

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

May 7, 2013

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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 \$7,990,364 for the year ended June 30, 2012, a 21% increase over the prior year. Revenues included \$1,548,228 in property tax, \$1,289,505 from tax increment financing, \$1,916,830 from charges for service, \$473,327 from operating grants, contributions and restricted interest, \$1,969,046 from capital grants, contributions and restricted interest, \$498,814 from local option sales tax, \$108,187 from hotel/motel tax, \$14,607 from unrestricted investment earnings and \$171,820 from other general revenues.

Expenses for City operations totaled \$5,707,379, a 5% increase over the prior year. Expenses included \$1,136,240 for culture and recreation, \$1,099,850 for public safety and \$1,058,582 for public works. Expenses for business type activities totaled \$1,715,047.

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

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1220-0290-B00F.pdf>.

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CITY OF DYERSVILLE

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

JUNE 30, 2012

CITY OF DYERSVILLE, IOWA

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CITY OF DYERSVILLE, IOWA
OFFICIALS
JUNE 30, 2012

Name	Title	Term Expires
(Before January 2012)		
James Heavens	Mayor	January 2014
Michael English	Council Member	January 2012
Robert Kramer	Council Member	January 2012
Molly Evers	Council Member	January 2014
Robert Platz	Council Member	January 2014
Dan Willenborg	Council Member	January 2014
Mick Michel	City Administrator	Appointed
Tricia Maiers	City Clerk/Treasurer	Appointed
Marc Casey	City Attorney	Appointed
C. J. May	Assistant City Attorney	Appointed
(After January 2012)		
James Heavens	Mayor	January 2014
Molly Evers	Council Member	January 2014
Robert Platz	Council Member	January 2014
Dan Willenborg	Council Member	January 2014
Mark Breitbach	Council Member	January 2016
Michael English	Council Member	January 2016
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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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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.


In accordance with Government Auditing Standards, we have also issued our report dated April 4, 2013 on our consideration of the City of Dyersville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 54 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of

preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dyersville's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the three years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 4, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dyersville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 35%, or approximately \$1,630,000, from fiscal year 2011 to fiscal year 2012. Operating grants and contributions decreased approximately \$533,000 while capital grants and contributions increased approximately \$1,661,000, charges for service increased approximately \$102,000 and tax increment financing collections increased approximately \$580,000.

Program expenses of the City's governmental activities increased 5%, or approximately \$207,000, in fiscal year 2012 from fiscal year 2011. Culture and recreation, general government and interest on long term debt increased approximately \$299,000, \$103,000 and \$11,000, respectively. Public safety, public works and community and economic development decreased approximately \$47,000, \$145,000 and \$13,000, respectively.

The City's net assets increased 13%, or approximately \$2,283,000, from June 30, 2011 to June 30, 2012. Of this amount, the net assets of the governmental activities increased approximately \$2,324,000 and the net assets of the business-type activities decreased approximately \$41,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and intergovernmental receipts finance most of these activities.
- Business type activities include the City's utility services, such as the 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 Capital Projects Fund and the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances.

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

The financial statements required for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 7,758,856	7,808,835	(2,803,090)	(1,391,500)	4,955,766	6,417,335
Capital assets	14,796,930	12,051,126	16,006,222	13,325,149	30,803,152	25,376,275
Total assets	<u>22,555,786</u>	<u>19,859,961</u>	<u>13,203,132</u>	<u>11,933,649</u>	<u>35,758,918</u>	<u>31,793,610</u>
Long-term liabilities	4,746,972	4,591,632	7,531,346	6,190,843	12,278,318	10,782,475
Other liabilities	3,741,185	3,524,904	59,726	89,527	3,800,911	3,614,431
Total liabilities	<u>8,488,157</u>	<u>8,116,536</u>	<u>7,591,072</u>	<u>6,280,370</u>	<u>16,079,229</u>	<u>14,396,906</u>
Net assets:						
Invested in capital assets, net of related debt	10,173,710	7,578,964	8,540,782	7,174,001	18,714,492	14,752,965
Restricted	4,531,662	4,385,578	-	-	4,531,662	4,385,578
Unrestricted	<u>(637,743)</u>	<u>(221,117)</u>	<u>(2,928,722)</u>	<u>(1,520,722)</u>	<u>(3,566,465)</u>	<u>(1,741,839)</u>
Total net assets	<u>\$ 14,067,629</u>	<u>11,743,425</u>	<u>5,612,060</u>	<u>5,653,279</u>	<u>19,679,689</u>	<u>17,396,704</u>

Net Assets at Year-end

Net assets of governmental activities increased over fiscal year 2011 by approximately \$2,324,000, or 20%, and net assets of business-type activities decreased from fiscal year 2011 by approximately \$41,000, or less than one percent. The largest portion of the City's net assets is the 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 a deficit of approximately \$(3,566,000) at the end of this year. The unrestricted net assets deficit is primarily due to constructing water and sewer infrastructure assets without borrowing. When funds are borrowed, the unrestricted net assets increase and net assets invested in capital assets, net of related debt decrease.

**Changes in Net Assets for
the Year Ended June 30,**

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for service	\$ 251,405	149,165	1,665,425	1,630,376	1,916,830	1,779,541
Operating grants and contributions	473,327	1,006,017	-	-	473,327	1,006,017
Capital grants and contributions	1,969,046	308,509	-	296,000	1,969,046	604,509
General revenues:						
Property tax levied for:						
General purposes	1,267,075	1,380,333	-	-	1,267,075	1,380,333
Debt service	281,153	230,398	-	-	281,153	230,398
Tax increment financing	1,289,505	709,582	-	-	1,289,505	709,582
Local option sales tax	498,814	496,816	-	-	498,814	496,816
Hotel/motel tax	108,187	96,889	-	-	108,187	96,889
Unrestricted investment earnings	14,607	31,484	-	-	14,607	31,484
Miscellaneous	163,417	277,163	8,403	8,519	171,820	285,682
Total revenues	6,316,536	4,686,356	1,673,828	1,934,895	7,990,364	6,621,251
Program expenses:						
Public safety	1,099,850	1,146,706	-	-	1,099,850	1,146,706
Public works	1,058,582	1,203,874	-	-	1,058,582	1,203,874
Health and social services	800	800	-	-	800	800
Culture and recreation	1,136,240	837,222	-	-	1,136,240	837,222
Community and economic development	113,969	127,477	-	-	113,969	127,477
General government	374,254	271,570	-	-	374,254	271,570
Interest on long-term debt	208,637	197,347	-	-	208,637	197,347
Water utility	-	-	687,582	680,842	687,582	680,842
Sewage disposal works	-	-	784,421	737,740	784,421	737,740
Solid waste	-	-	243,044	235,674	243,044	235,674
Total expenses	3,992,332	3,784,996	1,715,047	1,654,256	5,707,379	5,439,252
Transfers	-	(13,919)	-	13,919	-	-
Change In Net Assets	2,324,204	887,441	(41,219)	294,558	2,282,985	1,181,999
Net Assets Beginning of Year	11,743,425	10,855,984	5,653,279	5,358,721	17,396,704	16,214,705
Net Assets End of Year	\$ 14,067,629	11,743,425	5,612,060	5,653,279	19,679,689	17,396,704

The City's operating and capital grants combined for a net increase of approximately \$1,128,000 due to federal receipts for CDBG and FEMA flood buy-out programs and other construction projects.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Dyersville completed the year, its governmental funds reported a combined fund balance of \$3,194,979, which is less than the \$3,617,549 total fund balance at June 30, 2011. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

General Fund revenues decreased approximately \$190,000 while expenditures increased approximately \$128,000. During fiscal year 2012, property tax decreased approximately \$113,000, or 8%, as a result of a decrease in property valuation. The General Fund balance decreased \$443,066 from the prior year to a deficit balance of \$38,331 compared to the prior year ending fund balance of \$404,735.

The Special Revenue, CDBG Fund is used to account for federal and state revenues related to flood repairs and future property buy-outs. This fund ended fiscal year 2012 with a deficit fund balance of \$599,723 compared to the prior year ending fund balance deficit of \$298,235. Funds are typically received on a reimbursement basis and \$316,426 was not received within 60 days of year end and, therefore, was deferred.

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. Revenue increased \$575,377, or 81%, due primarily to an increase in property tax. This fund ended fiscal year 2012 with a \$1,205,597 fund balance compared to the prior year ending fund balance of \$119,856.

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 1%, with 25% to be used for property tax relief and 75% to be used to reduce future borrowing. This fund ended fiscal year 2012 with a \$1,627,492 balance compared to the prior year ending fund balance of \$1,254,068.

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 2012 with an \$825,143 fund balance compared to the prior year ending fund balance of \$1,728,411.

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 2012 with a \$28,582 balance compared to the prior year ending fund balance of \$212,598.

Proprietary Fund Highlights

The Enterprise, Water Utility Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2012 with a \$2,716,332 net asset balance compared to the prior year ending net asset balance of \$2,750,027.

The Enterprise, Sewage Disposal Works Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2012 with a \$2,797,019 net asset balance compared to the prior year ending net asset balance of \$2,810,402.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City of Dyersville amended its budget one time. The amendment was done on June 18, 2012. The amendment was needed to adjust receipts and disbursements.

On June 18, 2012, receipts were increased \$4,425,555 for intergovernmental and miscellaneous receipts. Budgeted public safety disbursements were increased due to police overtime and capital disbursements and budgeted capital projects disbursements were increased \$3,900,000 to cover costs related to engineering and construction costs for new and existing projects.

The City's receipts were \$3,421,587 less than budgeted receipts, a 32% variance. The most significant variances resulted from the City receiving less intergovernmental and miscellaneous receipts than anticipated in the budget amendment.

Total disbursements were \$522,206 less than budgeted. Actual disbursements for the capital projects function were \$861,774 less than the amended budget.

Even with the amendment, the City exceeded its budgetary amount in the public works, culture and recreation, general government, debt service and business type activities functions for the year ended June 30, 2012.

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 \$14,796,930 (net of accumulated depreciation) at June 30, 2012. Capital assets for business-type activities totaled \$16,006,222 (net of accumulated depreciation) at June 30, 2012. 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 building improvements, land, some vehicles and equipment and infrastructure improvements.

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

Long-Term Debt

At June 30, 2012, the City had \$4,623,220 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$7,465,440 at June 30, 2012. The long term debt includes a capital lease purchase agreement for four trucks and one sewer camera system with a remaining balance of \$54,660 at June 30, 2012, 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% 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 \$15.8 million. Other long-term liabilities include accrued vacation pay and sick leave and net OPEB liability. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City in setting its fiscal 2013 budget. As of December 2012, unemployment in Dubuque County stands at 4.8% compared to 5.9% at January 2012. This compares with the State's unemployment rate of 4.9% and the national rate of 7.8% as of December 2012.

Property valuations increased approximately 9% for fiscal year 2013, so property tax for the General Fund is expected to increase. The levy rate for the debt service levy decreased approximately 31%, so even with the increase in property valuations, property tax for debt service is expected to decrease.

The General Fund is projected to end fiscal year 2013 with a fund balance of approximately \$143,000.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2013 are provided below:

General levy	\$ 8.07033
Debt service levy	.96010
Total	\$ 9.03043

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF DYERSVILLE

BASIC FINANCIAL STATEMENTS

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled cash investments	\$ 37,357	263,575	300,932
Receivables:			
Property tax:			
Delinquent	26,111	-	26,111
Succeeding year	2,775,991	-	2,775,991
Accounts and other	16,548	234,060	250,608
Sewer revenue bond proceeds	-	116,930	116,930
Special assessments	4,620	-	4,620
Due from other governments	1,338,302	-	1,338,302
Internal balances	3,501,708	(3,501,708)	-
Inventories	-	23,804	23,804
Prepaid expenses	58,219	21,467	79,686
Restricted assets:			
Cash and pooled cash investments	-	25,417	25,417
Deferred charges	-	13,365	13,365
Capital assets:			
Land	5,152,554	160,280	5,312,834
Buildings	4,025,426	-	4,025,426
Improvements other than buildings	791,035	45,237	836,272
Machinery and equipment	2,316,659	1,177,824	3,494,483
Infrastructure	6,081,964	17,306,065	23,388,029
Construction in progress	105,819	1,773,709	1,879,528
Accumulated depreciation	(3,676,527)	(4,456,893)	(8,133,420)
Total Assets	<u>22,555,786</u>	<u>13,203,132</u>	<u>35,758,918</u>

See notes to the financial statements.

	Governmental Activities	Business Type Activities	Total
Liabilities			
Accounts payable	\$ 917,337	35,677	953,014
Accrued interest payable	15,102	21,257	36,359
Salaries and benefits payable	32,755	2,792	35,547
Unearned revenue:			
Succeeding year property tax	2,775,991	-	2,775,991
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	22,393	22,393
Capital lease purchase agreements	8,200	16,400	24,600
Notes	270,000	130,000	400,000
General obligation bonds	90,000	50,000	140,000
Revenue bonds	-	201,000	201,000
Compensated absences	114,752	40,513	155,265
Portion due or payable after one year:			
Capital lease purchase agreements	10,020	20,040	30,060
Notes	3,695,000	2,675,000	6,370,000
General obligation bonds	550,000	1,630,000	2,180,000
Revenue bonds	-	2,743,000	2,743,000
Net OPEB liability	9,000	3,000	12,000
Total Liabilities	<u>8,488,157</u>	<u>7,591,072</u>	<u>16,079,229</u>
Net Assets			
Invested in capital assets, net of related debt	10,173,710	8,540,782	18,714,492
Restricted for:			
Local option sales tax	1,627,492	-	1,627,492
Road use	108,796	-	108,796
Economic development	1,205,597	-	1,205,597
Library	177,236	-	177,236
Debt service	14,473	-	14,473
Capital improvements	1,339,783	-	1,339,783
Prepaid expenses	58,219	-	58,219
Other purpose	66	-	66
Unrestricted	(637,743)	(2,928,722)	(3,566,465)
Total Net Assets	<u>\$ 14,067,629</u>	<u>5,612,060</u>	<u>19,679,689</u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Public safety	\$ 1,099,850	45,304	80,729	1,194,991
Public works	1,058,582	-	381,761	510,455
Health and social services	800	-	-	-
Culture and recreation	1,136,240	206,101	10,837	263,600
Community and economic development	113,969	-	-	-
General government	374,254	-	-	-
Interest on long-term debt	208,637	-	-	-
Total governmental activities	<u>3,992,332</u>	<u>251,405</u>	<u>473,327</u>	<u>1,969,046</u>
Business type activities				
Water utility	687,582	648,276	-	-
Sewage disposal works	784,421	768,246	-	-
Solid waste	243,044	248,903	-	-
Total business-type activities	<u>1,715,047</u>	<u>1,665,425</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 5,707,379</u>	<u>1,916,830</u>	<u>473,327</u>	<u>1,969,046</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
221,174	-	221,174
(166,366)	-	(166,366)
(800)	-	(800)
(655,702)	-	(655,702)
(113,969)	-	(113,969)
(374,254)	-	(374,254)
(208,637)	-	(208,637)
(1,298,554)	-	(1,298,554)
-	(39,306)	(39,306)
-	(16,175)	(16,175)
-	5,859	5,859
-	(49,622)	(49,622)
(1,298,554)	(49,622)	(1,348,176)
\$ 1,267,075	-	1,267,075
281,153	-	281,153
1,289,505	-	1,289,505
498,814	-	498,814
108,187	-	108,187
14,607	-	14,607
163,417	8,403	171,820
3,622,758	8,403	3,631,161
2,324,204	(41,219)	2,282,985
11,743,426	5,653,279	17,396,705
\$ 14,067,630	5,612,060	19,679,690

CITY OF DYERSVILLE, IOWA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	CDBG	Special Revenue	
			Dyersville Economic Development TIF	Local Option Sales Tax
Assets				
Cash and pooled cash investments	\$ -	-	-	-
Receivables:				
Property tax:				
Delinquent	13,208	-	10,617	-
Succeeding year	1,405,053	-	1,165,407	-
Accounts and other	16,548	-	-	-
Special assessments	-	-	-	-
Due from other governments	44,292	318,046	-	59,418
Due from other funds	-	-	1,194,980	1,568,074
Prepaid expenditures	58,219	-	-	-
Total Assets	\$ 1,537,320	\$ 318,046	\$ 2,371,004	\$ 1,627,492
Liabilities And Fund Balances				
Liabilities				
Accounts payable	\$ 83,749	26,465	-	-
Salaries and benefits payable	30,174	-	-	-
Deferred revenue:				
Succeeding year property tax	1,405,053	-	1,165,407	-
Other	5,734	316,426	-	-
Due to other funds	50,941	574,878	-	-
Total Liabilities	1,575,651	917,769	1,165,407	-
Fund Balances				
Nonspendable:				
Prepaid expenditures	58,219	-	-	-
Restricted for:				
Economic development	-	-	1,205,597	-
Local option sales tax	-	-	-	1,627,492
Road use	-	-	-	-
Library	-	-	-	-
Debt service	-	-	-	-
Capital equipment	-	-	-	-
Capital improvements	-	-	-	-
Committed for library purposes	139,879	-	-	-
Unassigned	(236,429)	(599,723)	-	-
Total Fund Balances	(38,331)	(599,723)	1,205,597	1,627,492
Total Liabilities and Fund Balances	\$ 1,537,320	318,046	2,371,004	1,627,492

See notes to the financial statements.

Capital Projects Capital Improvements	Debt Service	Nonmajor Governmental Funds	Total
-	-	37,357	37,357
-	2,286	-	26,111
-	205,531	-	2,775,991
-	-	-	16,548
4,620	-	-	4,620
888,157	-	28,389	1,338,302
3,975,678	337,289	98,963	7,174,984
-	-	-	58,219
<u>4,868,455</u>	<u>545,106</u>	<u>164,709</u>	<u>11,432,132</u>
791,214	-	15,909	917,337
-	-	2,581	32,755
-	205,531	-	2,775,991
514,641	993	-	837,794
2,737,457	310,000	-	3,673,276
<u>4,043,312</u>	<u>516,524</u>	<u>18,490</u>	<u>8,237,153</u>
-	-	-	58,219
-	-	-	1,205,597
-	-	-	1,627,492
-	-	108,796	108,796
-	-	37,357	37,357
-	28,582	-	28,582
-	-	66	66
825,143	-	-	825,143
-	-	-	139,879
-	-	-	(836,152)
<u>825,143</u>	<u>28,582</u>	<u>146,219</u>	<u>3,194,979</u>
<u>4,868,455</u>	<u>545,106</u>	<u>164,709</u>	<u>11,432,132</u>

CITY OF DYERSVILLE, IOWA

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Exhibit D

Total Fund Balances - Governmental Funds (page 21) \$ 3,194,979

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	\$ 18,473,457	
Accumulated depreciation	<u>(3,676,527)</u>	
		14,796,930

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

Property tax	6,727	
Other	<u>831,067</u>	837,794

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

General obligation bonds	(640,000)	
Capital lease purchase agreement	(18,220)	
Notes	(3,965,000)	
Accrued interest	(15,102)	
Compensated absences	(114,752)	
Other postemployment benefits	<u>(9,000)</u>	
		<u>(4,762,074)</u>

Net assets of governmental activities (page 17) \$ 14,067,629

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, 2012

	General	CDBG	Special Revenue	
			Dyersville Economic Development TIF	Local Option Sales Tax
Revenues:				
Property tax	\$ 1,267,390	-	-	-
Tax increment financing	-	-	1,289,505	-
Other city tax	281,260	-	-	373,424
Licenses and permits	19,988	-	-	-
Use of money and property	35,304	-	-	-
Intergovernmental	19,992	950,139	-	-
Charges for service	201,333	-	-	-
Special assessments	-	-	-	-
Miscellaneous	72,042	-	-	-
Total Revenues	1,897,309	950,139	1,289,505	373,424
Expenditures:				
Operating:				
Public safety	833,778	1,251,627	-	-
Public works	201,014	-	-	-
Health and social services	800	-	-	-
Culture and recreation	1,020,331	-	-	-
Community and economic development	1,112	-	112,858	-
General government	322,999	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total Expenditures	2,380,034	1,251,627	112,858	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(482,725)	(301,488)	1,176,647	373,424
Other Financing Sources (Uses):				
Proceeds from issuance of debt	-	-	-	-
Insurance recoveries	39,659	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(90,906)	-
Total Other Financing Sources (Uses)	39,659	-	(90,906)	-
Change In Fund Balances	(443,066)	(301,488)	1,085,741	373,424
Fund Balances, Beginning of Year	404,735	(298,235)	119,856	1,254,068
Fund Balances, End of Year	\$ (38,331)	(599,723)	1,205,597	1,627,492

See notes to the financial statements.

<u>Capital Projects Capital Improvements</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	281,153	-	1,548,543
-	-	-	1,289,505
-	3,514	-	658,198
-	-	-	19,988
411	-	75	35,790
395,170	-	381,761	1,747,062
-	-	9,421	210,754
1,186	-	-	1,186
538,600	-	-	610,642
<u>935,367</u>	<u>284,667</u>	<u>391,257</u>	<u>6,121,668</u>
-	-	51,413	2,136,818
-	-	375,242	576,256
-	-	-	800
-	-	14,499	1,034,830
-	-	-	113,970
-	-	-	322,999
12,325	781,354	-	793,679
2,339,545	-	-	2,339,545
<u>2,351,870</u>	<u>781,354</u>	<u>441,154</u>	<u>7,318,897</u>
<u>(1,416,503)</u>	<u>(496,687)</u>	<u>(49,897)</u>	<u>(1,197,229)</u>
513,235	221,765	-	735,000
-	-	-	39,659
-	90,906	-	90,906
-	-	-	(90,906)
<u>513,235</u>	<u>312,671</u>	<u>-</u>	<u>774,659</u>
(903,268)	(184,016)	(49,897)	(422,570)
<u>1,728,411</u>	<u>212,598</u>	<u>196,116</u>	<u>3,617,549</u>
<u>825,143</u>	<u>28,582</u>	<u>146,219</u>	<u>3,194,979</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, 2012

Exhibit F

Change In Fund Balances - Total Governmental Funds (page 25) \$ (422,570)

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 year, these amounts are:

Capital assets expended in governmental funds	\$ 3,159,185	
Depreciation expense	<u>(413,381)</u>	2,745,804

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	(315)	
Grants	<u>155,525</u>	155,210

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

Issued	(735,000)	
Repaid	<u>583,942</u>	(151,058)

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

Compensated absences	(1,282)	
Interest on long-term debt	1,100	
OPEB	<u>(3,000)</u>	<u>(3,182)</u>

Change in net assets of governmental activities (page 19) \$ 2,324,204

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business Type Activities - Enterprise Funds			
	Major		Nonmajor	Total
	Water Utility	Sewage Disposal Works	Solid Waste	
Assets				
Current Assets				
Cash and pooled cash investments	\$ 33,126	184,151	46,298	263,575
Receivables:				
Accounts	94,418	107,915	31,727	234,060
Sewer revenue bond proceeds	-	116,930	-	116,930
Inventories	14,783	9,021	-	23,804
Due from other funds	-	557,970	-	557,970
Prepaid items	10,930	10,537	-	21,467
Total Current Assets	<u>153,257</u>	<u>986,524</u>	<u>78,025</u>	<u>1,217,806</u>
Noncurrent Assets				
Restricted assets - cash and pooled cash investments	<u>25,417</u>	<u>-</u>	<u>-</u>	<u>25,417</u>
Deferred charges	<u>2,617</u>	<u>10,748</u>	<u>-</u>	<u>13,365</u>
Capital assets:				
Land	75,750	84,530	-	160,280
Improvements other than buildings	-	-	45,237	45,237
Machinery and equipment	303,231	769,920	59,365	1,132,516
Meters	45,308	-	-	45,308
Wells	1,601,665	-	-	1,601,665
Distribution system	6,998,326	-	-	6,998,326
Sewer system	-	8,706,074	-	8,706,074
Construction in progress	-	1,773,709	-	1,773,709
Accumulated depreciation	<u>(2,163,558)</u>	<u>(2,226,996)</u>	<u>(66,339)</u>	<u>(4,456,893)</u>
Net capital assets	<u>6,860,722</u>	<u>9,107,237</u>	<u>38,263</u>	<u>16,006,222</u>
Total Noncurrent Assets	<u>6,888,756</u>	<u>9,117,985</u>	<u>38,263</u>	<u>16,045,004</u>
Total Assets	<u>7,042,013</u>	<u>10,104,509</u>	<u>116,288</u>	<u>17,262,810</u>

See notes to the financial statements.

	Business Type Activities - Enterprise Funds			
	Major		Nonmajor	Total
	Water Utility	Sewage Disposal Works	Solid Waste	
Liabilities				
Current Liabilities				
Accounts payable	\$ 7,570	13,263	14,844	35,677
Accrued interest payable	8,168	13,089	-	21,257
Salaries and benefits payable	2,435	-	357	2,792
Due to other funds	1,382,466	2,677,212	-	4,059,678
Capital lease purchase agreement	8,200	8,200	-	16,400
Notes payable	85,000	45,000	-	130,000
General obligation bonds payable	15,000	35,000	-	50,000
Revenue bonds payable	42,000	159,000	-	201,000
Compensated absences	17,079	21,356	2,078	40,513
Total Current Liabilities	1,567,918	2,972,120	17,279	4,557,317
Current Liabilities Payable				
From Restricted Assets				
Customer deposits payable	22,393	-	-	22,393
Noncurrent Liabilities				
Capital lease purchase agreements	10,020	10,020	-	20,040
Notes	1,855,000	820,000	-	2,675,000
General obligation bonds	425,000	1,205,000	-	1,630,000
Revenue bonds	444,000	2,299,000	-	2,743,000
Net OPEB liability	1,350	1,350	300	3,000
Total Noncurrent Liabilities	2,735,370	4,335,370	300	7,071,040
Total Liabilities	4,325,681	7,307,490	17,579	11,650,750
Net Assets				
Invested in capital assets, net of related c	3,976,502	4,526,017	38,263	8,540,782
Unrestricted	(1,260,170)	(1,728,998)	60,446	(2,928,722)
Total Net Assets	\$ 2,716,332	2,797,019	98,709	5,612,060

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

Exhibit H

	Business Type Activities - Enterprise Funds			Total
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	
Operating Revenues:				
Charges for sales and services	\$ 648,276	768,246	248,903	1,665,425
Other	5,611	2,792	-	8,403
Total operating revenues	<u>653,887</u>	<u>771,038</u>	<u>248,903</u>	<u>1,673,828</u>
Operating Expenses:				
Employee expense	148,653	172,588	28,078	349,319
Utilities	52,433	49,433	967	102,833
Repair and maintenance	115,792	158,836	25,705	300,333
Supplies and services	74,764	23,954	186,032	284,750
Insurance	22,323	17,554	-	39,877
Depreciation	162,936	206,844	2,262	372,042
Total operating expenses	<u>576,901</u>	<u>629,209</u>	<u>243,044</u>	<u>1,449,154</u>
Operating Income	<u>76,986</u>	<u>141,829</u>	<u>5,859</u>	<u>224,674</u>
Nonoperating Expenses:				
Interest expense	(110,058)	(155,112)	-	(265,170)
Bond issuance cost	(623)	(100)	-	(723)
Total nonoperating expenses	<u>(110,681)</u>	<u>(155,212)</u>	<u>-</u>	<u>(265,893)</u>
Change In Net Assets	(33,695)	(13,383)	5,859	(41,219)
Net Assets, Beginning of Year	<u>2,750,027</u>	<u>2,810,402</u>	<u>92,850</u>	<u>5,653,279</u>
Net Assets, End of Year	<u>\$ 2,716,332</u>	<u>2,797,019</u>	<u>98,709</u>	<u>5,612,060</u>

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

Exhibit I

	Business Type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 643,279	761,685	248,953	1,653,917
Cash payments to suppliers for goods and services	(284,580)	(252,389)	(217,480)	(754,449)
Cash payments to employees for services	(147,866)	(172,908)	(28,012)	(348,786)
Other operating receipts	5,611	2,792	-	8,403
Net Cash Provided By Operating Activities	216,444	339,180	3,461	559,085
Cash Flows From Noncapital Financing Activities:				
Proceeds from interfund balances	656,902	171,893	-	828,795
Cash Flows From Capital And Related Financing Activities:				
Acquisition and construction of capital assets	(1,088,402)	(1,964,713)	-	(3,053,115)
Proceeds from issuance of debt	455,000	1,275,000	-	1,730,000
Payment of debt	(144,942)	(270,766)	-	(415,708)
Interest paid	(110,876)	(149,541)	-	(260,417)
Net Cash used for Capital and Related Financing Activities	(889,220)	(1,110,020)	-	(1,999,240)
Net Increase (Decrease) In Cash And Cash Equivalents	(15,874)	(598,947)	3,461	(611,360)
Cash And Cash Equivalents, Beginning of Year	74,417	783,098	42,837	900,352
Cash And Cash Equivalents, End of Year	\$ 58,543	184,151	46,298	288,992

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

Exhibit I
(continued)

	Business Type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
Reconciliation Of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 76,986	141,829	5,859	224,674
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	162,936	206,844	2,262	372,042
Change in assets and liabilities:				
Increase (decrease) in accounts receivable	(5,797)	(6,561)	50	(12,308)
Decrease in inventories and prepaid items	(8,087)	(9,887)	-	(17,974)
Increase (decrease) in accounts payable	(11,181)	7,275	(4,776)	(8,682)
Increase in deposits payable	800	-	-	800
Increase (decrease) in accrued liabilities	337	(770)	(34)	(467)
Increase in OPEB liabilities	450	450	100	1,000
Total adjustments	139,458	197,351	(2,398)	334,411
Net Cash Provided By Operating Activities	<u>\$ 216,444</u>	<u>339,180</u>	<u>3,461</u>	<u>559,085</u>
Reconciliation of Cash and Cash Equivalents at Year End to Specific Assets Included in the Statement of Net Assets				
Current assets:				
Cash and cash pooled investments	\$ 33,126	184,151	46,298	263,575
Restricted assets:				
Cash and cash pooled investments	25,417	-	-	25,417
Cash and Cash Equivalents at Year End	<u>\$ 58,543</u>	<u>184,151</u>	<u>46,298</u>	<u>288,992</u>

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Jointly Governed Organization

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

Basis of Presentation

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue Funds

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

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

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

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

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

The City reports the following major proprietary funds:

Enterprise Funds

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the programs. 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.

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

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

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

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

Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents property tax collected by the County but not remitted to the City at June 30, 2012 and unpaid tax. The succeeding year property tax receivable represents property tax certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2011.

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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, 2012, 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 bonds are classified as restricted assets since their use is restricted by applicable bond indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets 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>
Land, buildings and improvements	\$ 5,000
Equipment and vehicles	5,000
Infrastructure	5,000
Intangibles	50,000

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

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

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

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

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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting - The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service and business type activities functions.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2 – CASH, POOLED INVESTMENTS AND CASH EQUIVALENTS

The City’s deposits in banks at June 30, 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 4,191,514	961,040	-	5,152,554
Construction in progress	272,936	105,818	272,935	105,819
Total capital assets not being depreciated/amortized	4,464,450	1,066,858	272,935	5,258,373
Capital assets being depreciated/amortized:				
Buildings	3,495,240	530,186	-	4,025,426
Improvements other than buildings	750,818	40,217	-	791,035
Machinery and equipment	2,119,815	196,844	-	2,316,659
Infrastructure	4,483,949	1,598,015	-	6,081,964
Total capital assets being depreciated/amortized	10,849,822	2,365,262	-	13,215,084
Less accumulated depreciation/amortization for:				
Buildings	1,325,574	100,852	-	1,426,426
Improvements other than buildings	242,195	42,014	-	284,209
Machinery and equipment	1,304,830	157,568	-	1,462,398
Infrastructure	390,547	112,947	-	503,494
Total accumulated depeciation/amortization	3,263,146	413,381	-	3,676,527
Total capital assets being depreciated/amortized	7,586,676	1,951,881	-	9,538,557
Governmental activities capital assets, net	<u>\$ 12,051,126</u>	<u>3,018,739</u>	<u>272,935</u>	<u>14,796,930</u>

CITY OF DYERSVILLE, IOWA
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	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business Type Activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 150,280	10,000	-	160,280
Construction in progress	1,022,005	1,434,356	682,652	1,773,709
Total capital assets not being depreciated/amortized	<u>1,172,285</u>	<u>1,444,356</u>	<u>682,652</u>	<u>1,933,989</u>
Capital assets being depreciated/amortized:				
Improvements other than buildings	45,237	-	-	45,237
Equipment and vehicles	651,475	526,349	-	1,177,824
Infrastructure, water and sewer network	15,541,003	1,765,062	-	17,306,065
Total capital assets being depreciated/amortized	<u>16,237,715</u>	<u>2,291,411</u>	<u>-</u>	<u>18,529,126</u>
Less accumulated depreciation/amortization for:				
Improvements other than buildings	4,712	2,262	-	6,974
Equipment and vehicles	407,708	56,196	-	463,904
Infrastructure, water and sewer network	3,672,431	313,584	-	3,986,015
Total accumulated depreciation/amortization	<u>4,084,851</u>	<u>372,042</u>	<u>-</u>	<u>4,456,893</u>
Total capital assets being depreciated/amortized, net	<u>12,152,864</u>	<u>1,919,369</u>	<u>-</u>	<u>14,072,233</u>
Business type activities capital assets, net	<u>\$ 13,325,149</u>	<u>3,363,725</u>	<u>682,652</u>	<u>16,006,222</u>

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

Governmental activities:	
Public safety	\$ 78,555
Public works	124,490
Culture and recreation	137,258
General government	<u>73,078</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 413,381</u>
Business type activities:	
Water	\$ 162,936
Sewage disposal works	206,844
Solid waste	<u>2,262</u>
Total depreciation/amortization expense - business type activities	<u>\$ 372,042</u>

CITY OF DYERSVILLE, IOWA
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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, 2012 is as follows:

Governmental activities:

	Capital Lease Purchase Agreements	General Obligation Bonds/Notes	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 27,162	4,445,000	113,470	6,000	4,591,632
Increases	-	735,000	114,752	3,000	852,752
Decreases	8,942	575,000	113,470	-	697,412
Balance end of year	<u>\$ 18,220</u>	<u>4,605,000</u>	<u>114,752</u>	<u>9,000</u>	<u>4,746,972</u>
Due within one year	<u>\$ 8,200</u>	<u>360,000</u>	<u>114,752</u>	<u>-</u>	<u>482,952</u>

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

Business type activities:

	Capital Lease Purchase Agreements	General Obligation Bonds/Notes	Revenue Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 88,148	2,925,000	3,138,000	37,695	2,000	6,190,843
Increases	-	1,730,000	-	40,513	1,000	1,771,513
Decreases	51,708	170,000	194,000	37,695	-	453,403
Balance end of year	<u>\$ 36,440</u>	<u>4,485,000</u>	<u>2,944,000</u>	<u>40,513</u>	<u>3,000</u>	<u>7,508,953</u>
Due within one year	<u>\$ 16,400</u>	<u>180,000</u>	<u>201,000</u>	<u>40,512</u>	<u>-</u>	<u>437,912</u>

CITY OF DYERSVILLE, IOWA
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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 \$404,167, accumulated depreciation of \$166,539, and a net book value of \$237,638. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 4.75% to 5.48% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2012:

<u>Governmental Activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2013	\$ 8,969
	2014	5,290
	2015	<u>5,324</u>
	Total minimum lease payments	19,583
	Less amount representing interest	<u>(1,363)</u>
	Present value of net minimum lease payments	<u>\$ 18,220</u>
 <u>Business-type Activities</u>	 <u>Year Ending June 30,</u>	 <u>Trucks</u>
	2013	\$ 17,938
	2014	10,581
	2015	<u>10,648</u>
	Total minimum lease payments	39,116
	Less amount representing interest	<u>(2,727)</u>
	Present value of net minimum lease payments	<u>\$ 36,440</u>

General Obligation Bonds/Notes

Governmental Activities:

Two issues of unmatured general obligation bonds/notes, totaling \$4,605,000, are outstanding at June 30, 2012. General obligation bonds/notes bear interest at rates ranging from .8% to 4.9% per annum and mature in varying annual amounts, ranging from \$30,000 to \$325,000, with the final maturities due in the year ending June 30, 2027.

On August 11, 2011, the City issued \$735,000 of general obligation corporate purpose and refunding bonds for the current refunding of \$220,000 of general obligation notes issued October 1, 2003.

The refunding was undertaken to reduce total debt service payments over the next two years by \$8,358 and resulted in an economic gain of \$8,175.

Business Type Activities:

Two issues of unmatured general obligation bonds/notes, totaling \$4,485,000, are outstanding at June 30, 2012. General obligation bonds/notes bear interest at rates ranging from .8% to 4.9% per annum and mature in varying annual amounts, ranging from \$15,000 to \$165,000, with the final maturities due in the year ending June 30, 2027.

On August 11, 2011, the City issued \$1,730,000 of general obligation corporate purpose bonds for various capital improvements to the water and sewer systems.

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Details of general obligation bonds/notes payable at June 30, 2012, 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/notes:						
Refunding & economic development	03/18/08	2.74 - 4.90%	06/01/27	\$ 205,000 - 325,000	\$ 4,930,000	\$ 3,965,000
Refunding & economic development	08/11/11	0.80 - 3.60%	06/01/26	30,000 - 95,000	735,000	640,000
Total general obligation bonds/notes						<u>\$ 4,605,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ 360,000	181,850	541,850
2014	380,000	172,040	552,040
2015	340,000	161,045	501,045
2016	245,000	149,610	394,610
2017	255,000	141,283	396,283
2018-2022	1,365,000	558,142	1,923,142
2023-2027	<u>1,660,000</u>	<u>236,400</u>	<u>1,896,400</u>
Total	<u>\$ 4,605,000</u>	<u>1,600,370</u>	<u>6,205,370</u>

Business Type Activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
General obligation bonds/notes:						
Sewer improvements	03/18/08	2.74 - 4.90%	06/01/27	\$ 40,000 - 75,000	\$ 1,015,000	\$ 865,000
Well improvements	03/18/08	2.74 - 4.90%	06/01/27	80,000 - 165,000	2,235,000	1,940,000
Sewer improvements	08/11/11	0.80 - 3.60%	06/01/26	35,000 - 120,000	1,275,000	1,240,000
Water improvements	08/11/11	0.80 - 3.60%	06/01/26	15,000 - 40,000	455,000	440,000
Total general obligation bonds/notes						<u>\$ 4,485,000</u>

CITY OF DYERSVILLE, IOWA
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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
2013	\$ 180,000	165,030	345,030
2014	200,000	160,240	360,240
2015	255,000	154,515	409,515
2016	265,000	147,750	412,750
2017	270,000	140,070	410,070
2018-2022	1,575,000	553,465	2,128,465
2023-2027	1,740,000	220,488	1,960,488
Total	\$ 4,485,000	\$ 1,541,558	\$ 6,026,558

Revenue Bonds

Business Type Activities:

On February 10, 2010, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources (DNR) for the issuance of a sewer revenue bond of up to \$1,192,000 with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bond was issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 (ARRA) to pay the cost of constructing improvements and extensions to the sewer treatment facilities. At June 30, 2012, the City had drawn down \$1,075,070 of the authorized amount, including an initiation fee of \$11,920 (1% of the authorized borrowing for the sewer revenue bond) charged by the Iowa Finance Authority, which was withheld from the first proceeds of the sewer revenue bond. The remaining \$116,930 is recorded as sewer revenue bond proceeds receivable in the Enterprise, Sewage Disposal Works Fund.

On February 10, 2010, the City entered into a SRF forgivable loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$296,000 of sewer revenue bonds with interest at 3.0% per annum. The bonds were issued pursuant to the provisions of Chapters 384.83 and 455B of the Code of Iowa to pay the cost of constructing improvements and extensions to the City's sewer system. At June 30, 2012 the City had drawn the \$296,000 authorized. An initiation fee of 1% of the authorized borrowing for the sewer revenue bonds may be charged by the Iowa Finance Authority. If the City complies with all applicable ARRA requirements, the obligation will be forgiven, in full, with no payments of principal, interest or initiation fee. While a final determination has not been made, the City believes all requirements for forgiveness have been met and, accordingly, a liability has not been included in these financial statements.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$3,461,000 of sewer revenue bonds issued in August 2001 and February 2010. 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 2030. The total principal and interest remaining to be paid on the bonds is \$3,036,690. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$248,481 and \$348,673, respectively. Annual principal and interest payments on the sewer revenue bonds are expected to require 71% of customer net revenues plus depreciation expense.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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 \$569,880. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$56,810 and \$239,922, respectively. Annual principal and interest payments on the water revenue bonds are expected to require 24% of customer net revenues plus depreciation expense.

Seven issues of unmatured Iowa Finance Authority revenue bonds, totaling \$2,944,000, are outstanding at June 30, 2012. These bonds bear interest at a rate of 3.00% per annum and mature in varying annual amounts, ranging from \$3,000 to \$79,000, with the final maturity due in the year ending June 30, 2030.

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) Sufficient monthly transfers shall be made to a revenue bond sinking fund for the purpose of making the bond principal and interest payments when due.
- 3) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

During the year ended June 30, 2012, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2012, are as follows:

	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	3.00%	06/01/22	\$40,000 - 61,000	\$ 862,751	\$ 514,000
Sewer improvements	08/01/01	3.00%	06/01/22	29,000 - 44,000	627,500	373,000
Sewer improvements	08/01/01	3.00%	06/01/22	20,000 - 31,000	444,749	265,000
Sewer improvements	08/01/01	3.00%	06/01/22	15,000 - 24,000	334,000	202,000
Well improvements	02/08/02	3.00%	06/01/22	37,000 - 51,000	785,000	450,000
Well improvements	04/16/03	3.00%	06/01/22	3,000 - 4,000	64,000	36,000
Sewer improvements	02/10/10	3.00%	06/01/30	43,000 - 79,000	1,192,000	1,104,000
Total revenue bonds						<u>\$ 2,944,000</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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
2013	\$ 201,000	88,260	289,260
2014	208,000	82,230	290,230
2015	216,000	75,990	291,990
2016	224,000	69,510	293,510
2017	232,000	62,810	294,810
2018-2022	1,294,000	204,150	1,498,150
2023-2027	339,000	65,670	404,670
2028-2030	230,000	13,950	243,950
Total	<u>\$ 2,944,000</u>	<u>662,570</u>	<u>3,606,570</u>

NOTE 5 – INTERFUND TRANSFERS

Transfers totaling \$90,906 were made from the Special Revenue, Dyersville Economic Development TIF Fund to the Debt Service Fund for debt service payments for the year ended June 30, 2012.

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

NOTE 6 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Payable Fund	Receivable Fund	Amount
General	Special Revenue: Local Option Sales Tax	<u>\$ 50,941</u>
Special Revenue: CDBG	Special Revenue: Local Option Sales Tax	<u>574,878</u>
Capital Projects: Capital Improvements	Special Revenue: Local Option Sales Tax Dyersville Economic Development TIF Nonmajor Governmental Debt Service Enterprise: Sewage Disposal Works	<u>942,255</u> <u>800,980</u> <u>98,963</u> <u>337,289</u> <u>557,970</u> <u>2,737,457</u>
Debt Service	Special Revenue: Dyersville Economic Development TIF	<u>310,000</u>
Enterprise: Water Utility	Special Revenue: Dyersville Economic Development TIF Capital Projects: Capital Improvements	<u>23,500</u> <u>1,358,966</u> <u>1,382,466</u>
Sewage Disposal Works	Special Revenue: Dyersville Economic Development TIF Capital Projects: Capital Improvements	<u>60,500</u> <u>2,616,712</u> <u>2,677,212</u>
Total		<u>\$ 7,672,454</u>

Amounts due from/to the Capital Projects, Capital Improvements Fund and due from/to the Enterprise, Water Utility and Sewage Disposal Works Funds represent construction projects which will be transferred to the respective funds upon completion. Other balances result from interfund loans which will be repaid from future revenues.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 – PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City’s contributions to IPERS for the three years ended June 30, 2012, 2011 and 2010 were \$83,413, \$83,666 and \$89,100, respectively, equal to the required contributions for each year.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 19 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

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

The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 4,050
Interest on net OPEB obligation	170
Adjustment to annual required contribution	<u>(220)</u>
Annual OPEB cost	4,000
Contributions made	<u>-</u>
Increase in net OPEB obligation	4,000
Net OPEB obligation beginning of year	<u>8,000</u>
Net OPEB obligation end of year	<u>\$ 12,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

For the year ended June 30, 2012, there were no contributions to the medical plan by the City or from plan members eligible for benefits.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 4,000	0%	\$ 4,000
2011	4,000	0%	8,000
2012	4,000	0%	12,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$26,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$26,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$861,000 and the ratio of the UAAL to covered payroll was 3%. As of June 30, 2012, there were no trust fund assets.

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

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

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

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9 – 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 \$2,955,205 is outstanding at June 30, 2012. 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 10 – DEFICIT FUND BALANCES

At June 30, 2012, the General Fund and Special Revenue, CDBG Fund had deficit balances of \$38,331 and \$599,723, respectively. The City anticipates future bonding for the General Fund and grant reimbursements for the Special Revenue, CDBG Fund will eliminate these deficits.

NOTE 11 – 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 12 – CONSTRUCTION COMMITMENTS

The City has entered into a contract totaling \$1,595,567 for Highway 136 Utilities 201 project. As of June 30, 2012, costs of \$1,514,839 have been incurred against the contract. The balance remaining at June 30, 2012 is \$80,728.

NOTE 13 – PROSPECTIVE ACCOUNTING CHANGES

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

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Constrained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position rather than net assets.

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

Statement No. 66, *Technical Corrections – 2012*, issued March 2012, will be effective for the fiscal year ending June 30, 2014. This statement is an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity.

NOTE 14 – REBATE AND DEVELOPMENT AGREEMENTS

Rebate Agreements

The City has entered into tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The City has agreed to provide tax increment payments in a total amount not exceeding \$2,654,960.

Residential Development Agreement

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

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

The City has agreed to the following,

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

The residential development agreement will remain in effect for 10 years. As of June 30, 2012, no payments were due to the Developer for this project.

NOTE 15 – SUBSEQUENT EVENTS

The City has been in ongoing litigation with a contractor for a project completed in a prior year, in which the City contested the balance claimed on the contract by the contractor. Subsequent to June 30, 2012, but prior to issuance of this report, the courts ruled in favor of the contractor. A liability of \$259,999 for this ruling has been recorded in the Capital Projects, Capital Improvements Fund.

In October 2012, the Iowa Department of Public Defense, Iowa Homeland Security and Emergency Management Division (Division) notified the City the grant award related to the acquisition and demolition of a property of \$542,500 had been deobligated. These grant funds were received and expended during the fiscal year ended June 30, 2012. The Division stated the property was ineligible for acquisition under the Hazard Mitigation Grant Program. The City continues to believe the property was eligible and has appealed and requested a hearing. However, a hearing date has not been set.

NOTE 16 – PENDING LITIGATION

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

CITY OF DYERSVILLE, IOWA

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
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Variance with Final Budget-Positive (Negative)
Receipts:						
Property tax	\$ 1,553,631	-	1,553,631	1,548,728	1,548,728	4,903
Tax increment financing	1,299,946	-	1,299,946	1,281,229	1,281,229	18,717
Other city tax	641,751	-	641,751	657,314	657,314	(15,563)
Licenses and permits	18,968	-	18,968	15,500	15,500	3,468
Use of money and property	35,606	-	35,606	104,050	104,050	(68,444)
Intergovernmental	1,568,441	-	1,568,441	805,590	2,028,145	(459,704)
Charges for service	211,397	1,653,117	1,864,514	1,869,909	1,869,909	(5,395)
Special assessments	1,507	-	1,507	-	-	1,507
Miscellaneous	348,520	9,204	357,724	56,800	3,258,800	(2,901,076)
Total receipts	<u>5,679,767</u>	<u>1,662,321</u>	<u>7,342,088</u>	<u>6,339,120</u>	<u>10,763,675</u>	<u>(3,421,587)</u>
Disbursements:						
Public safety	2,159,522	-	2,159,522	907,386	2,159,941	419
Public works	554,642	-	554,642	495,174	510,174	(44,468)
Health and social services	800	-	800	1,550	21,550	20,750
Culture and recreation	1,029,136	-	1,029,136	839,393	839,393	(189,743)
Community and economic development	114,242	-	114,242	273,283	273,283	159,041
General government	350,106	-	350,106	285,308	326,808	(23,298)
Debt service	870,876	-	870,876	659,282	659,282	(211,594)
Capital projects	4,506,578	-	4,506,578	1,468,352	5,368,352	861,774
Business type activities	-	1,715,711	1,715,711	1,595,936	1,665,036	(50,675)
Total disbursements	<u>9,585,902</u>	<u>1,715,711</u>	<u>11,301,613</u>	<u>6,525,664</u>	<u>11,823,819</u>	<u>522,206</u>
Deficiency of Receipts Under Disbursements	(3,906,135)	(53,390)	(3,959,525)	(186,544)	(1,060,144)	(2,899,381)
Other Financing Sources, Net	2,492,334	-	2,492,334	1,000	1,000	2,491,334
Deficiency Of Receipts And Other Financing Sources Under Disbursements and Other Financing Uses	(1,413,801)	(53,390)	(1,467,191)	(185,544)	(1,059,144)	(408,047)
Balances Beginning of Year	893,188	900,352	1,793,540	3,626,045	3,626,045	(1,832,505)
Balances End of Year	<u>\$ (520,613)</u>	<u>846,962</u>	<u>326,349</u>	<u>3,440,501</u>	<u>2,566,901</u>	<u>(2,240,552)</u>

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

	Governmental Funds			Proprietary Funds		
				Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 5,679,767	441,901	6,121,668	1,662,321	11,507	1,673,828
Expenditures/Expenses	<u>9,585,902</u>	<u>(2,267,005)</u>	<u>7,318,897</u>	<u>1,715,711</u>	<u>(664)</u>	<u>1,715,047</u>
Net	(3,906,135)	2,708,906	(1,197,229)	(53,390)	12,171	(41,219)
Other Financing Sources, Net	2,492,334	(1,717,675)	774,659	-	-	-
Beginning Fund Balances/Net Assets	<u>893,188</u>	<u>2,724,361</u>	<u>3,617,549</u>	<u>900,352</u>	<u>4,752,927</u>	<u>5,653,279</u>
Ending Fund Balances/Net Assets	<u>\$ (520,613)</u>	<u>3,715,592</u>	<u>3,194,979</u>	<u>846,962</u>	<u>4,765,098</u>	<u>5,612,060</u>

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$5,298,155. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements in the public works, culture and recreation, general government, debt service and business type activities functions exceeded the amounts budgeted.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(Amounts in Thousands)
YEAR ENDED JUNE 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2010	July 1, 2009	-	\$ 26	\$ 26	0.00%	\$ 861	3.00%
2011	July 1, 2009	-	26	26	0.00%	861	3.00%
2012	July 1, 2009	-	26	26	0.00%	861	3.00%

See Note 8 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

CAPITAL PROJECTS FUND

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

**CITY OF DYERSVILLE, IOWA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012**

Schedule 1

	Special Revenue		Capital Projects	Total Nonmajor
	Road Use Tax	Library Trust	Capital Equipment	Governmental Funds
Assets				
Cash and pooled cash investments	\$ -	37,357	-	37,357
Due from other governments	28,389	-	-	28,389
Due from other funds	98,897	-	66	98,963
Total Assets	<u>\$ 127,286</u>	<u>37,357</u>	<u>66</u>	<u>164,709</u>
Liabilities And Fund Balances				
Liabilities:				
Accounts payable	\$ 15,909	-	-	15,909
Salaries and benefits payable	2,581	-	-	2,581
Total Liabilities	<u>18,490</u>	<u>-</u>	<u>-</u>	<u>18,490</u>
Fund Balances:				
Restricted for:				
Road use	108,796	-	-	108,796
Library	-	37,357	-	37,357
Capital equipment	-	-	66	66
Total Fund Balances	<u>108,796</u>	<u>37,357</u>	<u>66</u>	<u>146,219</u>
Total Liabilities and Fund Balances	<u>\$ 127,286</u>	<u>37,357</u>	<u>66</u>	<u>164,709</u>

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

Schedule 2

	Special Revenue		Capital Projects	Total Nonmajor
	Road Use Tax	Library Trust	Capital Equipment	Governmental Funds
Revenues:				
Use of money and property	\$ -	75	-	75
Intergovernmental	381,761	-	-	381,761
Charges for service	-	9,421	-	9,421
Total Revenues	<u>381,761</u>	<u>9,496</u>	<u>-</u>	<u>391,257</u>
Expenditures:				
Operating:				
Public safety	51,413	-	-	51,413
Public works	375,242	-	-	375,242
Culture and recreation	-	14,499	-	14,499
Total Expenditures	<u>426,655</u>	<u>14,499</u>	<u>-</u>	<u>441,154</u>
Deficiency of Revenues				
Under Expenditures	<u>(44,894)</u>	<u>(5,003)</u>	<u>-</u>	<u>(49,897)</u>
Fund Balances, Beginning of Year	<u>153,690</u>	<u>42,360</u>	<u>66</u>	<u>196,116</u>
Fund Balances, End of Year	<u>\$ 108,796</u>	<u>37,357</u>	<u>66</u>	<u>146,219</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 TEN YEARS

	2012	2011	2010	2009	2008
Revenues:					
Property tax	\$ 1,548,543	1,610,731	1,499,214	1,447,583	1,385,570
Tax increment financing	1,289,505	709,582	623,742	362,399	257,506
Other city tax	658,198	640,674	620,724	616,627	641,441
Licenses and permits	19,988	15,908	19,875	17,808	17,279
Use of money and property	35,790	50,070	103,081	200,559	124,712
Intergovernmental	1,747,062	1,884,647	2,142,239	605,322	381,761
Charges for service	210,754	276,185	308,616	250,551	239,593
Special assessments	1,186	3,444	6,536	7,993	7,873
Miscellaneous	610,642	30,332	48,962	60,903	69,055
Total Revenues	\$ 6,121,668	5,221,573	5,372,989	3,569,745	3,124,790
Expenditures:					
Operating:					
Public safety	\$ 2,136,818	2,077,083	1,232,499	1,180,029	865,895
Public works	576,256	653,289	487,664	498,396	426,909
Health and social services	800	800	1,512,275	800	1,000
Culture and recreation	1,034,830	832,260	784,875	813,427	703,071
Community and economic development	113,970	127,477	139,035	117,228	1,118,013
General government	322,999	293,061	289,658	303,319	301,154
Debt service	793,679	515,827	988,064	669,562	1,040,106
Capital projects	2,339,545	667,448	1,532,747	59,057	471,918
Total Expenditures	\$ 7,318,897	5,167,245	6,966,817	3,641,818	4,928,066

See accompanying independent auditor's report.

2007	2006	2005	2004	2003
1,334,936	1,340,550	1,347,005	1,276,337	1,231,585
339,688	410,153	300,510	288,945	325,246
633,612	549,499	535,448	541,492	506,544
16,604	19,721	20,015	13,168	11,760
92,909	67,584	52,846	62,981	78,660
368,337	664,079	454,263	1,231,635	799,733
250,071	201,149	176,035	176,066	146,181
7,605	14,897	19,082	133,889	13,801
56,003	141,476	159,605	225,237	154,203
<u>3,099,765</u>	<u>3,409,108</u>	<u>3,064,809</u>	<u>3,949,750</u>	<u>3,267,713</u>
895,784	764,856	822,616	1,281,597	1,249,182
468,335	474,980	461,363	689,997	509,673
800	1,300	1,800	1,950	1,950
695,435	725,205	599,303	571,754	534,236
16,790	19,963	94,770	25,188	21,769
326,609	265,260	240,516	207,899	223,680
453,805	483,459	598,694	1,312,560	514,830
221,687	133,028	1,553,254	1,415,084	481,928
<u>3,079,245</u>	<u>2,868,051</u>	<u>4,372,316</u>	<u>5,506,029</u>	<u>3,537,248</u>

CITY OF DYERSVILLE, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Schedule 4

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-218	<u>\$ 571,939</u>
U.S. Department of Justice:			
Iowa Department of Commerce:			
Iowa Alcoholic Beverages Division: Tobacco Surveillance Grant	16.000		<u>450</u>
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 10-410, TASK 26	3,108
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP 10-410, TASK 28	<u>1,229</u>
			<u>4,337</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-1763	<u>126,124</u>
Hazard Mitigation Grant	97.039	DR-1763-31-01	<u>524,434</u>
Total			<u>\$ 1,227,284</u>

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

See accompanying independent auditor's report.

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**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA
Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated April 4, 2013. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Dyersville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

Compliance and Other Matters

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


Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 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 the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Dyersville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Dyersville and other parties to whom the City of Dyersville may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dyersville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 4, 2013

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

CITY OF DYERSVILLE, IOWA



OFFICE OF AUDITOR OF STATE

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Independent Auditor's Report on Compliance
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with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the City of Dyersville, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Dyersville's major federal programs for the year ended June 30, 2012. The City of Dyersville's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Dyersville's management. Our responsibility is to express an opinion on the City of Dyersville's compliance based on our audit.

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

In our opinion, the City of Dyersville complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance


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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Dyersville and other parties to whom the City of Dyersville may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 4, 2013

City of Dyersville

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
 - CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
 - CFDA Number 97.039 – Hazard Mitigation Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Dyersville did not qualify as a low-risk auditee.

City of Dyersville

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-12 Financial Reporting – During the audit, we identified material amounts of receivables and revenues recorded twice in the City’s financial statements and other balances not initially reported. Material adjustments were also made to the revenue classification in the Statement of Activities and the Statements of Revenues, Expenditures, and Changes in Fund Balances. In addition, proceeds for refunding debt and the payment to the refunding agent were recorded in an incorrect fund. Adjustments were subsequently made by the City to properly report these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables and revenues are properly reported in the financial statements. The City should also ensure debt activity is properly reported in the financial statements.

Response – The City will work with the City Clerk’s Office on implementing these procedures.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were reported.

INTERNAL CONTROL DEFICIENCIES

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

City of Dyersville

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service and business type activities functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety, culture and recreation, general government, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

IV-B-12 Questionable Disbursements – An expenditure we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. The expenditure was \$947 paid to Country Junction for a volunteer appreciation reception.

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

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

Response – The City understands the line between a proper and improper public purpose for an event. The public purpose for said event was to show appreciation to Board and Commission Members who volunteer their time and energy for the betterment of the community. The City contends this was an appropriate disbursement which was approved prior to the event and the expenditures were clearly documented and approved by the City Council.

Conclusion – Response accepted.

IV-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Dyersville

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-D-12 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	\$ 109,945
Mary Klostermann, Board of Adjustment, and Kevin Klostermann, Parks & Recreation, owners of Computer Doctors	Maintenance	32,245
Mary Jo Goldsmith, Administrative Assistant, Husband owns Goldsmith Painting	Painting	7,929
Adam Huehnergath, Parks and Recreation, Manager of Schwans	Food	1,529

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions above may represent a conflict of interest since the transactions exceeded \$1,500 during the fiscal year and were not entered into through competitive bidding.

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

Response – The City has consulted with legal counsel regarding this matter and believes we are compliant under Chapter 362.5(3)(j) of the Code of Iowa.

Conclusion – Response accepted.

IV-E-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-12 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

IV-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-12 Revenue Bonds – No instances of non-compliance with the resolutions providing for the issuance of the water and sewer revenue bonds were noted.

IV-I-12 Financial Condition – At June 30, 2012, the General and Special Revenue, CDBG Funds had deficit balances of \$38,331 and \$599,723, respectively.

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

Response – The City anticipates future bonding for the General Fund and grant reimbursements for the Special Revenue, CDBG Fund will eliminate these deficits.

Conclusion – Response accepted.

City of Dyersville

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-J-12 Payment of General Obligation Notes – Certain general obligation notes were paid from the Special Revenue, Dyersville Economic Development TIF Fund and the Enterprise, Water Utility and Sewage Disposal Works Funds. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer funds from the Special Revenue, Dyersville Economic Development TIF Fund and the Enterprise, Water Utility and Sewage Disposal Works Funds to the Debt Service Fund for future funding contributions. Payments of the notes should then be disbursed from the Debt Service Fund.

Response – The City will make these corrections moving forward.

Conclusion – Response accepted.

City of Dyersville

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Brandon J. Vogel, Staff Auditor
David C. McQuarry, CPA, Staff Auditor
James H. Pitcher, CPA, Staff Auditor
Lacey D. Kriegel Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State