



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

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**NEWS RELEASE**

FOR RELEASE March 9, 2010

Contact: Andy Nielsen  
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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 \$5,073,400 for the year ended June 30, 2009, an 11.4% increase over the prior year. Revenues included \$1,448,295 in property tax, \$362,399 from tax increment financing, \$1,743,121 from charges for service, \$632,293 from operating grants, contributions and restricted interest, \$7,993 from capital grants, contributions and restricted interest, \$480,053 from local option sales tax, \$76,431 from hotel/motel tax, \$182,748 from unrestricted investment earnings and \$140,067 from other general revenues.

Expenses for City operations totaled \$4,346,517, a 16.8% decrease from the previous year. Expenses included \$1,436,550 for public safety, \$615,964 for culture and recreation and \$385,113 for general government. Expenses for business type activities totaled \$1,369,387.

The significant increase in revenues is due primarily to operating grants and contributions received by the City in the current year for flood recovery. The significant decrease in expenses is primarily due to a grant to Dyersville Industries to purchase land for an industrial park in the prior fiscal year.

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/index.html>.

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

**JUNE 30, 2009**

# CITY OF DYERSVILLE, IOWA

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**CITY OF DYERSVILLE, IOWA**  
**OFFICIALS**  
**JUNE 30, 2009**

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<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
James Heavens	Mayor	Jan 2010
Molly Evers	Council Member	Jan 2010
Robert Platz	Council Member	Jan 2010
Dan Willenborg	Council Member	Jan 2010
Michael English	Council Member	Jan 2012
Robert Kramer	Council Member	Jan 2012
Mick Michel	City Administrator	Appointed
Tricia Maiers	City Clerk/Treasurer	Appointed
Marc Casey	City Attorney	Appointed
C. J. May	Assistant City Attorney	Appointed

**CITY OF DYERSVILLE, IOWA**



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David A. Vaudt, CPA  
Auditor of State

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, 2009, 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, 2009, 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 February 11, 2010 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 50 through 51 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 three years ended June 30, 2008 (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

February 11, 2010

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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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2009 FINANCIAL HIGHLIGHTS**

Revenues of the City's governmental activities increased 15%, or approximately \$477,000, from fiscal year 2008 to fiscal year 2009. Operating grants and contributions increased 66%, or approximately \$251,000, primarily due to the receipt of federal grant funds due to flood recovery. Tax increment financing increased 41%, or approximately \$105,000, unrestricted investment earnings increased 69%, or approximately \$74,000, and property tax revenue increased approximately \$64,000 over fiscal year 2008.

Program expenses of the City's governmental activities decreased 25%, or approximately \$966,000, in fiscal year 2009 from fiscal year 2008. Public works, culture and recreation and community and economic development decreased approximately \$454,000, \$182,000 and \$1,001,000, respectively. Public safety and interest on long term debt increased approximately \$546,000 and \$124,000, respectively. The decrease from fiscal year 2008 is primarily due to payment of a development grant to Dyersville Industries of \$1,100,000 which was used to acquire property and development of an industrial park in the prior year.

The City's net assets increased 6%, or approximately \$727,000, from June 30, 2008 to June 30, 2009. Of this amount, the net assets of the governmental activities increased approximately \$620,000 and the net assets of the business-type activities increased approximately \$107,000.

### **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.

The 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 which 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.

- 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 for governmental and business-type activities.

### Net Assets at Year-end

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 8,894,852	\$ 7,537,206	\$ 443,079	\$ 3,055,105	\$ 9,337,931	\$ 10,592,311
Capital assets	7,789,828	7,525,775	10,403,323	7,957,427	18,193,151	15,483,202
Total assets	<u>16,684,680</u>	<u>15,062,981</u>	<u>10,846,402</u>	<u>11,012,532</u>	<u>27,531,082</u>	<u>26,075,513</u>
Long-term liabilities	5,350,464	5,745,811	5,583,757	5,814,159	10,934,221	11,559,970
Other liabilities	3,452,742	2,055,994	37,783	80,096	3,490,525	2,136,090
Total liabilities	<u>8,803,206</u>	<u>7,801,805</u>	<u>5,621,540</u>	<u>5,894,255</u>	<u>14,424,746</u>	<u>13,696,060</u>
Net assets:						
Invested in capital assets, net of related debt	6,044,634	6,188,466	5,483,287	5,421,770	11,527,921	11,610,236
Restricted	1,575,807	1,352,826	-	-	1,575,807	1,352,826
Unrestricted	261,033	(280,116)	(258,425)	(303,493)	2,608	(583,609)
Total net assets	<u>7,881,474</u>	<u>7,261,176</u>	<u>5,224,862</u>	<u>5,118,277</u>	<u>13,106,336</u>	<u>12,379,453</u>
Liabilities and Net Assets	<u>\$ 16,684,680</u>	<u>\$ 15,062,981</u>	<u>\$ 10,846,402</u>	<u>\$ 11,012,532</u>	<u>\$ 27,531,082</u>	<u>\$ 26,075,513</u>

Net assets of governmental and business type activities increased from fiscal year 2008 approximately \$620,000, or 8.5%, and \$107,000, or 2%, 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 \$2,600 at the end of this year.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 271,363	\$ 234,652	\$ 1,471,758	\$ 1,425,712	\$ 1,743,121	\$ 1,660,364
Operating grants and contributions	632,293	380,861	-	-	632,293	380,861
Capital grants and contributions	7,993	7,873	-	-	7,993	7,873
General revenues:						
Property tax levied for:						
General purposes	1,162,660	1,123,022	-	-	1,162,660	1,123,022
Debt service	285,635	261,111	-	-	285,635	261,111
Tax increment financing	362,399	257,506	-	-	362,399	257,506
Local option sales tax	480,053	494,193	-	-	480,053	494,193
Hotel/motel tax	76,431	89,265	-	-	76,431	89,265
Unrestricted investment earnings	182,748	108,269	-	5,450	182,748	113,719
Miscellaneous	135,853	163,347	4,214	4,602	140,067	219,868
<b>Total revenues</b>	<b>3,597,428</b>	<b>3,120,099</b>	<b>1,475,972</b>	<b>1,435,764</b>	<b>5,073,400</b>	<b>4,555,863</b>
<b>Program expenses:</b>						
Public safety	1,436,550	890,348	-	-	1,436,550	890,348
Public works	162,989	618,352	-	-	162,989	618,352
Health and social services	800	1,000	-	-	800	1,000
Culture and recreation	615,964	797,924	-	-	615,964	797,924
Community and economic development	117,230	1,118,011	-	-	117,230	1,118,011
General government	385,113	383,018	-	-	385,113	383,018
Interest on long-term debt	258,484	134,670	-	-	258,484	134,670
Water utility	-	-	558,506	459,482	558,506	459,482
Sewage disposal works	-	-	634,155	637,981	634,155	637,981
Solid waste	-	-	176,726	183,955	176,726	183,955
<b>Total expenses</b>	<b>2,977,130</b>	<b>3,943,323</b>	<b>1,369,387</b>	<b>1,281,418</b>	<b>4,346,517</b>	<b>5,224,741</b>
Transfers	-	(56,521)	-	56,521	-	-
Change in net assets	620,298	(879,745)	106,585	210,867	726,883	(668,878)
Net assets beginning of year	7,261,176	8,140,921	5,118,277	4,907,410	12,379,453	13,048,331
Net assets end of year	\$ 7,881,474	\$ 7,261,176	\$ 5,224,862	\$ 5,118,277	\$ 13,106,336	\$ 12,379,453

The City increased property tax rates for debt service for fiscal 2009 approximately 3%. This increased the City's property tax revenue for debt service approximately \$25,000 in fiscal year 2009.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

### ***Governmental Fund Highlights***

As the City of Dyersville completed the year, its governmental funds reported a combined fund balance of \$5,170,968, which is slightly less than the \$5,242,331 total fund balance at June 30, 2008. 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 remained consistent when compared to the prior year. The General Fund balance decreased \$219,666 from the prior year to a \$396,695 balance compared to the prior year ending fund balance of \$616,361.

The Special Revenue, CDBG Fund is used to account for federal and state revenues related to flood repairs and future property buy-outs. Revenues and expenditures increased due to flood recovery. This fund ended fiscal year 2009 with a deficit (\$114,754) balance compared to the prior year ending fund balance of a deficit (\$87,587).

The Special Revenue, Dyersville Economic Development TIF Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2009 with a \$191,996 balance compared to the prior year ending fund balance of \$273,204.

The Special Revenue, Local Option Sales Tax Fund is used to account for revenues from the local option sales and services tax in the amount of one percent, with twenty-five percent for property tax relief and seventy-five percent to reduce future borrowing. This fund ended fiscal year 2009 with a \$1,031,902 balance compared to the prior year ending fund balance of \$668,559.

The Capital Projects, Capital Improvements Fund is used to account for the resources and costs related to infrastructure and building construction and major improvements. This fund ended fiscal year 2009 with a \$3,295,898 balance compared to the prior year ending balance of \$3,338,830.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt. The fund ended fiscal year 2009 with a \$108,023 balance compared to the prior year ending fund balance of \$110,556.

### ***Proprietary Fund Highlights***

The Water Utility Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2009 with a \$2,708,092 net asset balance compared to the prior year ending net asset balance of \$2,672,927.

The Sewage Disposal Works Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2009 with a \$2,422,650 net asset balance compared to the prior year ending net asset balance of \$2,365,153.

The Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal year 2009 with a \$94,120 net asset balance compared to the prior year ending net asset balance of \$80,197.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City of Dyersville amended its budget two times. The amendments were made on February 2, 2009 and May 18, 2009. The amendments were needed to adjust receipts and disbursements.

On February 2, 2009, intergovernmental receipts were increased due to FEMA reimbursements and special assessment receipts were decreased due to pending litigation. Public safety disbursements were increased due to flood recovery expenses and capital projects disbursements were increased to cover costs related to engineering and construction costs for existing projects. Community and economic development disbursements were increased due to TIF development agreements.

On May 18, 2009, receipts were increased for other city tax, licenses and permits, use of money and property, intergovernmental revenues and miscellaneous. Disbursements were increased, primarily due to public safety overtime and grant expenses, snow removal operational expenses, library services, capital project expenses and water and solid waste capital outlay expenses. Even with the amendments, the City exceeded its budgetary amounts in the public safety, public works, culture and recreation, debt service and business-type activities functions for the year ended June 30, 2009.

## **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 \$7,789,828 (net of accumulated depreciation) at June 30, 2009. Capital assets for business-type activities totaled \$10,403,323 (net of accumulated depreciation) at June 30, 2009. 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 a police vehicle, generator and various equipment. The major capital outlays for business-type activities during the year were for infrastructure construction in progress for the water and sewer improvements.

For business-type activities, major additions included the purchase of equipment.

### ***Long-Term Liabilities***

At June 30, 2009, the City had \$5,350,464 in total long-term liabilities outstanding for governmental activities. Total long-term liabilities outstanding for business-type activities were \$5,563,619 at June 30, 2009. The long term debt includes capital lease purchase agreements for four trucks totaling \$306,167 with a remaining balance of \$131,049 at June 30, 2009, 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 \$13.5 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 2010 budget. The City of Dyersville will experience a decrease in the governmental and proprietary funds from fiscal year 2009 to fiscal year 2010. The major factors for fiscal year 2010 that will play a role in this change are uncontrollable factors—reduction in intergovernmental revenue, increase in operational costs, such as energy and insurance prices, and the global economic crisis.

Several economic factors affected decisions made by the City in setting its fiscal year 2010 budget. The City of Dyersville will experience a decrease in the governmental and proprietary funds from fiscal year 2009 to fiscal year 2010. The major factors for fiscal year 2010 that will play a role in this change are uncontrollable factors—reduction in intergovernmental revenue, increase in operational costs, such as energy and insurance, and the global economic crisis.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index (CPI) increase. The State's CPI increase was 4.9 percent for fiscal year 2009. Inflation has been modest here due, in part, to the slowing of the residential housing market, modest increases in energy prices in 2006-2009 and the overall downturn in the United States economy.

The General Fund is projected to end fiscal year 2010 with a fund balance of approximately \$351,068, an 11.5% decrease from fiscal year 2009.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2010 are provided below:

General levy	\$ 8.07033
Debt Service levy	<u>1.69430</u>
Total	<u>\$ 9.76463</u>

#### **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, IOWA**

## **BASIC FINANCIAL STATEMENTS**

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled cash investments	\$ 6,364,023	\$ 107,212	\$ 6,471,235
Receivables:			
Property tax			
Delinquent	22,452	-	22,452
Succeeding year	2,147,759	-	2,147,759
Accounts and other	1,572	215,124	216,696
Special assessments	236,363	-	236,363
Accrued interest	1,829	-	1,829
Due from other governments	156,858	-	156,858
Internal balances	(36,004)	36,004	-
Inventories	-	42,079	42,079
Restricted assets:			
Cash and pooled investments	-	24,142	24,142
Deferred charges	-	18,518	18,518
Capital assets:			
Land	1,392,124	140,280	1,532,404
Buildings	3,471,431	-	3,471,431
Improvements other than buildings	567,241	45,237	612,478
Machinery and equipment	1,813,735	540,788	2,354,523
Infrastructure	2,775,702	10,543,236	13,318,938
Construction in progress	252,805	2,611,793	2,864,598
Accumulated depreciation	(2,483,210)	(3,478,011)	(5,961,221)
Total Assets	<u>16,684,680</u>	<u>10,846,402</u>	<u>27,531,082</u>

	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	\$ 881,113	\$ 13,926	\$ 895,039
Accrued interest payable	17,322	18,337	35,659
Salaries and benefits payable	40,359	5,520	45,879
Unearned revenue:			
Succeeding year property tax	2,147,759	-	2,147,759
Other	366,189	-	366,189
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	21,118	21,118
Capital lease purchase agreements	8,041	16,082	24,123
Notes payable	305,000	115,000	420,000
General obligation bonds payable	121,500	12,520	134,020
Revenue bonds payable	-	140,000	140,000
Compensated absences	125,281	29,753	155,034
Portion due or payable after one year:			
Capital lease purchase agreements	35,642	71,284	106,926
Notes payable	4,755,000	3,045,000	7,800,000
Revenue bonds payable	-	2,133,000	2,133,000
Total Liabilities	<u>8,803,206</u>	<u>5,621,540</u>	<u>14,424,746</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,044,634	5,483,287	11,527,921
Restricted for:			
Local option sales tax	1,031,902	-	1,031,902
Road use	154,751	-	154,751
Economic development	191,996	-	191,996
Library	47,572	-	47,572
Debt service	90,701	-	90,701
Other purposes	58,885	-	58,885
Unrestricted	261,033	(258,425)	2,608
Total Net Assets	<u>\$ 7,881,474</u>	<u>\$ 5,224,862</u>	<u>\$ 13,106,336</u>

See notes to the financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2009**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 1,436,550	\$ 24,888	\$ 8,089	\$ -
Public works	162,989	-	334,421	7,993
Health and social services	800	-	-	-
Culture and recreation	615,964	232,901	27,528	-
Community and economic development	117,230	13,574	262,255	-
General government	385,113	-	-	-
Interest on long-term debt	258,484	-	-	-
Total governmental activities	<u>2,977,130</u>	<u>271,363</u>	<u>632,293</u>	<u>7,993</u>
Business-type activities:				
Water utility	558,506	590,946	-	-
Sewage disposal works	634,155	690,163	-	-
Solid waste	<u>176,726</u>	<u>190,649</u>	-	-
Total business-type activities	<u>1,369,387</u>	<u>1,471,758</u>	-	-
Total	<u>\$ 4,346,517</u>	<u>\$ 1,743,121</u>	<u>\$ 632,293</u>	<u>\$ 7,993</u>

General revenues:  
Property tax and other City tax levied for:  
    General purposes  
    Debt service  
Tax increment financing  
Local option sales tax  
Hotel/motel tax  
Unrestricted investment earnings  
Other  
    Total general revenues  
Change in net assets  
Net assets beginning of year  
Net assets end of year

See notes to the financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,403,573)	\$ -	\$ (1,403,573)
179,425	-	179,425
(800)	-	(800)
(355,535)	-	(355,535)
158,599	-	158,599
(385,113)	-	(385,113)
(258,484)	-	(258,484)
<u>(2,065,481)</u>	<u>-</u>	<u>(2,065,481)</u>
-	32,440	32,440
-	56,008	56,008
-	<u>13,923</u>	<u>13,923</u>
-	<u>102,371</u>	<u>102,371</u>
<u>(2,065,481)</u>	<u>102,371</u>	<u>(1,963,110)</u>
1,162,660	-	1,162,660
285,635	-	285,635
362,399	-	362,399
480,053	-	480,053
76,431	-	76,431
182,748	-	182,748
135,853	4,214	140,067
<u>2,685,779</u>	<u>4,214</u>	<u>2,689,993</u>
620,298	106,585	726,883
<u>7,261,176</u>	<u>5,118,277</u>	<u>12,379,453</u>
<u>\$ 7,881,474</u>	<u>\$ 5,224,862</u>	<u>\$ 13,106,336</u>

**CITY OF DYERSVILLE, IOWA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<u>General</u>	<u>CDBG</u>	<u>Special Revenue</u> Dyersville Economic Development TIF
<b>ASSETS</b>			
Cash and pooled cash investments	\$ 524,290	\$ 273,094	\$ -
Receivables:			
Property tax			
Delinquent	16,714	-	4,331
Succeeding year	1,227,746	-	625,000
Accounts and other	1,572	-	-
Special assessments	-	-	-
Accrued interest	798	-	345
Due from other governments	19,498	26,971	-
Due from other funds	-	-	187,320
Total Assets	<u>\$ 1,790,618</u>	<u>\$ 300,065</u>	<u>\$ 816,996</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 123,659	\$ 1,269	\$ -
Salaries and benefits payable	37,586	-	-
Deferred revenue:			
Succeeding year property tax	1,227,746	-	625,000
Other	4,932	413,550	-
Due to other funds	-	-	-
Total Liabilities	<u>1,393,923</u>	<u>414,819</u>	<u>625,000</u>
<b>FUND BALANCES</b>			
Reserved for debt service	-	-	-
Unreserved, reported in:			
General fund:			
Designated for Library capital expenditures	161,907	-	-
Undesignated	234,788	-	-
Special revenue funds:			
Designated for Library	-	-	-
Undesignated	-	(114,754)	191,996
Capital projects fund:			
Undesignated	-	-	-
Total Fund Balances	<u>396,695</u>	<u>(114,754)</u>	<u>191,996</u>
Total Liabilities and Fund Balances	<u>\$ 1,790,618</u>	<u>\$ 300,065</u>	<u>\$ 816,996</u>

See notes to the financial statements.

Local Option Sales Tax	Capital Projects			Nonmajor	Total
	Capital Improvements	Debt Service			
\$ 552,236	\$ 4,657,561	\$ 107,736	\$ 249,106	\$ 6,364,023	
-	-	1,407	-	22,452	
-	-	295,013	-	2,147,759	
-	-	-	-	1,572	
-	236,363	-	-	236,363	
635	47	-	4	1,829	
83,074	-	-	27,315	156,858	
395,957	-	-	-	583,277	
<u>\$ 1,031,902</u>	<u>\$ 4,893,971</u>	<u>\$ 404,156</u>	<u>\$ 276,425</u>	<u>\$ 9,514,133</u>	
\$ -	\$ 743,741	\$ -	\$ 12,444	\$ 881,113	
-	-	-	2,773	40,359	
-	-	295,013	-	2,147,759	
-	235,051	1,120	-	654,653	
-	619,281	-	-	619,281	
-	<u>1,598,073</u>	<u>296,133</u>	<u>15,217</u>	<u>4,343,165</u>	
-	-	108,023	-	108,023	
-	-	-	-	161,907	
-	-	-	-	234,788	
-	-	-	47,572	47,572	
1,031,902	-	-	154,751	1,263,895	
-	3,295,898	-	58,885	3,354,783	
<u>1,031,902</u>	<u>3,295,898</u>	<u>108,023</u>	<u>261,208</u>	<u>5,170,968</u>	
<u>\$ 1,031,902</u>	<u>\$ 4,893,971</u>	<u>\$ 404,156</u>	<u>\$ 276,425</u>	<u>\$ 9,514,133</u>	

**CITY OF DYERSVILLE, IOWA**

**CITY OF DYERSVILLE, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET –**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

**Exhibit D**

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Total fund balances - governmental funds (page 21) \$ 5,170,968

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 governmental funds.

Cost of capital assets	\$ 10,273,038	
Accumulated depreciation	<u>(2,483,210)</u>	
		7,789,828

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

Property tax	6,051	
Other	<u>282,413</u>	288,464

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

Capital lease purchase agreements	(43,683)	
Notes payable	(5,060,000)	
General obligation bonds	(121,500)	
Compensated absences	(125,281)	
Accrued interest	<u>(17,322)</u>	<u>(5,367,786)</u>

Net assets of governmental activities (page 17) \$ 7,881,474

See notes to the financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>CDBG</u>	<u>Special Revenue Dyersville Economic Development TIF</u>
<b>REVENUES</b>			
Property tax	\$ 1,161,948	\$ -	\$ -
Tax increment financing	-	-	362,399
Other city tax	282,468	-	-
Licenses and permits	17,808	-	-
Use of money and property	123,233	-	34,017
Intergovernmental	35,617	235,284	-
Charges for service	226,835	13,574	-
Special assessments	-	-	-
Miscellaneous	60,903	-	-
Total Revenues	<u>1,908,812</u>	<u>248,858</u>	<u>396,416</u>
<b>EXPENDITURES</b>			
Operating:			
Public safety	851,115	276,025	-
Public works	160,554	-	-
Health and social services	800	-	-
Culture and recreation	797,140	-	-
Community and economic development	16,260	-	112,038
General government	303,319	-	-
Debt service	-	-	365,586
Capital projects	-	-	-
Total Expenditures	<u>2,129,188</u>	<u>276,025</u>	<u>477,624</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(220,376)	(27,167)	(81,208)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	<u>710</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(219,666)	(27,167)	(81,208)
<b>FUND BALANCES BEGINNING OF YEAR</b>	<u>616,361</u>	<u>(87,587)</u>	<u>273,204</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$ 396,695</u>	<u>\$ (114,754)</u>	<u>\$ 191,996</u>

See notes to the financial statements.

Local Option Sales Tax	Capital Projects			Total
	Capital Improvements	Debt Service	Nonmajor	
\$ -	\$ -	\$ 285,635	\$ -	\$ 1,447,583
-	-	-	-	362,399
329,420	-	4,739	-	616,627
-	-	-	-	17,808
33,923	8,132	-	1,254	200,559
-	-	-	334,421	605,322
-	-	-	10,142	250,551
-	7,993	-	-	7,993
-	-	-	-	60,903
<u>363,343</u>	<u>16,125</u>	<u>290,374</u>	<u>345,817</u>	<u>3,569,745</u>
-	-	-	52,888	1,180,028
-	-	-	337,842	498,396
-	-	-	-	800
-	-	-	16,287	813,427
-	-	-	-	128,298
-	-	-	-	303,319
-	-	292,907	-	658,493
-	59,057	-	-	59,057
-	<u>59,057</u>	<u>292,907</u>	<u>407,017</u>	<u>3,641,818</u>
363,343	(42,932)	(2,533)	(61,200)	(72,073)
-	-	-	-	710
363,343	(42,932)	(2,533)	(61,200)	(71,363)
<u>668,559</u>	<u>3,338,830</u>	<u>110,556</u>	<u>322,408</u>	<u>5,242,331</u>
<u>\$ 1,031,902</u>	<u>\$ 3,295,898</u>	<u>\$ 108,023</u>	<u>\$ 261,208</u>	<u>\$ 5,170,968</u>

**CITY OF DYERSVILLE, IOWA**

**CITY OF DYERSVILLE, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2009**

**Exhibit F**

---

Net change in fund balances - total governmental funds (page 25) \$ (71,363)

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

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

Capital assets expended in governmental funds	\$ 605,142	
Depreciation expense	<u>(337,254)</u>	267,888

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net assets (3,835)

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	711	
Grants	<u>26,971</u>	27,682

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:

Issuance costs, current year amortization	(1,708)	
Repaid	<u>414,126</u>	412,418

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

Compensated absences	(18,779)	
Interest on long-term debt	<u>6,287</u>	<u>(12,492)</u>

Change in net assets of governmental activities (page 19) \$ 620,298

See notes to the financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2009**

	Business-type Activities - Enterprise Funds			Total
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and pooled cash investments	\$ 90,177	\$ -	\$ 17,035	\$ 107,212
Accounts receivable	94,808	96,401	23,915	215,124
Inventories	42,079	-	-	42,079
Due from other funds	553,028	66,253	-	619,281
Total Current Assets	<u>780,092</u>	<u>162,654</u>	<u>40,950</u>	<u>983,696</u>
<b>NONCURRENT ASSETS</b>				
Restricted assets - cash and pooled cash investments	<u>24,142</u>	<u>-</u>	<u>-</u>	<u>24,142</u>
Deferred charges	<u>4,187</u>	<u>14,331</u>	<u>-</u>	<u>18,518</u>
Capital assets:				
Land	65,750	74,530	-	140,280
Improvements other than buildings	-	-	45,237	45,237
Machinery and equipment	228,374	207,741	59,365	495,480
Meters	45,308	-	-	45,308
Wells	532,236	-	-	532,236
Distribution system	3,990,876	-	-	3,990,876
Sewer system	-	6,020,124	-	6,020,124
Construction in progress	1,668,957	942,836	-	2,611,793
Accumulated depreciation	<u>(1,752,474)</u>	<u>(1,675,807)</u>	<u>(49,730)</u>	<u>(3,478,011)</u>
Net Capital Assets	<u>4,779,027</u>	<u>5,569,424</u>	<u>54,872</u>	<u>10,403,323</u>
Total Noncurrent Assets	<u>4,807,356</u>	<u>5,583,755</u>	<u>54,872</u>	<u>10,445,983</u>
Total Assets	<u>5,587,448</u>	<u>5,746,409</u>	<u>95,822</u>	<u>11,429,679</u>

See notes financial statements.

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 9,573	\$ 4,198	\$ 155	\$ 13,926
Accrued interest payable	9,213	9,124	-	18,337
Salaries and benefits payable	2,456	2,793	271	5,520
Due to other funds	-	583,277	-	583,277
Capital lease purchase agreements	8,041	8,041	-	16,082
Notes payable	75,000	40,000	-	115,000
General obligation bonds payable	-	12,520	-	12,520
Revenue bonds payable	39,000	101,000	-	140,000
Compensated absences	12,313	16,164	1,276	29,753
Total Current Liabilities	<u>155,596</u>	<u>777,117</u>	<u>1,702</u>	<u>934,415</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>				
Customer deposits payable	<u>21,118</u>	<u>-</u>	<u>-</u>	<u>21,118</u>
<b>NONCURRENT LIABILITIES</b>				
Capital lease purchase agreements	35,642	35,642	-	71,284
Notes payable	2,100,000	945,000	-	3,045,000
Revenue bonds payable	<u>567,000</u>	<u>1,566,000</u>	<u>-</u>	<u>2,133,000</u>
Total Noncurrent Liabilities	<u>2,702,642</u>	<u>2,546,642</u>	<u>-</u>	<u>5,249,284</u>
Total Liabilities	<u>2,879,356</u>	<u>3,323,759</u>	<u>1,702</u>	<u>6,204,817</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,503,146	2,925,269	54,872	5,483,287
Unrestricted	<u>204,946</u>	<u>(502,619)</u>	<u>39,248</u>	<u>(258,425)</u>
Total Net Assets	<u>\$ 2,708,092</u>	<u>\$ 2,422,650</u>	<u>\$ 94,120</u>	<u>\$ 5,224,862</u>

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET**  
**ASSETS - PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2009**

**Exhibit H**

	Business-type Activities - Enterprise Funds			Total
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	
<b>OPERATING REVENUES</b>				
Charges for sales and services	\$ 590,946	\$ 690,163	\$ 190,649	\$ 1,471,758
Other	2,725	1,489	-	4,214
Total Operating Revenues	<u>593,671</u>	<u>691,652</u>	<u>190,649</u>	<u>1,475,972</u>
<b>OPERATING EXPENSES</b>				
Employee expense	99,031	106,877	10,783	216,691
Utilities	40,908	43,231	-	84,139
Repair and maintenance	102,926	117,426	175	220,527
Supplies and services	65,145	89,345	155,373	309,863
Insurance	12,387	8,056	-	20,443
Depreciation	109,619	145,867	10,395	265,881
Total Operating Expenses	<u>430,016</u>	<u>510,802</u>	<u>176,726</u>	<u>1,117,544</u>
<b>OPERATING INCOME</b>	<u>163,655</u>	<u>180,850</u>	<u>13,923</u>	<u>358,428</u>
<b>NONOPERATING EXPENSES</b>				
Interest expense	(127,867)	(122,274)	-	(250,141)
Bond issuance cost	(623)	(1,079)	-	(1,702)
Total Nonoperating Expenses	<u>(128,490)</u>	<u>(123,353)</u>	<u>-</u>	<u>(251,843)</u>
<b>CHANGE IN NET ASSETS</b>	35,165	57,497	13,923	106,585
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>2,672,927</u>	<u>2,365,153</u>	<u>80,197</u>	<u>5,118,277</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 2,708,092</u>	<u>\$ 2,422,650</u>	<u>\$ 94,120</u>	<u>\$ 5,224,862</u>

See notes to the financial statements.

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2009**

**Exhibit I**

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Major</u>		<u>Nonmajor</u>	
	<u>Water Utility</u>	<u>Sewage Disposal Works</u>	<u>Solid Waste</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 568,666	\$ 688,472	\$ 190,707	\$ 1,447,845
Cash payments to suppliers for goods and services	(233,919)	(289,578)	(170,197)	(693,694)
Cash payments to employees for services	(97,349)	(103,849)	(10,424)	(211,622)
Other operating receipts	2,725	1,489	-	4,214
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>240,123</u>	<u>296,534</u>	<u>10,086</u>	<u>546,743</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(29,124)	(25,623)	(45,237)	(99,984)
Payment of debt	(105,626)	(147,147)	-	(252,773)
Interest paid	(130,766)	(123,764)	-	(254,530)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(265,516)</u>	<u>(296,534)</u>	<u>(45,237)</u>	<u>(607,287)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(25,393)	-	(35,151)	(60,544)
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	<u>139,712</u>	<u>-</u>	<u>52,186</u>	<u>191,898</u>
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>	<u>\$ 114,319</u>	<u>\$ -</u>	<u>\$ 17,035</u>	<u>\$ 131,354</u>

(continued)

**CITY OF DYERSVILLE, IOWA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2009**

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

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 163,655	\$ 180,850	\$ 13,923	\$ 358,428
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	109,619	145,867	10,395	265,881
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	(16,628)	(1,691)	58	(18,261)
(Increase) in inventories and prepaid items	(15,752)	-	-	(15,752)
(Decrease) in due to other funds	-	(28,015)	-	(28,015)
Increase (decrease) in accounts payable	3,199	(3,505)	(14,630)	(14,936)
(Decrease) in unearned revenue	(6,652)	-	-	(6,652)
Increase in accrued liabilities	2,682	3,028	340	6,050
Total adjustments	<u>76,468</u>	<u>115,684</u>	<u>(3,837)</u>	<u>188,315</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 240,123</u>	<u>\$ 296,534</u>	<u>\$ 10,086</u>	<u>\$ 546,743</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included in the Statement of Net Assets</b>				
Current assets:				
Cash and pooled investments	\$ 90,177	\$ -	\$ 17,035	\$ 107,212
Restricted assets:				
Cash and pooled investments	<u>24,142</u>	<u>-</u>	<u>-</u>	<u>24,142</u>
Cash and cash equivalents at year end	<u>\$ 114,319</u>	<u>\$ -</u>	<u>\$ 17,035</u>	<u>\$ 131,354</u>

See notes to the financial statements.

Non-cash capital and financing activities:

During the year ended June 30, 2009, Water Utility and Sewage Disposal Works capital assets of \$1,668,957 and \$942,836, respectively; were paid for from the Capital Projects, Capital Improvements Fund, resulting in a corresponding decrease in due from other funds. The note proceeds and corresponding due to other funds for the Water Utility and Sewage Disposal Works Funds are reported in the Capital Projects, Capital Improvements Fund.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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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 Organizations*

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

*Basis of Presentation*

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

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.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Restricted net assets – result when constraints placed on net asset use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (2) grants 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 CDBG Fund is used to account for FEMA revenues received to be used for public assistance.

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.

**Debt Service Fund** – The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The City reports the following major proprietary funds:

**Enterprise Funds**

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

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

*Measurement Focus and Basis of Accounting*

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current 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.

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

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

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

*Assets, Liabilities and Fund Equity*

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2009 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles 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

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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, delinquent property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. 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.

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

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

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, debt service and business-type activities functions.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

*Deposits.* The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,360,015	\$ 32,109	\$ -	\$ 1,392,124
Construction in progress	<u>171,770</u>	<u>95,618</u>	<u>14,583</u>	<u>252,805</u>
Total capital assets not being depreciated	<u>1,531,785</u>	<u>127,727</u>	<u>14,583</u>	<u>1,644,929</u>
Capital assets being depreciated:				
Buildings	3,466,182	5,249	-	3,471,431
Improvements other than buildings	278,640	288,601	-	567,241
Machinery and equipment	1,680,236	158,649	25,150	1,813,735
Infrastructure	<u>2,736,203</u>	<u>39,499</u>	<u>-</u>	<u>2,775,702</u>
Total capital assets being depreciated	<u>8,161,261</u>	<u>491,998</u>	<u>25,150</u>	<u>8,628,109</u>
Less accumulated depreciation for:				
Buildings	1,028,171	98,470	-	1,126,641
Improvements other than buildings	157,164	18,146	-	175,310
Machinery and equipment	813,966	163,282	21,315	955,932
Infrastructure	<u>167,970</u>	<u>57,356</u>	<u>-</u>	<u>225,326</u>
Total accumulated depreciation	<u>2,167,271</u>	<u>337,254</u>	<u>21,315</u>	<u>2,483,210</u>
Total capital assets being depreciated, net	<u>5,993,990</u>	<u>154,744</u>	<u>3,835</u>	<u>6,144,899</u>
Governmental activities capital assets, net	<u>\$ 7,525,775</u>	<u>\$ 282,471</u>	<u>\$ 18,418</u>	<u>\$ 7,789,828</u>

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	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	-	2,611,793	-	2,611,793
Total capital assets not being depreciated	<u>140,280</u>	<u>2,611,793</u>	<u>-</u>	<u>2,752,073</u>
Capital assets being depreciated:				
Improvements other than buildings	-	45,237	-	45,237
Equipment and vehicles	486,041	54,747	-	540,788
Infrastructure, water and sewer network	<u>10,543,236</u>	<u>-</u>	<u>-</u>	<u>10,543,236</u>
Total capital assets being depreciated	<u>11,029,277</u>	<u>99,984</u>	<u>-</u>	<u>11,129,261</u>
Less accumulated depreciation for:				
Improvements other than buildings	-	188	-	188
Equipment and vehicles	235,527	53,337	-	288,864
Infrastructure, water and sewer network	<u>2,976,603</u>	<u>212,356</u>	<u>-</u>	<u>3,188,959</u>
Total accumulated depreciation	<u>3,212,130</u>	<u>265,881</u>	<u>-</u>	<u>3,478,011</u>
Total capital assets being depreciated, net	<u>7,817,147</u>	<u>(165,897)</u>	<u>-</u>	<u>7,651,250</u>
Business-type activities capital assets, net	<u>\$ 7,957,427</u>	<u>\$ 2,445,896</u>	<u>-</u>	<u>\$ 10,403,323</u>

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

Governmental activities:	
Public safety	\$ 71,086
Public works	51,464
Culture and recreation	132,630
General government	<u>82,074</u>
Total depreciation expense - governmental activities	<u>\$ 337,254</u>
Business-type activities:	
Water	\$ 109,619
Sewage disposal works	145,867
Solid waste	<u>10,395</u>
Total depreciation expense - business-type activities	<u>\$ 265,881</u>

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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, 2009, is as follows:

Governmental Activities	Capital Lease Purchase Agreements	General Obligation Bonds/Notes	Compensated Absences	Total
Balance beginning of year	\$ 51,309	\$ 5,588,000	\$ 106,502	\$ 5,745,811
Increases	-	-	125,281	125,281
Decreases	<u>7,626</u>	<u>406,500</u>	<u>106,502</u>	<u>520,628</u>
Balance end of year	<u>\$ 43,683</u>	<u>\$ 5,181,500</u>	<u>\$ 125,281</u>	<u>\$ 5,350,464</u>
Due within one year	<u>\$ 8,041</u>	<u>\$ 426,500</u>	<u>\$ 125,281</u>	<u>\$ 559,822</u>

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

Business-type Activities	Capital Lease Purchase Agreements	Revenue Bonds	General Obligation Bonds/Notes	Compensated Absences	Total
Balance beginning of year	\$ 102,618	\$ 2,408,000	\$ 3,277,000	\$ 26,541	\$ 5,814,159
Increases	-	-	-	29,753	29,753
Decreases	<u>15,252</u>	<u>135,000</u>	<u>103,500</u>	<u>26,541</u>	<u>280,293</u>
Balance end of year	<u>\$ 87,366</u>	<u>\$ 2,273,000</u>	<u>\$ 3,173,500</u> (1)	<u>\$ 29,753</u>	<u>\$ 5,563,619</u>
Due within one year	<u>\$ 16,082</u>	<u>\$ 140,000</u>	<u>\$ 127,520</u>	<u>\$ 29,753</u>	<u>\$ 313,355</u>

(1) Bonds were sold at discount; unamortized discount at June 30, 2009 totaled \$980.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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Capital Lease Purchase Agreements

The City has entered into capital lease purchase agreements to lease four trucks with historical costs of \$306,167, accumulated depreciation of \$80,160 and net book value of \$226,007. The following is a schedule of the future minimum lease payments, including interest ranging from 5.16% to 5.48% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2009:

<u>Governmental activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2010	\$ 10,199
	2011	10,199
	2012	10,199
	2013	8,969
	2014	5,290
	2015	<u>5,324</u>
	Total minimum lease payments	50,180
	Less amount representing interest	<u>(6,497)</u>
	Present value of net minimum lease payments	<u>\$ 43,683</u>
<u>Business-type activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2010	\$ 20,398
	2011	20,398
	2012	20,398
	2013	17,938
	2014	10,581
	2015	<u>10,648</u>
	Total minimum lease payments	100,361
	Less amount representing interest	<u>(12,995)</u>
	Present value of net minimum lease payments	<u>\$ 87,366</u>

General obligation bonds/notes

Governmental activities:

Four issues of unmatured general obligation bonds/notes, totaling \$5,181,500, are outstanding at June 30, 2009. General obligation bonds/notes bear interest at rates ranging from 1.4% to 4.9% per annum and mature in varying annual amounts, ranging from \$13,500 to \$325,000, with the final maturities due in the year ending June 30, 2027.

Business-type activities:

Three issues of unmatured general obligation bonds/notes, totaling \$3,173,500, are outstanding at June 30, 2009. General obligation bonds/notes bear interest at rates ranging from 1.4% to 4.9% per annum and mature in varying annual amounts, ranging from \$13,500 to \$165,000, with the final maturities due in the year ending June 30, 2027.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Details of general obligation bonds/notes payable at June 30, 2009, 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:						
Sewer improvement	08/01/03	1.40 - 3.10%	06/01/10	\$ 13,500	89,500	13,500
Aquatic Center	08/01/03	1.40 - 3.10%	06/01/10	108,000	716,000	<u>108,000</u>
Total general obligation bonds						<u>121,500</u>
General obligation notes:						
Economic development	10/01/03	2.15 - 4.00%	06/01/14	55,000 - 75,000	600,000	340,000
Refunding and economic development	03/18/08	2.74 - 4.90%	06/01/27	210,000 - 325,000	4,930,000	<u>4,720,000</u>
Total general obligation notes						<u>5,060,000</u>
Total governmental activities						<u>\$ 5,181,500</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
2010	\$ 426,500	\$ 206,829	\$ 633,329
2011	310,000	193,857	503,857
2012	330,000	184,168	514,168
2013	345,000	173,318	518,318
2014	365,000	161,483	526,483
2015-2019	1,170,000	649,835	1,819,835
2020-2024	1,305,000	407,470	1,712,470
2025-2027	<u>930,000</u>	<u>91,789</u>	<u>1,021,789</u>
Total	<u>\$ 5,181,500</u>	<u>\$ 2,068,749</u>	<u>\$ 7,250,249</u>

Business-type activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
General obligation notes:						
Sewer improvements	08/01/03	1.40 - 3.10%	06/01/10	\$ 13,500	89,500	13,500
Sewer improvements	03/18/08	2.74 - 4.90%	06/01/27	30,000 - 75,000	1,015,000	985,000
Well improvements	03/18/08	2.74 - 4.90%	06/01/27	60,000 - 165,000	2,235,000	<u>2,175,000</u>
Total general obligation notes						<u>\$ 3,173,500</u>

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

Year Ending June 30,	Principal	Interest	Total
2010	\$ 128,500	\$ 131,309	\$ 259,809
2011	120,000	127,555	247,555
2012	120,000	123,955	243,955
2013	130,000	120,175	250,175
2014	150,000	115,885	265,885
2015-2019	820,000	494,670	1,314,670
2020-2024	1,000,000	311,420	1,311,420
2025-2027	<u>705,000</u>	<u>68,765</u>	<u>773,765</u>
 Total	 \$ 3,173,500	 <u>\$ 1,493,734</u>	 <u>\$ 4,667,234</u>
Less:			
Unamortized discount	<u>(980)</u>		
 Total	 <u>\$ 3,172,520</u>		

Revenue bonds

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,269,000 of sewer revenue bonds issued in August 2001. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$2,167,147. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$167,144 and \$326,717, respectively. Annual principal and interest payments on the sewer revenue bonds are expected to require 52% of net revenues plus depreciation expense.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$849,000 of water revenue bonds issued in February 2002 and April 2003. Proceeds from the bonds provided financing for the construction of improvements to the well. The bonds are payable solely from water customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$740,881. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$57,320 and \$273,274, respectively. Annual principal and interest payments on the water revenue bonds are expected to require 21% of net revenues plus depreciation expense.

Six issues of unmatured Iowa Finance Authority revenue bonds, totaling \$2,273,000, are outstanding at June 30, 2009. These bonds bear interest at rates ranging from 3.00% to 4.30% per annum and mature in varying annual amounts, ranging from \$3,000 to \$61,000, with the final maturity due in the year ending June 30, 2022.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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

During the year ended June 30, 2009, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2009 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	\$ 633,000
Sewer improvements	08/01/01	3.92%	06/01/22	25,000 - 44,000	627,500	460,000
Sewer improvements	08/01/01	3.92%	06/01/22	18,000 - 21,000	444,749	326,000
Sewer improvements	08/01/01	4.30%	06/01/22	13,000 - 24,000	334,000	248,000
Well improvements	02/08/02	3.00%	06/01/22	33,000 - 51,000	785,000	561,000
Well improvements	04/16/03	3.00%	6/1/2022	3,000 - 4,000	64,000	45,000
Total revenue bonds						<u>\$ 2,273,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2010	\$ 140,000	\$ 84,469	\$ 224,469
2011	144,000	79,283	223,283
2012	149,000	73,949	222,949
2013	155,000	68,424	223,424
2014	160,000	62,670	222,670
2015-2019	901,000	219,181	1,120,181
2020-2022	<u>624,000</u>	<u>47,052</u>	<u>671,052</u>
Total	<u>\$ 2,273,000</u>	<u>\$ 635,028</u>	<u>\$ 2,908,028</u>

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 5 – DUE FROM AND DUE TO OTHER FUNDS**

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Dyersville TIF District	Enterprise: Sewage Disposal Works	\$ 187,320
Special Revenue: Local Option Sales Tax	Enterprise: Sewage Disposal Works	395,957
Enterprise: Sewage Disposal Works	Capital Projects: Capital Improvements	1,009,089
Enterprise: Water Utility	Capital Projects: Capital Improvements	<u>2,221,985</u>
Total		<u>\$ 3,814,351</u>

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

**NOTE 6 – PENSION AND RETIREMENT BENEFITS**

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. The City's contributions to IPERS for the three years ended June 30, 2009, 2008 and 2007 were \$68,355, \$65,404 and \$58,783, respectively, equal to the required contributions for each year.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 7 – 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 \$3,347,235 is outstanding at June 30, 2009. 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 8 – RISK MANAGEMENT**

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

**NOTE 9 – 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, 2009, costs of \$1,748,925 have been incurred against the contract. The balance remaining at June 30, 2009 of \$92,049 is currently being contested with the contractor.

The City has entered into a contract totaling \$127,770 for tennis court construction. As of June 30, 2009, costs of \$119,892 have been incurred against the contract. The balance remaining at June 30, 2009 is \$7,878.

The City has entered into a contract totaling \$544,533 for utility mains. As of June 30, 2009, costs of \$509,200 have been incurred against the contract. The balance remaining at June 30, 2009 is \$35,333.

The City has entered into a contract totaling \$1,337,000 for the water tower project. As of June 30, 2009, costs of \$699,303 have been incurred against the contract. The balance remaining at June 30, 2009 is \$637,697.

The City has entered into a contract totaling \$494,698 for a water/sewer project. As of June 30, 2009, costs of \$485,065 have been incurred against the contract. The balance remaining at June 30, 2009 is \$9,633.

The City has entered into a contract totaling \$179,249 for a stop light project. As of June 30, 2009, costs of \$166,948 have been incurred against the contract. The balance remaining at June 30, 2009 is \$12,301.

The City has entered into a contract totaling \$69,675 for a bridge deck overlay. As of June 30, 2009, no costs have been incurred against the contract.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 10 – 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 June 30, 2010, with lease expenditures of \$10,000 for the year ended June 30, 2009.

**NOTE 11 – REBATE AGREEMENTS**

The City has entered into tax increment financing rebate agreements. The City agreed to assist in urban renewal projects by rebating incremental tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated beginning with the tax year in which the property tax on the completed value of the improvements are first paid. The actual amount rebated during the year ended June 30, 2009 was \$111,069. The City has agreed to provide tax increment payments in a total amount not exceeding \$1,471,531.

**NOTE 12 – SUBSEQUENT EVENT**

On July 6, 2009, the City entered into an agreement with K&K Building & Supply, Inc. to provide economic development grants of \$5,000 per residential subdivided lot, reimbursement of \$9 per square yard of concrete used in street pavement, reimbursement of material costs in excess of minimum infrastructure standards and reimbursement of material costs for sidewalk improvements.

**NOTE 13 – PENDING LITIGATION**

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

**NOTE 14 – DEFICIT BALANCE**

At June 30, 2009, the Special Revenue, CDBG Fund had a deficit balance of \$114,754. The City anticipates grant reimbursements for the CDBG Fund will eliminate this deficit.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DYERSVILLE, IOWA**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – GOVERNMENTAL**  
**FUNDS AND PROPRIETARY FUNDS AND BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2009**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Variance with Final Budget-Positive (Negative)
<b>Receipts:</b>						
Property tax	\$ 1,446,570	\$ -	\$ 1,446,570	\$ 1,441,500	\$ 1,441,482	\$ 5,088
Tax increment financing	361,934	-	361,934	362,000	362,000	(66)
Other city tax	620,607	-	620,607	616,313	636,313	(15,706)
Licenses and permits	17,808	-	17,808	14,800	17,500	308
Use of money and property	210,868	-	210,868	79,750	88,750	122,118
Intergovernmental	992,262	-	992,262	372,600	724,427	267,835
Charges for service	252,915	1,446,844	1,699,759	1,650,044	1,650,044	49,715
Special assessments	6,826	-	6,826	220,000	20,000	(13,174)
Miscellaneous	60,466	10,214	70,680	52,800	57,800	12,880
Total receipts	<u>3,970,256</u>	<u>1,457,058</u>	<u>5,427,314</u>	<u>4,809,807</u>	<u>4,998,316</u>	<u>428,998</u>
<b>Disbursements:</b>						
Public safety	1,140,535	-	1,140,535	844,248	996,822	(143,713)
Public works	500,523	-	500,523	460,165	491,165	(9,358)
Health and social services	800	-	800	1,550	1,550	750
Culture and recreation	805,120	-	805,120	739,407	804,707	(413)
Community and economic development	128,930	-	128,930	75,145	175,145	46,215
General government	298,213	-	298,213	305,907	310,907	12,694
Debt service	669,561	100	669,661	617,999	637,999	(31,662)
Capital projects	1,950,384	-	1,950,384	6,990,000	7,095,400	5,145,016
Business-type activities	-	1,489,487	1,489,487	1,418,324	1,478,324	(11,163)
Total disbursements	<u>5,494,066</u>	<u>1,489,587</u>	<u>6,983,653</u>	<u>11,452,745</u>	<u>11,992,019</u>	<u>5,008,366</u>
Excess (deficiency) of receipts over (under)						
disbursements	(1,523,810)	(32,529)	(1,556,339)	(6,642,938)	(6,993,703)	5,437,364
Other financing sources, net	710	-	710	1,000	1,000	(290)
Excess (deficiency) of receipts and other financing sources over (under)						
disbursements and other financing uses	(1,523,100)	(32,529)	(1,555,629)	(6,641,938)	(6,992,703)	5,437,074
Balances beginning of year	8,470,398	(419,394)	8,051,004	8,368,375	8,051,004	-
Balances end of year	<u>\$ 6,947,298</u>	<u>\$ (451,923)</u>	<u>\$ 6,495,375</u>	<u>\$ 1,726,437</u>	<u>\$ 1,058,301</u>	<u>\$ 5,437,074</u>

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Budget to GAAP Reconciliation						
Revenues	\$ 3,970,256	\$ (400,511)	\$ 3,569,745	\$ 1,457,058	\$ 18,914	\$ 1,475,972
Expenditures/expenses	5,494,066	759,545	6,253,611	1,489,587	(120,200)	1,369,387
Net	(1,523,810)	(1,160,056)	(2,683,866)	(32,529)	139,114	106,585
Other financing sources, net	710	-	710	-	-	-
Beginning fund balances/net assets	8,470,398	(3,228,067)	5,242,331	(419,394)	5,537,671	5,118,277
Ending fund balances/net assets	<u>\$ 6,947,298</u>	<u>\$ (4,388,123)</u>	<u>\$ 2,559,175</u>	<u>\$ (451,923)</u>	<u>\$ 5,676,785</u>	<u>\$ 5,224,862</u>

See accompanying independent auditor's report.

**CITY OF DYERSVILLE, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**YEAR ENDED JUNE 30, 2009**

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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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and 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 \$539,274. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements in the public safety, public works, culture and recreation, debt service and business-type activities functions exceeded the amounts budgeted.

## **OTHER SUPPLEMENTARY INFORMATION**

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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

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

## CAPITAL PROJECTS FUND

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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, 2009**

**Schedule 1**

	Special Revenue		Capital Projects	
	Road Use Tax	Library Trust	Capital Equipment	Total
<b>ASSETS</b>				
Cash and pooled cash investments	\$ 142,642	\$ 47,583	\$ 58,881	\$ 249,106
Accrued interest receivable	-	-	4	4
Due from other governments	27,315	-	-	27,315
Total Assets	\$ 169,957	\$ 47,583	\$ 58,885	\$ 276,425
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 12,433	\$ 11	\$ -	\$ 12,444
Salaries and benefits payable	2,773	-	-	2,773
Total Liabilities	15,206	11	-	15,217
<b>FUND BALANCES</b>				
Unreserved, reported in:				
Special revenue funds:				
Designated for Library	-	47,572	-	47,572
Undesignated	154,751	-	-	154,751
Capital projects fund:				
Undesignated	-	-	58,885	58,885
Total Fund Balances	154,751	47,572	58,885	261,208
Total Liabilities and Fund Balances	\$ 169,957	\$ 47,583	\$ 58,885	\$ 276,425

See accompanying independent auditor's report.

**CITY OF DYERSVILLE, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2009**

Schedule 2

	Special Revenue		Capital Projects	Total
	Road Use Tax	Library Trust	Capital Equipment	
<b>REVENUES</b>				
Use of money and property	\$ -	\$ 781	\$ 473	\$ 1,254
Intergovernmental	334,421	-	-	334,421
Charges for service	-	10,142	-	10,142
Total Revenues	<u>334,421</u>	<u>10,923</u>	<u>473</u>	<u>345,817</u>
<b>EXPENDITURES</b>				
Operating:				
Public safety	52,888	-	-	52,888
Public works	337,842	-	-	337,842
Culture and recreation	-	16,287	-	16,287
Total Expenditures	<u>390,730</u>	<u>16,287</u>	<u>-</u>	<u>407,017</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(56,309)	(5,364)	473	(61,200)
FUND BALANCES BEGINNING OF YEAR	<u>211,060</u>	<u>52,936</u>	<u>58,412</u>	<u>322,408</u>
FUND BALANCES END OF YEAR	<u>\$ 154,751</u>	<u>\$ 47,572</u>	<u>\$ 58,885</u>	<u>\$ 261,208</u>

See accompanying independent auditor's report.

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

	2009	2008	2007	2006	2005
<b>Revenues:</b>					
Property tax	\$ 1,447,583	\$ 1,385,570	\$ 1,334,936	\$ 1,340,550	\$ 1,347,005
Tax increment financing	362,399	257,506	339,688	410,153	300,510
Other city tax	616,627	641,441	633,612	549,499	535,448
Licenses and permits	17,808	17,279	16,604	19,721	20,015
Use of money and property	200,559	124,712	92,909	67,584	52,846
Intergovernmental	605,322	381,761	368,337	664,079	454,263
Charges for service	250,551	239,593	250,071	201,149	176,035
Special assessments	7,993	7,873	7,605	14,897	19,082
Miscellaneous	60,903	69,055	56,003	141,476	159,605
<b>Total revenues</b>	<b>\$ 3,569,745</b>	<b>\$ 3,124,790</b>	<b>\$ 3,099,765</b>	<b>\$ 3,409,108</b>	<b>\$ 3,064,809</b>
<b>Expenditures:</b>					
<b>Operating:</b>					
Public safety	\$ 1,180,028	\$ 865,895	\$ 895,784	\$ 764,856	\$ 822,616
Public works	498,396	426,909	468,335	474,980	461,363
Health and social services	800	1,000	800	1,300	1,800
Culture and recreation	813,427	703,071	695,435	725,205	599,303
Community and economic development	128,298	1,118,013	16,790	19,963	94,770
General government	303,319	301,154	326,609	265,260	240,516
Debt service	658,493	1,040,106	453,805	483,459	598,694
Capital projects	59,057	471,918	221,687	133,028	1,553,254
<b>Total expenditures</b>	<b>\$ 3,641,818</b>	<b>\$ 4,928,066</b>	<b>\$ 3,079,245</b>	<b>\$ 2,868,051</b>	<b>\$ 4,372,316</b>

See accompanying independent auditor's report.

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<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 1,276,337	\$ 1,231,585	\$ 1,187,590
288,945	325,246	255,904
541,492	56,544	484,049
13,168	11,760	14,891
62,981	78,660	114,860
1,231,635	799,733	561,806
176,066	146,181	112,875
133,889	13,801	17,855
<u>225,237</u>	<u>154,203</u>	<u>261,865</u>
<u>\$ 3,949,750</u>	<u>\$ 2,817,713</u>	<u>\$ 3,011,695</u>

\$ 1,281,597	\$ 1,249,182	\$ 594,142
689,997	509,673	666,253
1,950	1,950	1,950
571,754	534,236	473,287
25,188	21,769	15,004
207,899	223,680	200,445
1,312,560	514,830	512,485
<u>1,415,084</u>	<u>481,928</u>	<u>1,559,627</u>
<u>\$ 5,506,029</u>	<u>\$ 3,537,248</u>	<u>\$ 4,023,193</u>

**CITY OF DYERSVILLE, IOWA**

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

**CITY OF DYERSVILLE, IOWA**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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 the City of Dyersville, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 11, 2010. 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 the City of Dyersville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dyersville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 the City of Dyersville's financial statements that is more than inconsequential will not be prevented or detected by the 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 the 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, we do not believe the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dyersville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters 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, 2009 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

February 11, 2010

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Policies and Procedures – The City does not have written policies and procedures for setting market rental rates of City property rented to businesses.

Recommendation – The City should develop written policies and procedures for setting market rental rates of City property.

Response – The City will investigate this matter and make the necessary corrections moving forward.

Conclusion – Response accepted.

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

As an incentive to encourage youth to read, the Library has a Summer Reading Program which provides prizes based on the number of books read during the Summer. Proper support was not maintained to determine the disposition of the cash awarded as prizes.

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

If cash prizes are awarded for the Summer Reading Program, adequate support should be maintained. A listing of the patrons who received the awards should be prepared and maintained including the patron's signature affirming the receipt of cash.

Response – The City will investigate this matter with the Library Board and make the necessary corrections moving forward.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Dyersville

Schedule of Findings

Year ended June 30, 2009

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the public safety, public works, culture and recreation, debt service and business-type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – City staff is more conscious in reviewing the receipts and disbursements amounts than in previous years. Furthermore, the City processed several budget amendments this fiscal year and has made significant efforts to comply with Chapter 384.18 of the Code of Iowa.

Conclusion – Response accepted.

- (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	\$ 90,316
Mary Kosterman, Board of Adjustment, and Kevin Klosterman, Parks and Recreation, owners of Computer Doctors	Maintenance	4,043
Mary Jo Goldsmith, Deputy Clerk, Husband owns Goldsmith Painting	Painting and finishing	3,705
Adam Huehnergath, Parks and Recreation, Manager of Schwans	Food	1,365
Dan Recker, Police Officer, owner of Recker Signs	Signs and lettering	228
Joyce Bries, Librarian, owner of Pastry Place	Pastries	177
Brenda Ingles, Library Board, Manager of Subway	Food	89

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

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

City of Dyersville

Schedule of Findings

Year ended June 30, 2009

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.

- (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, 2009, the Special Revenue, CDBG Fund had a deficit balance of \$114,754.

Recommendation – The City should investigate alternatives to eliminate the deficit to return the fund to a sound financial position.

Response – The City will investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Conclusion – Response accepted.

City of Dyersville

Staff

This audit was performed by:

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

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State