of project costs exceeding available funds. The deficit will be eliminated through future transfers from other funds. Also, transfers in increased, primarily due to transfers from the Local Option Sales Tax Fund.

### *Proprietary Fund Highlights*

The Water Utility Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2007 with a \$2,552,443 net asset balance compared to the prior year ending net asset balance of \$2,362,679. The increase is primarily due to an increase in capital contributions from developers.

The Sewage Disposal Works Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2007 with a \$2,281,535 net asset balance compared to the prior year ending net asset balance of \$2,098,740. The increase is primarily due to an increase in capital contributions from developers.

### *Budgetary Highlights*

Over the course of the year, the City of Dyersville amended its budget two times. The amendments were done on March 5, 2007 and May 21, 2007. The amendments were needed to adjust receipts and disbursements.

On March 5, 2007, budgeted receipts were decreased in the special assessments source as a result of a pending law suit with a local contractor. Furthermore, budgeted disbursements were increased within the public safety, public works, culture and recreation and capital projects functions to add open items from fiscal year 2006 to fiscal year 2007 and budgeted disbursements were decreased within the general government function.

On May 21, 2007, budgeted receipts were increased in the use of money and property, charges for service and miscellaneous sources. Furthermore, budgeted disbursements were increased within Police Department as result of additional capital outlay, within emergency management as a result of additional capital outlay, within the public works function for additional snow removal, library services as a result of additional capital outlay, community center for additional repairs, general government for additional engineering services, CDBG Fund for flood buyouts, and Capital Projects Fund for property purchase and additional TIF rebates and debt. Even with the amendments, the City exceeded its budgetary amounts in the public safety, general government and business-type activities functions for the year ended June 30, 2007.

There were no significant differences between the final budget and actual for receipts and disbursements.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### *Capital Assets*

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$7,446,173 (net of accumulated depreciation) at June 30, 2007. Capital assets for business-type activities totaled \$8,116,899 (net of accumulated depreciation) at June 30, 2007. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included vehicles and equipment and infrastructure.

For business-type activities, major additions included the purchase of a truck, equipment and donated water and sewer improvements.

#### *Long-Term Debt*

At June 30, 2007, the City had \$1,678,543 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$2,694,086 at June 30, 2007. The long term debt includes a capital lease purchase agreement for four trucks totaling \$236,550 with a remaining balance of \$175,629 at June 30, 2007, of which a portion is recorded in governmental activities and a portion is recorded in business-type activities.

The City does not have a general obligation bond rating assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$12 million. Other obligations include accrued vacation pay and sick leave. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE**

Several economic factors affected decisions made by the City in setting its fiscal 2008 budget. The City of Dyersville will experience a significant drop in General Fund and Enterprise Fund revenues from fiscal 2007 to fiscal 2008. The major factors for fiscal year 2008 that will play a role in this change are uncontrollable factors — reduction in intergovernmental revenue and increase in operational costs, such as energy and insurance prices.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index (CPI) increase. The National CPI increase was 2.8% for 2007. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in energy prices in 2006-2007.

The General Fund is projected to end fiscal 2008 with a decrease in fund balance of approximately \$121,000 from fiscal 2007.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2008 are provided below:

General levy	\$ 8.07033
Debt Service levy	\$ 1.79067
Total	\$ 9.86100

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## **City of Dyersville**

## **BASIC FINANCIAL STATEMENTS**

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled cash investments	\$ 1,458,132	\$ 45,364	\$ 1,503,496
Receivables:			
Property tax:			
Delinquent	20,860	-	20,860
Succeeding year	1,651,250	-	1,651,250
Accounts	2,882	194,706	197,588
Special assessments	227,942	-	227,942
Accrued interest	4,375	-	4,375
Due from other governments	186,227	-	186,227
Internal balances	714,545	(714,545)	-
Inventories	-	34,782	34,782
Prepaid expenses	-	13,728	13,728
Restricted assets:			
Cash and pooled cash investments	-	22,617	22,617
Deferred charges	3,418	21,952	25,370
Capital assets:			
Land	1,321,480	140,280	1,461,760
Buildings	3,466,182	-	3,466,182
Improvements other than buildings	278,640	-	278,640
Machinery and equipment	1,627,272	472,969	2,100,241
Infrastructure	2,628,937	10,463,835	13,092,772
Accumulated depreciation	(1,876,338)	(2,960,185)	(4,836,523)
Total Assets	<u>11,715,804</u>	<u>7,735,503</u>	<u>19,451,307</u>

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	\$ 87,467	\$ 52,981	\$ 140,448
Accrued interest payable	5,727	8,181	13,908
Salaries and benefits payable	28,080	15,891	43,971
Unearned revenue:			
Succeeding year property tax	1,651,250	-	1,651,250
Other	28,600	17,891	46,491
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	19,593	19,593
Capital lease purchase agreement	7,234	14,468	21,702
Notes payable	75,000	-	75,000
General obligation bonds payable	232,000	13,000	245,000
Revenue bonds payable	-	129,000	129,000
Compensated absences	95,216	22,409	117,625
Portion due or payable after one year:			
Capital lease purchase agreement	51,309	102,618	153,927
Notes payable	415,000	-	415,000
General obligation bonds payable	898,000	24,061	922,061
Revenue bonds payable	-	2,408,000	2,408,000
Total Liabilities	<u>3,574,883</u>	<u>2,828,093</u>	<u>6,402,976</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,807,630	5,425,733	11,233,363
Restricted for:			
Local option sales tax	690,868	-	690,868
Roads	238,575	-	238,575
Economic development	613,781	-	613,781
Library	53,668	-	53,668
Debt service	129,744	-	129,744
Other purposes	58,240	-	58,240
Unrestricted	<u>548,415</u>	<u>(518,323)</u>	<u>30,092</u>
Total Net Assets	<u>\$ 8,140,921</u>	<u>\$ 4,907,410</u>	<u>\$ 13,048,331</u>

See notes to financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Charges for Service	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 805,255	\$ 22,105	\$ 7,525	\$ -
Public works	571,370	-	337,616	588,121
Health and social services	800	-	-	-
Culture and recreation	756,687	197,793	23,194	-
Community and economic development	16,788	-	-	-
General government	406,132	-	-	-
Interest on long-term debt	92,212	-	-	-
Total governmental activities	<u>2,649,244</u>	<u>219,898</u>	<u>368,335</u>	<u>588,121</u>
Business-type activities:				
Water utility	482,874	537,681	-	309,816
Sewage disposal works	588,121	533,976	-	194,816
Solid waste	164,901	188,704	-	-
Total business-type activities	<u>1,235,896</u>	<u>1,260,361</u>	<u>-</u>	<u>504,632</u>
Total	<u>\$ 3,885,140</u>	<u>\$ 1,480,259</u>	<u>\$ 368,335</u>	<u>\$ 1,092,753</u>

General revenues:

Property tax and other City tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Hotel/motel tax

Unrestricted investment earnings

Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

See notes to financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (775,625)	\$ -	\$ (775,625)
354,367	-	354,367
(800)	-	(800)
(535,700)	-	(535,700)
(16,788)	-	(16,788)
(406,132)	-	(406,132)
(92,212)	-	(92,212)
<u>(1,472,890)</u>	<u>-</u>	<u>(1,472,890)</u>
-	364,623	364,623
-	140,671	140,671
-	<u>23,803</u>	<u>23,803</u>
-	<u>529,097</u>	<u>529,097</u>
<u>(1,472,890)</u>	<u>529,097</u>	<u>(943,793)</u>
1,055,845	-	1,055,845
280,824	-	280,824
339,685	-	339,685
490,553	-	490,553
85,560	-	85,560
77,000	-	77,000
176,187	7,332	183,519
<u>240,067</u>	<u>(240,067)</u>	<u>-</u>
<u>2,745,721</u>	<u>(232,735)</u>	<u>2,512,986</u>
1,272,831	296,362	1,569,193
<u>6,868,090</u>	<u>4,611,048</u>	<u>11,479,138</u>
<u>\$ 8,140,921</u>	<u>\$ 4,907,410</u>	<u>\$ 13,048,331</u>

**CITY OF DYERSVILLE, IOWA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

		<u>Special Revenue</u>	
		Road Use	Dyersville Economic Development TIF
	<u>General</u>	<u>Tax</u>	
<b>ASSETS</b>			
Cash and pooled cash investments	\$ -	\$ 228,486	\$ 778,871
Receivables:			
Property tax:			
Delinquent	13,756	-	3,777
Succeeding year	1,127,246	-	257,401
Accounts	2,882	-	-
Special assessments	-	-	-
Accrued interest	2,248	-	424
Due from other governments	23,987	27,628	-
Due from other funds	784,572	-	-
Total Assets	<u>\$ 1,954,691</u>	<u>\$ 256,114</u>	<u>\$ 1,040,473</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 71,663	\$ 15,324	\$ -
Salaries and benefits payable	25,865	2,215	-
Deferred revenue:			
Succeeding year property tax	1,127,246	-	257,401
Other	5,479	-	-
Due to other funds	-	-	169,291
Total Liabilities	<u>1,230,253</u>	<u>17,539</u>	<u>426,692</u>
<b>FUND BALANCES</b>			
Reserved for debt service	-	-	-
Unreserved, reported in:			
General fund:			
Designated for Library capital expenditures	202,792	-	-
Undesignated	521,646	-	-
Special revenue funds:			
Designated for Library	-	-	-
Undesignated	-	238,575	613,781
Capital projects funds:			
Undesignated	-	-	-
Total Fund Balances	<u>724,438</u>	<u>238,575</u>	<u>613,781</u>
Total Liabilities and Fund Balances	<u>\$ 1,954,691</u>	<u>\$ 256,114</u>	<u>\$ 1,040,473</u>

See notes to financial statements.

Local Option Sales Tax	Capital Projects		Total
	Capital Improvements	Nonmajor	
\$ 208,719	\$ -	\$ 242,056	\$ 1,458,132
-	-	3,327	20,860
-	-	266,603	1,651,250
-	-	-	2,882
-	227,942	-	227,942
1,692	11	-	4,375
79,170	-	55,442	186,227
<u>401,287</u>	<u>-</u>	<u>-</u>	<u>1,185,859</u>
<u>\$ 690,868</u>	<u>\$ 227,953</u>	<u>\$ 567,428</u>	<u>\$ 4,737,527</u>
\$ -	\$ 358	\$ 122	\$ 87,467
-	-	-	28,080
-	-	266,603	1,651,250
-	228,599	56,741	290,819
-	<u>244,929</u>	<u>57,094</u>	<u>471,314</u>
-	<u>473,886</u>	<u>380,560</u>	<u>2,528,930</u>
-	-	132,054	132,054
-	-	-	202,792
-	-	-	521,646
-	-	53,668	53,668
690,868	-	(57,094)	1,486,130
-	<u>(245,933)</u>	<u>58,240</u>	<u>(187,693)</u>
<u>690,868</u>	<u>(245,933)</u>	<u>54,814</u>	<u>2,076,543</u>
<u>\$ 690,868</u>	<u>\$ 227,953</u>	<u>\$ 435,374</u>	<u>\$ 4,605,473</u>

## **City of Dyersville**

**CITY OF DYERSVILLE, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

**Exhibit D**

Total fund balances - governmental funds (page 21) \$ 2,208,597

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

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

Cost of capital assets	\$ 9,322,511	
Accumulated depreciation	<u>(1,876,338)</u>	7,446,173

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

Property tax	6,777	
Other	<u>255,442</u>	262,219

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

General obligation bonds	(1,130,000)	
Capital lease purchase agreement	(58,543)	
Deferred charges on bonds	3,418	
Notes payable	(490,000)	
Accrued interest	(5,727)	
Compensated absences	<u>(95,216)</u>	<u>(1,776,068)</u>

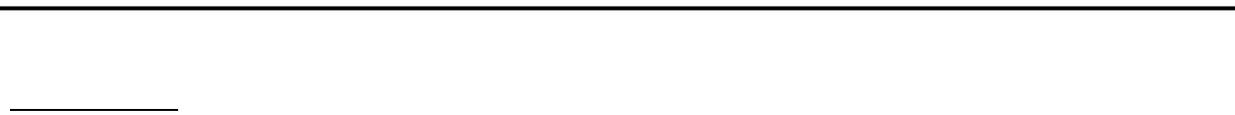
Net assets of governmental activities (page 17) \$ 8,140,921

See notes to financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES (DEFICIT) – GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	General	Special Revenue	
		Road Use Tax	Dyersville Economic Development TIF
<b>REVENUES</b>			
Property tax	\$ 1,054,111	\$ -	\$ -
Tax increment financing	-	-	339,685
Other city tax	140,099	-	-
Licenses and permits	16,604	-	-
Use of money and property	70,962	-	8,161
Intergovernmental	30,719	337,616	-
Charges for service	245,180	-	-
Special assessments	-	-	-
Miscellaneous	56,003	-	-
Total Revenues	<u>1,613,678</u>	<u>337,616</u>	<u>347,846</u>
<b>EXPENDITURES</b>			
Operating:			
Public safety	793,302	42,315	-
Public works	157,515	285,705	-
Health and social services	800	-	-
Culture and recreation	688,198	-	-
Community and economic development	5,088	-	11,702
General government	326,609	-	-
Debt service	-	-	172,469
Capital projects	-	43,983	-
Total Expenditures	<u>1,971,512</u>	<u>372,003</u>	<u>184,171</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>			
OVER (UNDER) EXPENDITURES	<u>(357,834)</u>	<u>(34,387)</u>	<u>163,675</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital lease purchase agreement proceeds	34,490	-	-
Transfers in	104,113	-	-
Transfers out	-	(436,900)	(99,264)
Sale of capital assets	7,850	-	-
Total Other Financing Sources (Uses)	<u>146,453</u>	<u>(436,900)</u>	<u>(99,264)</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	(211,381)	(471,287)	64,411
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>935,819</u>	<u>709,862</u>	<u>549,370</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 724,438</u>	<u>\$ 238,575</u>	<u>\$ 613,781</u>

See notes to financial statements.



Local Option Sales Tax	Capital Projects		Total
	Capital Improvements	Nonmajor	
\$ -	\$ -	\$ 280,824	\$ 1,334,935
-	-	-	339,685
488,273	-	5,240	633,612
-	-	-	16,604
8,833	4,516	438	92,910
-	-	-	368,335
-	-	4,891	250,071
-	7,605	-	7,605
-	-	-	56,003
<u>497,106</u>	<u>12,121</u>	<u>291,393</u>	<u>3,099,760</u>
-	-	60,167	895,784
-	-	-	443,220
-	-	-	800
-	-	7,237	695,435
-	-	-	16,790
-	-	-	326,609
-	-	281,336	453,805
-	202,819	-	246,802
-	202,819	348,740	3,079,245
<u>497,106</u>	<u>(190,698)</u>	<u>(57,347)</u>	<u>20,515</u>
-	-	-	34,490
-	2,091,587	-	2,195,700
(1,419,469)	-	-	(1,955,633)
-	-	-	7,850
<u>(1,419,469)</u>	<u>2,091,587</u>	<u>-</u>	<u>282,407</u>
(922,363)	1,900,889	(57,347)	302,922
<u>1,613,231</u>	<u>(2,146,822)</u>	<u>244,215</u>	<u>1,905,675</u>
<u>\$ 690,868</u>	<u>\$ (245,933)</u>	<u>\$ 186,868</u>	<u>\$ 2,208,597</u>

## **City of Dyersville**

**CITY OF DYERSVILLE, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2007**

**Exhibit F**

Net change in fund balances - total governmental funds (page 25) \$ 302,922

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

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

Capital assets expended in governmental funds	\$ 385,274	
Capital assets contributed by developers	325,074	
Depreciation expense	<u>(297,656)</u>	412,692

The net effect of various miscellaneous transactions involving capital assets  
(i.e., sales, trade-ins, and donations) is to increase net assets. (17,610)

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

Property tax	1,734	
Other	<u>255,442</u>	257,176

Proceeds from issuing long-term liabilities provide current financial resources  
to governmental funds, but issuing debt increases long-term liabilities in the  
Statement of Net Assets. Repayment of long-term liabilities is an expenditure  
in the governmental funds, but the repayment reduces long-term liabilities  
in the statement of net assets. Also, governmental funds report the effect of  
issuance cost, premiums, discounts and similar items when debt is first  
issued, whereas these amounts are deferred and amortized in the Statement  
of Activities. The effect of these items is as follows:

Issued	(34,490)	
Issuance costs, net of current year amortization	(1,707)	
Repaid	<u>365,964</u>	329,767

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

Compensated absences	(12,917)	
Interest on long-term debt	<u>801</u>	<u>(12,116)</u>

Change in net assets of governmental activities (page 19) \$ 1,272,831

See notes to financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2007**

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
<b>ASSETS</b>				
CURRENT ASSETS				
Cash and pooled cash investments	\$ 24,164	\$ -	\$ 21,200	\$ 45,364
Accounts receivable	77,656	93,220	23,830	194,706
Inventories	34,782	-	-	34,782
Due from other funds	9,047	70,027	-	79,074
Prepaid items	7,376	6,352	-	13,728
Total Current Assets	<u>153,025</u>	<u>169,599</u>	<u>45,030</u>	<u>367,654</u>
NONCURRENT ASSETS				
Restricted assets - cash and pooled cash investments	<u>22,617</u>	<u>-</u>	<u>-</u>	<u>22,617</u>
Deferred charges	<u>5,233</u>	<u>16,719</u>	<u>-</u>	<u>21,952</u>
Capital assets:				
Land	65,750	74,530	-	140,280
Machinery and equipment	192,464	175,832	59,365	427,661
Meters	45,308	-	-	45,308
Wells	452,835	-	-	452,835
Distribution system	3,990,876	-	-	3,990,876
Sewer system	-	6,020,124	-	6,020,124
Accumulated depreciation	<u>(1,539,622)</u>	<u>(1,391,435)</u>	<u>(29,128)</u>	<u>(2,960,185)</u>
Net Capital Assets	<u>3,207,611</u>	<u>4,879,051</u>	<u>30,237</u>	<u>8,116,899</u>
Total Noncurrent Assets	<u>3,235,461</u>	<u>4,895,770</u>	<u>30,237</u>	<u>8,161,468</u>
Total Assets	<u>3,388,486</u>	<u>5,065,369</u>	<u>75,267</u>	<u>8,529,122</u>

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water	Sewage	Solid	Total
	Utility	Disposal Works	Waste	
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 40,424	\$ 12,057	\$ 500	\$ 52,981
Accrued interest payable	1,844	6,337	-	8,181
Salaries and benefits payable	7,413	8,080	398	15,891
Unearned revenue	17,891	-	-	17,891
Due to other funds	-	793,619	-	793,619
Capital lease purchase agreement	7,234	7,234	-	14,468
General obligation bonds payable	-	13,000	-	13,000
Revenue bonds payable	37,000	92,000	-	129,000
Compensated absences	9,335	12,137	937	22,409
Total Current Liabilities	<u>121,141</u>	<u>944,464</u>	<u>1,835</u>	<u>1,067,440</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>				
Customer deposits payable	<u>19,593</u>	<u>-</u>	<u>-</u>	<u>19,593</u>
<b>NONCURRENT LIABILITIES</b>				
Capital lease purchase agreement	51,309	51,309	-	102,618
General obligation bonds payable (net of unamortized discounts)	-	24,061	-	24,061
Revenue bonds payable	<u>644,000</u>	<u>1,764,000</u>	<u>-</u>	<u>2,408,000</u>
Total Noncurrent Liabilities	<u>695,309</u>	<u>1,839,370</u>	<u>-</u>	<u>2,534,679</u>
Total Liabilities	<u>836,043</u>	<u>2,783,834</u>	<u>1,835</u>	<u>3,621,712</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,468,069	2,927,427	30,237	5,425,733
Unrestricted	<u>84,374</u>	<u>(645,892)</u>	<u>43,195</u>	<u>(518,323)</u>
Total Net Assets	<u>\$ 2,552,443</u>	<u>\$ 2,281,535</u>	<u>\$ 73,432</u>	<u>\$ 4,907,410</u>

See notes to financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**FUND NET ASSETS - PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2007**

**Exhibit H**

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
<b>OPERATING REVENUES</b>				
Charges for sales and services	\$ 537,681	\$ 533,976	\$ 188,704	\$ 1,260,361
Other	5,197	2,135	-	7,332
Total Operating Revenues	542,878	536,111	188,704	1,267,693
<b>OPERATING EXPENSES</b>				
Employee expense	96,423	103,266	8,928	208,617
Utilities	39,868	39,099	-	78,967
Repair and maintenance	127,517	123,812	-	251,329
Supplies and services	80,229	91,661	145,767	317,657
Insurance	9,809	8,674	-	18,483
Depreciation	103,876	138,688	10,206	252,770
Total Operating Expenses	457,722	505,200	164,901	1,127,823
OPERATING INCOME	85,156	30,911	23,803	139,870
<b>NONOPERATING EXPENSES</b>				
Interest expense	(24,629)	(80,203)	-	(104,832)
Bond issuance cost	(523)	(979)	-	(1,502)
Loss on disposal of assets	-	(1,739)	-	(1,739)
Total Nonoperating Expenses	(25,152)	(82,921)	-	(108,073)
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>				
	60,004	(52,010)	23,803	31,797
Capital contributions	309,816	194,816	-	504,632
Transfers in	-	100,000	-	100,000
Transfers out	(180,056)	(60,011)	(100,000)	(340,067)
CHANGE IN NET ASSETS	189,764	182,795	(76,197)	296,362
NET ASSETS, BEGINNING OF YEAR	2,362,679	2,098,740	149,629	4,611,048
NET ASSETS, END OF YEAR	\$ 2,552,443	\$ 2,281,535	\$ 73,432	\$ 4,907,410

See notes to financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2007**

**Exhibit I**

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 522,215	\$ 512,989	\$ 188,301	\$ 1,223,505
Cash payments to suppliers for goods and services	(257,134)	(279,042)	(147,214)	(683,390)
Cash payments to employees for services	(92,198)	(97,561)	(8,533)	(198,292)
Other operating receipts	5,197	2,135	-	7,332
NET CASH PROVIDED BY OPERATING ACTIVITIES	178,080	138,521	32,554	349,155
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (to) from other funds	(180,056)	71,733	(100,000)	(208,323)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(49,489)	(59,490)	-	(108,979)
Proceeds from issuance of debt	34,490	34,490	-	68,980
Payment of debt principal	(39,465)	(104,985)	-	(144,450)
Interest paid	(24,681)	(80,269)	-	(104,950)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(79,145)	(210,254)	-	(289,399)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(81,121)	-	(67,446)	(148,567)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	127,902	-	88,646	216,548
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 46,781	\$ -	\$ 21,200	\$ 67,981

(continued)

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2007**

**Exhibit I**  
**(continued)**

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 85,156	\$ 30,911	\$ 23,803	\$ 139,870
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	103,876	138,688	10,206	252,770
Change in assets and liabilities:				
(Increase) in accounts receivable	(3,574)	(20,987)	(403)	(24,964)
(Increase) decrease in inventories and prepaid items	(10,502)	213	-	(10,289)
(Increase) in due from other funds	(9,047)	-	-	(9,047)
Increase (decrease) in accounts payable	19,838	(16,009)	(1,447)	2,382
Decrease in unearned revenue	(9,153)	-	-	(9,153)
Increase in accrued liabilities	1,486	5,705	395	7,586
Total adjustments	92,924	107,610	8,751	209,285
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 178,080	\$ 138,521	\$ 32,554	\$ 349,155
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets</b>				
Current assets:				
Cash and pooled investments	\$ 24,164	\$ -	\$ 21,200	\$ 45,364
Restricted assets:				
Cash and pooled investments	22,617	-	-	22,617
Cash and cash equivalents at year end	\$ 46,781	\$ -	\$ 21,200	\$ 67,981
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions of capital assets from outside sources	\$ 309,816	\$ 194,816	\$ -	\$ 504,632

See notes to financial statements.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Dyersville, Iowa, is a political subdivision of the State of Iowa located in Dubuque and Delaware counties. It was first incorporated in 1872 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also operates and provides water, sewer, and sanitation utilities.

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

*Reporting Entity*

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

*Jointly Governed Organization*

The City also participates in a jointly governed organization that provides goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following board: Bi-County Ambulance.

*Basis of Presentation*

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

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

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

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

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

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

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

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

The City reports the following major governmental funds:

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

**Special Revenue Funds** –

The Road Use Tax Fund is used to account for state revenues allocated to the City for the maintenance and improvement of City streets.

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

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

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

The City reports the following major proprietary funds:

**Enterprise Funds**

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

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

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*Measurement Focus and Basis of Accounting*

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

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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*Assets, Liabilities, and Fund Equity*

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2007, and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005, assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007, and reflects tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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

Due from and Due to Other Funds - During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 2003 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 – 50
Building improvements	20 – 50
Infrastructure	30 – 50
Equipment	2 – 20
Vehicles	3 – 10

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

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

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Budgets and budgetary accounting - The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public safety, general government and business-type activities functions.

**NOTE 2 - CASH AND POOLED INVESTMENTS**

*Deposits.* The City's deposits in banks at June 30, 2007, 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.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,203,595	\$ 117,885	\$ -	\$ 1,321,480
Capital assets being depreciated:				
Buildings	\$ 3,442,814	\$ 23,368	-	\$ 3,466,182
Improvements other than buildings	289,335	-	10,695	278,640
Machinery and equipment	1,473,279	225,332	71,339	1,627,272
Infrastructure	2,266,507	362,430	-	2,628,937
Total capital assets, being depreciated	<u>7,471,935</u>	<u>611,130</u>	<u>82,034</u>	<u>8,001,031</u>
Less accumulated depreciation for:				
Buildings	832,579	97,166	-	929,745
Improvements other than buildings	140,814	13,657	10,428	144,043
Machinery and equipment	592,397	132,507	35,329	689,575
Infrastructure	58,649	54,326	-	112,975
Total accumulated depreciation	<u>1,624,439</u>	<u>297,656</u>	<u>45,757</u>	<u>1,876,338</u>
Total capital assets being depreciated, net	<u>5,847,496</u>	<u>313,474</u>	<u>36,277</u>	<u>6,124,693</u>
Governmental activities capital assets, net	<u>\$ 7,051,091</u>	<u>\$ 431,359</u>	<u>\$ 36,277</u>	<u>\$ 7,446,173</u>

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 140,280	\$ -	\$ -	\$ 140,280
Construction in progress	13,362	-	13,362	-
Total capital assets not being depreciated	<u>153,642</u>	-	<u>13,362</u>	<u>140,280</u>
Capital assets being depreciated:				
Equipment and vehicles	389,527	120,345	36,903	472,969
Infrastructure, water and sewer network	<u>9,945,842</u>	<u>517,993</u>	-	<u>10,463,835</u>
Total capital assets being depreciated	<u>10,335,369</u>	<u>638,338</u>	<u>36,903</u>	<u>10,936,804</u>
Less accumulated depreciation for:				
Equipment and vehicles	178,166	41,205	23,801	195,570
Infrastructure, water and sewer network	<u>2,553,050</u>	<u>211,565</u>	-	<u>2,764,615</u>
Total accumulated depreciation	<u>2,731,216</u>	<u>252,770</u>	<u>23,801</u>	<u>2,960,185</u>
Total capital assets being depreciated, net	<u>7,604,153</u>	<u>385,568</u>	<u>13,102</u>	<u>7,976,619</u>
Business-type activities capital assets, net	<u>\$ 7,757,795</u>	<u>\$ 385,568</u>	<u>\$ 26,464</u>	<u>\$ 8,116,899</u>

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

Governmental activities:	
Public safety	\$ 60,996
Public works	40,655
Culture and recreation	116,335
General government	<u>79,670</u>
Total depreciation expense - governmental activities	<u>\$ 297,656</u>
Business-type activities:	
Water	\$ 103,876
Sewage disposal works	138,688
Solid waste	<u>10,206</u>
Total depreciation expense - business-type activities	<u>\$ 252,770</u>

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 4 – CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

<u>Governmental Activities</u>	Capital Lease Purchase Agreement	General Obligation Bonds/Notes	Compensated Absences	<u>Total</u>
Balance beginning of year	\$ 27,517	\$ 1,982,500	\$ 82,299	\$ 2,092,316
Increases	34,490	-	95,216	129,706
Decreases	<u>3,464</u>	<u>362,500</u>	<u>82,299</u>	<u>448,263</u>
Balance end of year	<u>\$ 58,543</u>	<u>\$ 1,620,000</u>	<u>\$ 95,216</u>	<u>\$ 1,773,759</u>
Due within one year	<u>\$ 7,234</u>	<u>\$ 307,000</u>	<u>\$ 95,216</u>	<u>\$ 409,450</u>

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

<u>Business-type Activities</u>	Capital Lease Purchase Agreement	Revenue Bonds	General Obligation Bonds	Compensated Absences	<u>Total</u>
Balance beginning of year	\$ 55,034	\$ 2,663,000	\$ 52,500	\$ 17,946	\$ 2,788,480
Increases	68,980	-	-	22,409	91,389
Decreases	<u>6,928</u>	<u>126,000</u>	<u>12,500</u>	<u>17,946</u>	<u>163,374</u>
Balance end of year	<u>\$ 117,086</u>	<u>\$ 2,537,000</u>	<u>\$ 40,000</u>	<u>\$ 22,409</u>	<u>\$ 2,716,495</u>
Due within one year	<u>\$ 14,468</u>	<u>\$ 129,000</u>	<u>\$ 13,000</u>	<u>\$ 22,409</u>	<u>\$ 178,877</u>

(1) Bonds were sold at discount; unamortized discount at June 30, 2007 totaled \$2,939.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Capital Lease Purchase Agreement

The City has entered into a capital lease purchase agreement to lease four trucks with historical costs of \$306,167, accumulated depreciation of \$21,783, and a net book value of \$284,384. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.160% to 5.480% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2007:

<u>Governmental Activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2008	\$ 10,199
	2009	10,199
	2010	10,199
	2011	10,199
	2012	10,199
	2013-2015	<u>19,553</u>
	Total minimum lease payments	70,548
	Less amount representing interest	<u>(12,005)</u>
	Present value of net minimum lease payments	<u>\$ 58,543</u>
<u>Business-type Activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2008	\$ 20,398
	2009	20,398
	2010	20,398
	2011	20,398
	2012	20,398
	2013-2015	<u>39,104</u>
	Total minimum lease payments	141,094
	Less amount representing interest	<u>(24,008)</u>
	Present value of net minimum lease payments	<u>\$ 117,086</u>

General obligation bonds/notes

Six issues of unmatured general obligation bonds/notes, totaling \$1,620,000, are outstanding at June 30, 2007. General obligation bonds/notes bear interest at rates ranging from 0% to 5.30% and mature in varying annual amounts, ranging from \$12,500 to \$110,000, with the final maturities due in the year ending June 30, 2015.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Details of general obligation bonds/notes payable at June 30, 2007 are as follows:

Governmental activities:						
	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
General obligation bonds:						
Fire Station	03/01/98	4.40 - 4.60%	06/01/08	\$35,000 - 40,000	\$ 325,000	\$ 40,000
Library	10/01/00	5.00 - 5.30%	06/01/15	70,000 - 110,000	1,100,000	730,000
Sewer improvement	08/01/03	1.40 - 3.10%	06/01/10	12,500-13,500	89,500	40,000
Aquatic Center	08/01/03	1.40 - 3.10%	06/01/10	100,000 - 108,000	716,000	<u>320,000</u>
Total general obligation bonds						<u>1,130,000</u>
General obligation notes:						
Fire Station	08/03/98	0%	06/01/09	20,000	200,000	40,000
Economic Development	10/01/03	2.15 - 4.00%	06/01/14	55,000 - 75,000	600,000	<u>450,000</u>
Total general obligation notes						<u>490,000</u>
Total governmental activities						<u>\$ 1,620,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 307,000	\$ 65,564	\$ 372,564
2009	276,500	55,282	331,782
2010	266,500	46,032	312,532
2011	145,000	35,915	180,915
2012	160,000	29,475	189,475
2013-2015	<u>465,000</u>	<u>84,838</u>	<u>549,838</u>
Total	<u>\$ 1,620,000</u>	<u>\$ 317,106</u>	<u>\$ 1,937,106</u>

Business-type activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
General obligation bond: Sewer improvement	08/01/03	1.40-3.10%	06/01/10	\$ 12,500-13,500	\$ 89,500	<u>\$ 40,000</u>

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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A summary of the annual general obligation bond principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 13,000	\$ 1,141	\$ 14,141
2009	13,500	803	14,303
2010	<u>13,500</u>	<u>419</u>	<u>13,919</u>
Total	40,000	<u>\$ 2,363</u>	<u>\$ 42,363</u>
Less:			
Unamortized discount	<u>(2,939)</u>		
Total	<u>\$ 37,061</u>		

Revenue bonds

Six issues of unmatured Iowa Finance Authority revenue bonds totaling \$2,537,000 are outstanding at June 30, 2007. These bonds bear interest at rates ranging from 3.00% to 3.92% per annum and mature in varying annual amounts, ranging from \$3,000 to \$61,000, with the final maturity due in the year ending June 30, 2022.

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

- 1) Sufficient monthly transfers shall be made to separate water and sewer bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- 2) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- 3) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2007, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2007 are as follows:

Business-type activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
Revenue bonds:						
Sewer improvements	08/01/01	3.92%	06/01/22	\$34,000 - 61,000	\$ 862,751	\$ 705,000
Sewer improvements	08/01/01	3.92%	06/01/22	25,000 - 44,000	627,500	513,000
Sewer improvements	08/01/01	3.92%	06/01/22	18,000 - 21,000	444,749	363,000
Sewer improvements	08/01/01	3.92%	06/01/22	13,000 - 24,000	334,000	275,000
Well improvements	08/01/01	3.92%	06/01/22	33,000 - 51,000	785,000	630,000
Well improvements	04/16/03	3.00%	06/01/22	3,000 - 4,000	64,000	<u>51,000</u>
Total revenue bonds						<u>\$ 2,537,000</u>

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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A summary of the annual revenue bond principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 129,000	\$ 98,981	\$ 227,981
2009	135,000	93,952	228,952
2010	140,000	88,688	228,688
2011	144,000	83,227	227,227
2012	149,000	77,610	226,610
2013-2017	835,000	296,266	1,131,266
2018-2022	1,005,000	120,380	1,125,380
Total	<u>\$ 2,537,000</u>	<u>\$ 859,104</u>	<u>\$ 3,396,104</u>

**NOTE 5 – INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 104,113
Capital Projects: Capital Improvement	Special Revenue: Local Option Sales Tax Road Use Tax Dyersville Economic Development TIF	1,315,356 436,900 99,264
	Enterprise: Water Utility Sewage Disposal Works	180,056 60,011
Enterprise: Sewage Disposal Works	Enterprise: Solid Waste	<u>100,000</u>
		<u>\$ 2,295,700</u>

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

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 6 – DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2007, is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: Sewage Disposal Works	\$ 784,572
Special Revenue:		
Local Option Sales Tax	Capital Projects: Capital Improvements	244,929
	Special Revenue:	
	CDBG	57,094
	Dyersville Economic Development TIF	99,264
Enterprise:	Special Revenue:	
Sewage Disposal Works	Dyersville Economic Development TIF	70,027
Enterprise:	Enterprise:	
Water Utility	Sewage Disposal Works	<u>9,047</u>
Total		<u>\$ 1,264,933</u>

Deficit cash balances were eliminated by recording an interfund receivable and payable from funds with a positive cash balance.

**NOTE 7 – 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.

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 contributions to IPERS for the three years ended June 30, 2007, 2006 and 2005 were \$58,783, \$59,402 and \$56,084, respectively, equal to the required contributions for each year.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 8 – INDUSTRIAL DEVELOPMENT REVENUE BONDS**

The City has issued a total of \$5,500,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3,568,007 is outstanding at June 30, 2007. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The bond principal and interest do not constitute liabilities of the City.

**NOTE 9 – DEFICIT BALANCES**

At June 30, 2007, funds with deficit balances were as follows:

Capital Projects:	
Capital Improvements	\$ 245,933
Special Revenue:	
CDBG	\$ 57,094

The City anticipates special assessments for the Capital Improvements Fund and grant reimbursements for the CDBG Fund.

**NOTE 10 – RISK MANAGEMENT**

The City of Dyersville is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 11 – CONSTRUCTION COMMITMENTS**

The City has entered into a contract totaling \$1,840,974 for the 1<sup>st</sup> Avenue reconstruction and downtown streetscape. As of June 30, 2007, costs of \$1,748,925 have been incurred against the contract. The balance remaining at June 30, 2007 of \$92,049 is currently being contested with the contractor.

**NOTE 12 – PROSPECTIVE ACCOUNTING CHANGES**

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

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the City for the fiscal year ending June 30, 2009. This statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City for the fiscal year ending June 30, 2010. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this statement is effective for the fiscal year ended June 30, 2006.

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the fiscal year ending June 30, 2008. This statement establishes standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also establishes standards that apply to all intra-entity transfers of assets and future revenues.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 50, *Pension Disclosures*, issued May 2007, will be effective for the fiscal year ending June 30, 2008. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

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

**NOTE 13 – OPERATING LEASE**

The City has entered into a lease agreement with the St. Francis Xavier Basilica Corporation whereby the City leases the "convent building." The primary intent of leasing the convent is to fulfill the intended activities for senior citizens. The lease expires April 30, 2008, with lease expenditures of \$10,000 for the year ended June 30, 2007.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 14 – REBATE AGREEMENTS**

The City has entered into tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental taxes paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The actual amount rebated during the year ended June 30, 2007 was \$11,700. The City has agreed to provide tax increment payments in a total amount not exceeding \$452,801.

**NOTE 15 – SUBSEQUENT EVENT**

On November 5, 2007 the City entered into an agreement with Dyersville Industries, Inc. d/b/a Dyersville Economic Development Corporation (Developer). The City agrees to make an economic development grant for \$1,100,000 to the Developer no later than June 30, 2008. The City's obligation to make the economic development grant is conditioned upon the successful issuance by the City of bonds or notes for the borrowing of the monies to fund said grant.

**NOTE 16 – PENDING LITIGATION**

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

## **City of Dyersville**

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DYERSVILLE, IOWA**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – GOVERNMENTAL**  
**FUNDS AND PROPRIETARY FUNDS AND BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2007**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Variance with Final Budget-Positive (Negative)
<b>Receipts:</b>						
Property tax	\$ 1,333,962	\$ -	\$ 1,333,962	\$ 1,335,032	\$ 1,335,032	\$ (1,070)
Tax increment financing	336,667	-	336,667	327,600	327,600	9,067
Other city tax	617,094	-	617,094	517,404	517,404	99,690
Licenses and permits	18,531	-	18,531	15,100	15,100	3,431
Use of money and property	90,450	-	90,450	45,850	48,850	41,600
Intergovernmental	367,015	-	367,015	395,750	395,750	(28,735)
Charges for service	250,550	1,226,245	1,476,795	1,465,149	1,467,149	9,646
Special assessments	12,236	-	12,236	200,000	20,000	(7,764)
Miscellaneous	54,802	7,332	62,134	99,300	112,400	(50,266)
Total receipts	<u>3,081,307</u>	<u>1,233,577</u>	<u>4,314,884</u>	<u>4,401,185</u>	<u>4,239,285</u>	<u>75,599</u>
<b>Disbursements:</b>						
Public safety	897,957	-	897,957	790,844	861,284	(36,673)
Public works	408,361	-	408,361	424,092	455,946	47,585
Health and social services	800	-	800	1,550	1,550	750
Culture and recreation	730,525	-	730,525	669,060	772,577	42,052
Community and economic development	16,788	-	16,788	16,000	37,000	20,212
General government	314,282	-	314,282	299,600	291,012	(23,270)
Debt service	453,804	-	453,804	504,115	506,115	52,311
Capital projects	251,738	-	251,738	255,000	326,216	74,478
Business-type activities	-	1,164,774	1,164,774	1,111,630	1,141,385	(23,389)
Total disbursements	<u>3,074,255</u>	<u>1,164,774</u>	<u>4,239,029</u>	<u>4,071,891</u>	<u>4,393,085</u>	<u>154,056</u>
Excess (deficiency) of receipts over (under) disbursements	7,052	68,803	75,855	329,294	(153,800)	229,655
Other financing sources, net	247,917	(240,067)	7,850	-	1,000	6,850
Balances beginning of year	<u>1,987,735</u>	<u>(545,327)</u>	<u>1,442,408</u>	<u>1,249,660</u>	<u>1,417,053</u>	<u>25,355</u>
Balances end of year	<u>\$ 2,242,704</u>	<u>\$ (716,591)</u>	<u>\$ 1,526,113</u>	<u>\$ 1,578,954</u>	<u>\$ 1,264,253</u>	<u>\$ 261,860</u>

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Budget to GAAP Reconciliation						
Revenues	\$ 3,081,307	\$ 18,453	\$ 3,099,760	\$ 1,233,577	\$ 34,116	\$ 1,267,693
Expenditures/expenses	<u>3,074,255</u>	<u>4,990</u>	<u>3,079,245</u>	<u>1,164,774</u>	<u>71,122</u>	<u>1,235,896</u>
Net	7,052	13,463	20,515	68,803	(37,006)	31,797
Other financing sources, net	247,917	34,490	282,407	(240,067)	504,632	264,565
Beginning fund balances/net assets	<u>1,987,735</u>	<u>(82,060)</u>	<u>1,905,675</u>	<u>(545,327)</u>	<u>5,156,375</u>	<u>4,611,048</u>
Ending fund balances/net assets	<u>\$ 2,242,704</u>	<u>\$ (34,107)</u>	<u>\$ 2,208,597</u>	<u>\$ (716,591)</u>	<u>\$ 5,624,001</u>	<u>\$ 4,907,410</u>

See accompanying independent auditor's report.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**YEAR ENDED JUNE 30, 2007**

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$321,194. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements in the public safety, general government and business-type activities functions exceeded the amounts budgeted.

## **OTHER SUPPLEMENTARY INFORMATION**

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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**CDBG** – This fund is used to account for the use of Community Development Block Grant funds as received from the Iowa Department of Economic Development.

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

## DEBT SERVICE

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**Debt Service** - This fund is used to account for the payment of interest and principal on the City's long-term debt.

## CAPITAL PROJECTS FUND

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

**CITY OF DYERSVILLE, IOWA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007**

**Schedule 1**

	Special Revenue			Capital Projects	
	CDBG	Library Trust	Debt Service	Capital Equipment	Total
<b>ASSETS</b>					
Cash and pooled cash investments	\$ -	\$ 53,790	\$ 130,026	\$ 58,240	\$ 242,056
Receivables:					
Property tax:					
Delinquent	-	-	3,327	-	3,327
Succeeding year	-	-	266,603	-	266,603
Due from other governments	<u>55,442</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,442</u>
 Total Assets	<u>\$ 55,442</u>	<u>\$ 53,790</u>	<u>\$ 399,956</u>	<u>\$ 58,240</u>	<u>\$ 567,428</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 122	\$ -	\$ -	\$ 122
Deferred revenue:					
Succeeding year property tax	-	-	266,603	-	266,603
Other	55,442	-	1,299	-	56,741
Due to other funds	<u>57,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,094</u>
 Total Liabilities	<u>112,536</u>	<u>122</u>	<u>267,902</u>	<u>-</u>	<u>380,560</u>
<b>FUND BALANCES</b>					
Reserved for debt service	-	-	132,054	-	132,054
Unreserved, reported in:					
Special revenue funds:					
Designated for library	-	53,668	-	-	53,668
Undesignated	(57,094)	-	-	-	(57,094)
Capital projects funds:					
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,240</u>	<u>58,240</u>
Total Fund Balances	<u>(57,094)</u>	<u>53,668</u>	<u>132,054</u>	<u>58,240</u>	<u>186,868</u>
 Total Liabilities and Fund Balances	<u>\$ 55,442</u>	<u>\$ 53,790</u>	<u>\$ 399,956</u>	<u>\$ 58,240</u>	<u>\$ 567,428</u>

See accompanying independent auditor's report.

**CITY OF DYERSVILLE, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (DEFICIT)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2007**

Schedule 2

	Special Revenue			Capital Projects	Total
	CDBG	Library Trust	Debt Service	Capital Equipment	
<b>REVENUES</b>					
Property tax	\$ -	\$ -	\$ 280,824	\$ -	\$ 280,824
Other city tax	-	-	5,240	-	5,240
Use of money and property	-	337	-	101	438
Charges for service	-	4,891	-	-	4,891
Total Revenues	-	5,228	286,064	101	291,393
<b>EXPENDITURES</b>					
Operating:					
Public safety	60,167	-	-	-	60,167
Culture and recreation	-	7,237	-	-	7,237
Debt service	-	-	281,336	-	281,336
Total Expenditures	60,167	7,237	281,336	-	348,740
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	(60,167)	(2,009)	4,728	101	(57,347)
<b>FUND BALANCES, BEGINNING OF YEAR</b>					
	3,073	55,677	127,326	58,139	244,215
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>					
	\$ (57,094)	\$ 53,668	\$ 132,054	\$ 58,240	\$ 186,868

See accompanying independent auditor's report.

**CITY OF DYERSVILLE, IOWA**

Schedule 3

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST SIX YEARS**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Property tax	\$ 1,334,935	\$ 1,340,550	\$ 1,347,005	\$ 1,276,337	\$ 1,231,585	\$ 1,187,590
Tax increment financing	339,685	410,153	300,510	288,945	325,246	255,904
Other city tax	633,612	549,499	535,448	541,492	506,544	484,049
Licenses and permits	16,604	19,721	20,015	13,168	11,760	14,891
Use of money and property	92,910	67,584	52,846	62,981	78,660	114,860
Intergovernmental	368,335	664,079	454,263	1,231,635	799,733	561,806
Charges for service	250,071	201,149	176,035	176,066	146,181	112,875
Special assessments	7,605	14,897	19,082	133,889	13,801	17,855
Miscellaneous	56,003	141,476	159,605	225,237	154,203	261,865
<b>Total revenues</b>	<b><u>\$ 3,099,760</u></b>	<b><u>\$ 3,409,108</u></b>	<b><u>\$ 3,064,809</u></b>	<b><u>\$ 3,949,750</u></b>	<b><u>\$ 3,267,713</u></b>	<b><u>\$ 3,011,695</u></b>
Expenditures:						
Operating:						
Public safety	\$ 895,784	\$ 764,856	\$ 822,616	\$ 1,281,597	\$ 1,249,182	\$ 594,142
Public works	443,220	474,980	461,363	689,997	509,673	666,253
Health and social services	800	1,300	1,800	1,950	1,950	1,950
Culture and recreation	695,435	725,205	599,303	571,754	534,236	473,287
Community and economic development	16,790	19,963	94,770	25,188	21,769	15,004
General government	326,609	265,260	240,516	207,899	223,680	200,445
Debt service	453,805	483,459	598,694	1,312,560	514,830	512,485
Capital projects	246,802	133,028	1,553,254	1,415,084	481,928	1,559,627
<b>Total expenditures</b>	<b><u>\$ 3,079,245</u></b>	<b><u>\$ 2,868,051</u></b>	<b><u>\$ 4,372,316</u></b>	<b><u>\$ 5,506,029</u></b>	<b><u>\$ 3,537,248</u></b>	<b><u>\$ 4,023,193</u></b>

See accompanying independent auditor's report.

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

**City of Dyersville**



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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 the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Dyersville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 18, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dyersville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Dyersville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Dyersville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Dyersville's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of City of Dyersville's financial statements that is more than inconsequential will not be prevented or detected by City of Dyersville's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Dyersville's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (C) are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Dyersville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters 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, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Dyersville and other parties to whom the City of Dyersville may report. 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 Dyersville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 18, 2008

City of Dyersville  
Schedule of Findings  
Year ended June 30, 2007

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual can have control over cash 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 continue to segregate duties as much as possible. Operating procedures are reviewed by the City Administrator on a regular basis to ensure maximum internal control.

Conclusion – Response accepted.

- (B) Policies and Procedures – Written policies and procedures regarding the personal use of computer equipment and software, password maintenance and internet usage do not exist. In addition, the written disaster recovery plan is not complete and has not been tested.

Recommendation – The City should develop written policies and procedures regarding the personal use of computer equipment and software, password maintenance and internet usage. In addition, the written disaster recovery plan should be completed.

Response – The City will work towards developing a written disaster recovery plan for its financial system.

Conclusion – Response acknowledged. However, the City should also develop written policies and procedures regarding the personal use of computer equipment and software, password maintenance and internet usage

- (C) Financial Reporting – During the audit, we identified material amounts of payables and a transfer not properly recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all payables and transfers are identified and included in the City's financial statements.

Response – The City has made great efforts to ensure all payables and transfers are identified and included in the City's financial statements. The City will continue this effort going forward to fiscal year 2008.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Dyersville  
Schedule of Findings  
Year ended June 30, 2007

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public safety, general government 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 – City staff is more conscious in reviewing the receipts and disbursements amounts than in previous years. Furthermore, the City processed two budget amendments this fiscal year and has made significant efforts to comply with Chapter 384.18 of the Code of Iowa.

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 – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Angela English, Library Secretary, Husband owns Ross English Insurance	Insurance	\$ 91,399
Betty Scherrman, Library Trustee, Husband owns Scherrman’s Appliance	Equipment	31,823
Mary Jo Goldsmith, Administrative Assistant, Husband owns Goldsmith Painting	Painting	150
Joyce Bries, Librarian, owns Pastry Place	Pastries	252

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

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

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

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

Conclusion – Response accepted.

City of Dyersville

Schedule of Findings

Year ended June 30, 2007

- (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) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the resolutions providing for the issuance of the water and sewer revenue bonds were noted.
- (9) Financial Condition – At June 30, 2007, the following funds had deficit balances (on a cash basis):

Fund	June 30, 2007, Deficit Balance
Capital Projects:	
Capital Improvements	\$ 244,929
Special Revenue:	
CDBG	57,094

In addition, the Capital Projects, Capital Improvements and Special Revenue, CDBG Funds had deficit fund balances (on a modified accrual basis) of \$245,933 and \$57,094, respectively, at June 30, 2007.

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – The City anticipated these deficit balances and is still awaiting for special assessments for the Capital Improvements Fund and grant reimbursements for the CDBG Fund.

Conclusion – Response accepted.

City of Dyersville

Audit Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Billie Jo Heth, Senior Auditor  
John G. Vanis, CGFM, Senior Auditor  
Gelu Sherpa, 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