

CITY OF DYERSVILLE, IOWA

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

JUNE 30, 2004

CITY OF DYERSVILLE, IOWA

Table of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR’S REPORT	2-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 11
Statement of Activities	B 12
Governmental Fund Financial Statements:	
Balance Sheet	C 13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 14
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)	E 15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 16
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 17
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H 18
Statement of Cash Flows	I 19-20
Notes to the Financial Statements	21-35
REQUIRED SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – Governmental Funds and Proprietary Funds and Budget to GAAP Reconciliation	36
Notes to Required Supplementary Information – Budgetary Reporting	37
OTHER SUPPLEMENTARY INFORMATION:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)	2 39
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40-41
Schedule of Findings	42-43

CITY OF DYERSVILLE, IOWA
OFFICIALS
JUNE 30, 2004

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Heavens	Mayor	December 31, 2005
Michael English	Council Member	December 31, 2007
Ray Sauser	Council Member	December 31, 2007
Kevin Klostermann	Council Member	December 31, 2005
Robert Platz	Council Member	December 31, 2005
Eileen Huberty	Council Member	December 31, 2005
Mick Michel	City Administrator	Appointed
Susan Ertl	City Clerk/Treasurer	Appointed
Marc Casey	City Attorney	Appointed
William Blum	Assistant City Attorney	Appointed



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Dyersville, Iowa

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, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Dyersville, Iowa. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions 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 that 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, Iowa, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 14 to the financial statements, for the year ended June 30, 2004, the City of Dyersville, Iowa, adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 39, *Determining Whether Certain Organizations are Component Units*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004, on our consideration of the City'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.

The management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 36 and 37 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Eida Bailey LLP

Dubuque, Iowa
September 30, 2004

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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the city of Dyersville is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental fund activities increased 18%, or approximately \$612,000, from fiscal 2003 to fiscal 2004. Property tax levied for general purposes and debt service increased approximately \$45,000.

Program expenses decreased 11%, or approximately \$337,000, in fiscal 2004 from fiscal 2003. Public safety, public works, general government, and interest on long-term debt expenses decreased approximately \$6,800, \$346,000, \$2,000, and \$31,000, respectively. Culture and recreation and community and economic development increased approximately \$46,000 and \$3,400, respectively.

The City's net assets increased 12%, or approximately \$1,055,000, from June 30, 2003 to June 30, 2004. Of this amount, the net assets of the governmental activities increased approximately \$1,211,000 and the net assets of the business type activities decreased approximately \$156,000.

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 Sample GAAP City's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds and Capital Projects Funds.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows in and out of those funds and the balances at year-end that are available for spending. Governmental funds include: the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects 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 (deficit).

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Assets		
	June 30, 2004		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 5,042,455	\$90,145	\$5,132,600
Capital assets	5,569,925	7,360,015	12,929,940
Total assets	10,612,380	7,450,160	18,062,540
Long-term liabilities	2,925,627	3,012,760	5,938,387
Other liabilities	2,396,392	83,915	2,480,307
Total liabilities	5,322,019	3,096,675	8,418,694
Net assets:			
Invested in capital assets, net of related debt	2,894,925	4,367,219	7,262,144
Restricted	2,097,573	-	2,097,573
Unrestricted	297,863	(13,734)	284,129
Total net assets	\$ 5,290,361	\$4,353,485	\$9,643,846

Net assets of governmental activities increased from FY03 by approximately 1,211,000, or 30%. Net assets of business-type activities decreased from FY03 by approximately \$181,000, or 4%. 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 sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$297,863 at the end of this year.

**Changes in Net Assets
Year ended June 30, 2004**

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for service	\$205,416	\$821,927	\$1,027,343
Operating grants, and contributions	1,239,406	-	1,239,406
Capital grants, and Contributions	290,096	-	290,096
General revenues:			
Property tax levied for:			
General purposes	1,005,026	-	1,005,026
Debt service	271,311	-	271,311
Tax increment financing	288,945	-	288,945
Local option sales tax	445,018	-	445,018
Hotel/motel tax	67,162	-	67,162
Unrestricted investment			
Earnings	49,364	8,233	57,597
Sale of capital assets	3,801	-	3,801
Miscellaneous	100,421	15,597	116,018
Total revenues	<u>3,965,966</u>	<u>845,757</u>	<u>4,811,723</u>
Program expenses:			
Public safety	1,019,032	-	1,019,032
Public works	644,339	-	644,339
Health and social services	1,950	-	1,950
Culture and recreation	660,436	-	660,436
Community and economic development	25,188	-	25,188
General government	236,034	-	236,034
Interest on long-term debt	124,627	-	124,627
Water Utility	-	416,829	416,829
Sewage Disposal Works	-	503,104	503,104
Solid Waste	-	150,229	150,229
Total expenses	<u>2,711,606</u>	<u>1,070,162</u>	<u>3,781,768</u>
Transfers	<u>(43,043)</u>	<u>43,043</u>	<u>-</u>
Change in net assets	1,211,317	(181,362)	1,029,955
Net assets beginning of year (as restated)	<u>4,079,044</u>	<u>4,534,847</u>	<u>8,613,891</u>
Net assets end of year	<u>\$5,290,361</u>	<u>\$4,353,485</u>	<u>\$9,643,846</u>

The City increased property tax rates for general purposes and debt service for fiscal 2004 by approximately 3.6%. This increase raised the City's property tax revenue by approximately \$45,000 in fiscal 2004. Revenues for operating grants and contributions increased by approximately \$513,000 due to receipts from Iowa Homeland Security and Emergency Management Agency for the removal of homes within the floodplain and road use tax for road maintenance and construction.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the city of Dyersville completed the year, its governmental funds reported a combined fund balance of \$5,290,361, which is more than \$1,211,317 of total fund balance at June 30, 2003. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund showed an increase of \$238,425 from the prior year to \$2,155,757.

The Road Use Tax Fund is used to account for state revenues allocated to the City for maintenance and improvement of City streets. This fund ended fiscal 2004 with a \$548,480 balance compared to the prior year ending fund balance of \$566,421.

The CDBG Fund is used to account for the use of Community Development Block Grant funds as received from the Iowa Department of Economic Development. This fund ended fiscal 2004 with a \$(15,887) deficit balance compared to the prior year ending deficit balance of \$(246,902). The deficit will be eliminated through future transfers from other funds.

The Capital Improvements Fund is used to account for the resources and costs related to infrastructure and building construction and major improvements. This fund ended fiscal 2004 with a \$(676,357) deficit balance compared to the prior year ending balance of \$444,574. The fiscal year 2004 deficit is a result of project costs exceeding available funds. The deficit will be eliminated through future transfers from other funds.

Proprietary Fund Highlights

The Water Utility Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2004 with a \$2,020,526 net asset balance compared to the prior year ending net asset balance of \$2,037,559.

The Sewage Disposal Works Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2004 with a \$2,216,341 net asset balance compared to the prior year ending net asset balance of \$2,403,367.

The Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal 2004 with a \$116,618 net asset balance compared to the prior year ending net asset balance of \$93,921.

Budgetary Highlights

Over the course of the year, the city of Dyersville amended its budget only one time. The amendment was done in May 2004. This amendment was needed to cover unplanned disbursements, including disbursements associated with projects carried over from the prior fiscal year.

Even with this amendment, the City exceeded its budgetary amounts in the public safety function, the public works function, the community and economic development function and the debt service function for the year ended June 30, 2004.

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 \$5,569,925 (net of accumulated depreciation) at June 30, 2004. Capital assets for business type activities totaled \$7,360,015 (net of accumulated depreciation) at June 30, 2004. 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 the construction of the Memorial Hall Elevator and infrastructure improvements to 15th Avenue Extension. Furthermore, the City purchased seven (7) residential homes to either relocate or remove these homes from within the Flood Plain.

For business type activities, major additions included a purchase of the street sweeper and water and sewer improvements to 15th Avenue Extension.

Construction in progress at June 30, 2004 for governmental activities consists primarily of the 1st Avenue Streetscape Project and the Memorial Building 1st Floor Renovation Project

Long-Term Debt

At June 30, 2004, the City had \$2,925,627 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$2,992,058 at June 30, 2004. During the year ended June 30, 2004, the City issued a total of \$895,000 of general obligation bonds for a current refunding of \$860,000 of general obligation bonds of the Sewage Disposal Works and General Fund. The refunding was undertaken to reduce the average interest rate from 5.45% to 2.68%. The City also issued \$600,000 of general obligation notes for projects in the Northwest and Southeast Industrial Park TIF.

The City does not have a general obligation bond rating assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$6.8 million. Other obligations include accrued vacation pay and sick leave. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City in setting its fiscal 2005 budget. The city of Dyersville will experience a significant drop in General Fund revenues and expenditures from fiscal 2004 to fiscal 2005. The major factors for fiscal year 2005 that will play a role in this change are uncontrollable factors— reduction in intergovernmental revenue and increase in operational costs, such as energy and insurance prices.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index (CPI) increase. The State's CPI increase was 3.2 percent for fiscal 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

The General Fund is projected to end fiscal 2005 with a fund balance of approximately \$5,251,000, a .08% decrease from fiscal 2003.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2005 are provided below:

General levy	\$ 8.07030
Debt Service levy	2.12580
Total	\$ 10.19610

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled cash investments	\$ 2,725,361	\$ 199,531	\$ 2,924,892
Receivables			
Property tax			
Delinquent	7,346	-	7,346
Succeeding year	1,637,805	-	1,637,805
Accounts and other	1,181	105,292	106,473
Special assessments	23,547	-	23,547
Accrued interest	3,863	-	3,863
Due from other governments	284,269	-	284,269
Internal balances	302,126	(302,126)	-
Inventories	-	21,174	21,174
Prepaid expenses	48,415	15,443	63,858
Restricted assets			
Cash and pooled cash investments	-	23,726	23,726
Deferred charges	8,542	27,105	35,647
Capital assets			
Land	1,134,926	140,280	1,275,206
Buildings	2,902,547	-	2,902,547
Improvements other than buildings	246,285	-	246,285
Machinery and equipment	1,279,151	258,883	1,538,034
Infrastructure	120,413	9,240,960	9,361,373
Construction in progress	1,153,091	-	1,153,091
Accumulated depreciation	(1,266,488)	(2,280,108)	(3,546,596)
Total Assets	<u>10,612,380</u>	<u>7,450,160</u>	<u>18,062,540</u>

See notes to financial statements.

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 714,146	\$ 30,963	\$ 745,109
Accrued interest payable	11,243	9,024	20,267
Salaries and benefits payable	33,198	5,339	38,537
Deferred revenue			
Succeeding year property tax	1,637,805	-	1,637,805
Other	-	38,589	38,589
Long-term liabilities			
Portion due or payable within one year			
Customer deposits	-	20,702	20,702
Notes payable	77,674	-	77,674
General obligation bonds payable	397,500	12,500	410,000
Revenue bonds payable	-	118,000	118,000
Compensated absences	75,453	19,435	94,888
Portion due or payable after one year			
Notes payable	640,000	-	640,000
General obligation bonds payable	1,735,000	59,123	1,794,123
Revenue bonds payable	-	2,783,000	2,783,000
Total Liabilities	<u>5,322,019</u>	<u>3,096,675</u>	<u>8,418,694</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,894,925	4,367,219	7,262,144
Restricted for			
Local option sales tax	878,355	-	878,355
Road use	548,480	-	548,480
Library	49,854	-	49,854
Other purposes	504,676	-	504,676
Prepaid items	48,415	-	48,415
Debt service	67,793	-	67,793
Unrestricted	297,863	(13,734)	284,129
Total Net Assets	<u>\$ 5,290,361</u>	<u>\$ 4,353,485</u>	<u>\$ 9,643,846</u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Governmental activities				
Public safety	\$ 1,019,032	\$ 10,736	\$ 6,464	\$ -
Public works	644,339	10,152	338,447	172,674
Health and social services	1,950	-	-	-
Culture and recreation	660,436	184,528	27,461	117,422
Community and economic development	25,188	-	867,034	-
General government	236,034	-	-	-
Interest on long-term debt	124,627	-	-	-
Total governmental activities	<u>2,711,606</u>	<u>205,416</u>	<u>1,239,406</u>	<u>290,096</u>
Business-type activities				
Water utility	416,829	358,930	-	-
Sewage disposal works	503,104	290,266	-	-
Solid waste	150,229	172,731	-	-
Total business-type activities	<u>1,070,162</u>	<u>821,927</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,781,768</u>	<u>\$ 1,027,343</u>	<u>\$ 1,239,406</u>	<u>\$ 290,096</u>

General revenues
Property tax and other City tax levied for:
 General purposes
 Tax increment financing
 Debt service
Local option sales tax
Hotel/motel tax
Unrestricted investment earnings
Gain on sale of capital assets
Other
Transfers
 Total general revenues and transfers
Change in net assets
Net assets, beginning as restated
Net assets, ending

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,001,832)	\$ -	\$ (1,001,832)
(123,066)	-	(123,066)
(1,950)	-	(1,950)
(331,025)	-	(331,025)
841,846	-	841,846
(236,034)	-	(236,034)
(124,627)	-	(124,627)
<u>(976,688)</u>	<u>-</u>	<u>(976,688)</u>
-	(57,899)	(57,899)
-	(212,838)	(212,838)
-	22,502	22,502
<u>-</u>	<u>(248,235)</u>	<u>(248,235)</u>
<u>(976,688)</u>	<u>(248,235)</u>	<u>(1,224,923)</u>
1,005,026	-	1,005,026
288,945	-	288,945
271,311	-	271,311
445,018	-	445,018
67,162	-	67,162
49,364	8,233	57,597
3,801	-	3,801
100,421	15,597	116,018
(43,043)	43,043	-
<u>2,188,005</u>	<u>66,873</u>	<u>2,254,878</u>
1,211,317	(181,362)	1,029,955
4,079,044	4,534,847	8,613,891
<u>\$ 5,290,361</u>	<u>\$ 4,353,485</u>	<u>\$ 9,643,846</u>

CITY OF DYERSVILLE, IOWA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Special Revenue	
		Road Use Tax	CDBG
ASSETS			
Cash and pooled cash investments	\$ 1,485,216	\$ 525,472	\$ -
Receivables			
Property tax			
Delinquent	5,881	-	-
Succeeding year	1,041,684	-	-
Accounts and other	1,181	-	-
Special assessments	-	-	-
Accrued interest	3,318	-	-
Due from other governments	96,633	27,090	160,546
Due from other funds	614,790	-	-
Advances to other funds	22,000	-	-
Prepaid expenditures	48,415	-	-
Total Assets	<u>\$ 3,319,118</u>	<u>\$ 552,562</u>	<u>\$ 160,546</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 88,791	\$ 3,770	\$ 1,500
Salaries and benefits payable	32,886	312	-
Deferred revenue			
Succeeding year property tax	1,041,684	-	-
Other	-	-	-
Due to other funds	-	-	174,933
Advances from other funds	-	-	-
Total Liabilities	<u>1,163,361</u>	<u>4,082</u>	<u>176,433</u>
FUND BALANCES			
Reserved for			
Prepaid expenditures	48,415	-	-
Debt service	-	-	-
Unreserved, reported in			
General fund			
Designated for Aquatic Center improvements	21,122	-	-
Designated for insurance expenditures	65,388	-	-
Designated for property tax relief	878,355	-	-
Undesignated	1,142,477	-	-
Special revenue funds			
Designated for library	-	-	-
Undesignated	-	548,480	(15,887)
Capital projects funds			
Undesignated	-	-	-
Total Fund Balances	<u>2,155,757</u>	<u>548,480</u>	<u>(15,887)</u>
Total Liabilities and Fund Balances	<u>\$ 3,319,118</u>	<u>\$ 552,562</u>	<u>\$ 160,546</u>

See notes financial statements.

Capital Projects		Nonmajor	
Capital Improvements	Debt Service	Governmental Funds	Total
\$ -	\$ 69,029	\$ 645,644	\$ 2,725,361
-	1,465	-	7,346
-	299,053	297,068	1,637,805
-	-	-	1,181
23,547	-	-	23,547
300	-	245	3,863
-	-	-	284,269
-	-	-	614,790
-	-	-	22,000
-	-	-	48,415
<u>\$ 23,847</u>	<u>\$ 369,547</u>	<u>\$ 942,957</u>	<u>\$ 5,368,577</u>
\$ 620,085	\$ -	\$ -	\$ 714,146
-	-	-	33,198
-	299,053	297,068	1,637,805
12,415	-	-	12,415
67,704	-	70,027	312,664
-	-	22,000	22,000
<u>700,204</u>	<u>299,053</u>	<u>389,095</u>	<u>2,732,228</u>
-	-	-	48,415
-	70,494	-	70,494
-	-	-	21,122
-	-	-	65,388
-	-	-	878,355
-	-	-	1,142,477
-	-	49,854	49,854
-	-	446,213	978,806
<u>(676,357)</u>	<u>-</u>	<u>57,795</u>	<u>(618,562)</u>
<u>(676,357)</u>	<u>70,494</u>	<u>553,862</u>	<u>2,636,349</u>
<u>\$ 23,847</u>	<u>\$ 369,547</u>	<u>\$ 942,957</u>	<u>\$ 5,368,577</u>

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Exhibit D

Total fund balances - governmental funds \$ 2,636,349

Amounts reported for governmental activities in the statement of net assets are different because:

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

Cost of capital assets	\$ 6,836,413	
Accumulated depreciation	<u>(1,266,488)</u>	
		5,569,925

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

Special assessments		12,415
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General obligation bonds	(2,132,500)	
Deferred charges on bonds	8,542	
Notes payable	(717,674)	
Accrued interest	(11,243)	
Compensated absences	<u>(75,453)</u>	
		<u>(2,928,328)</u>

Net assets of governmental activities		<u>\$ 5,290,361</u>
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CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICIT) – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Special Revenue	
		Road Use Tax	CDBG
REVENUES			
Property tax	\$ 1,005,026	\$ -	\$ -
Tax increment financing	-	-	-
Other city tax	541,492	-	-
Licenses and permits	13,168	-	-
Use of money and property	49,922	-	-
Intergovernmental	50,187	338,447	843,001
Charges for service	146,277	-	-
Special assessments	-	-	-
Miscellaneous	47,260	4,005	24,033
Total Revenues	<u>1,853,332</u>	<u>342,452</u>	<u>867,034</u>
EXPENDITURES			
Operating			
Public safety	610,833	34,745	636,019
Public works	207,791	306,826	-
Health and social services	1,950	-	-
Culture and recreation	556,439	-	-
Community and economic development	7,548	-	-
General government	207,899	-	-
Debt service	-	18,822	-
Capital projects	-	-	-
Total Expenditures	<u>1,592,460</u>	<u>360,393</u>	<u>636,019</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>260,872</u>	<u>(17,941)</u>	<u>231,015</u>
OTHER FINANCING SOURCES (USES)			
Issuance of bonds	-	-	-
Transfers in	-	-	-
Transfers out	(26,248)	-	-
Sale of capital assets	3,801	-	-
Total Other Financing Sources (Uses)	<u>(22,447)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	238,425	(17,941)	231,015
FUND BALANCES (DEFICIT), BEGINNING, AS RESTATED	<u>1,917,332</u>	<u>566,421</u>	<u>(246,902)</u>
FUND BALANCES (DEFICIT), ENDING	<u>\$ 2,155,757</u>	<u>\$ 548,480</u>	<u>\$ (15,887)</u>

See notes to financial statements.

Capital Projects		Nonmajor	
Capital	Debt	Governmental	
Improvements	Service	Funds	Total
\$ -	\$ 271,311	\$ -	\$ 1,276,337
-	-	288,945	288,945
-	-	-	541,492
-	-	-	13,168
6,472	124	6,463	62,981
-	-	-	1,231,635
-	-	29,789	176,066
133,889	-	-	133,889
143,792	-	6,147	225,237
<u>284,153</u>	<u>271,435</u>	<u>331,344</u>	<u>3,949,750</u>
-	-	-	1,281,597
-	-	175,380	689,997
-	-	-	1,950
-	-	15,315	571,754
-	-	17,640	25,188
-	-	-	207,899
-	1,081,068	212,670	1,312,560
1,405,084	-	10,000	1,415,084
<u>1,405,084</u>	<u>1,081,068</u>	<u>431,005</u>	<u>5,506,029</u>
<u>(1,120,931)</u>	<u>(809,633)</u>	<u>(99,661)</u>	<u>(1,556,279)</u>
-	805,500	600,000	1,405,500
-	26,248	-	26,248
-	-	-	(26,248)
-	-	-	3,801
<u>-</u>	<u>831,748</u>	<u>600,000</u>	<u>1,409,301</u>
(1,120,931)	22,115	500,339	(146,978)
<u>444,574</u>	<u>48,379</u>	<u>53,523</u>	<u>2,783,327</u>
<u>\$ (676,357)</u>	<u>\$ 70,494</u>	<u>\$ 553,862</u>	<u>\$ 2,636,349</u>

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, 2004

Exhibit F

Net change in fund balances - total governmental funds	\$	(146,978)	
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>			
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>			
Capital assets expended in governmental funds	\$	1,756,214	
Depreciation expense		<u>(186,778)</u>	1,569,436
<p>Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds, as follows:</p>			
Special assessments			12,415
<p>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:</p>			
Issued		(1,405,500)	
Issuance costs net of current year amortization		8,542	
Repaid		<u>1,178,595</u>	(218,363)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:</p>			
Compensated absences		(5,989)	
Interest on long-term debt		<u>796</u>	<u>(5,193)</u>
Change in net assets of governmental activities			<u>\$ 1,211,317</u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
ASSETS				
CURRENT ASSETS				
Cash and pooled cash investments	\$ 152,301	\$ -	\$ 47,230	\$ 199,531
Accounts receivable	46,359	37,171	21,762	105,292
Inventories	21,174	-	-	21,174
Due from other funds	-	70,027	-	70,027
Prepaid items	8,056	7,387	-	15,443
Total Current Assets	<u>227,890</u>	<u>114,585</u>	<u>68,992</u>	<u>411,467</u>
NONCURRENT ASSETS				
Restricted assets - cash and pooled cash investments	<u>23,726</u>	<u>-</u>	<u>-</u>	<u>23,726</u>
Deferred charges	<u>6,803</u>	<u>20,302</u>	<u>-</u>	<u>27,105</u>
Capital assets				
Land	65,750	74,530	-	140,280
Machinery and equipment	88,412	75,163	50,000	213,575
Meters	45,308	-	-	45,308
Wells	434,542	-	-	434,542
Distribution system	3,266,578	-	-	3,266,578
Sewer system	-	5,539,840	-	5,539,840
Accumulated depreciation	<u>(1,261,473)</u>	<u>(1,017,941)</u>	<u>(694)</u>	<u>(2,280,108)</u>
Net Capital Assets	<u>2,639,117</u>	<u>4,671,592</u>	<u>49,306</u>	<u>7,360,015</u>
Total Noncurrent Assets	<u>2,669,646</u>	<u>4,691,894</u>	<u>49,306</u>	<u>7,410,846</u>
Total Assets	<u>2,897,536</u>	<u>4,806,479</u>	<u>118,298</u>	<u>7,822,313</u>

See notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 18,297	\$ 11,940	\$ 726	\$ 30,963
Accrued interest payable	1,943	7,081	-	9,024
Salaries and benefits payable	3,143	1,978	218	5,339
Deferred revenue	38,589	-	-	38,589
Due to other funds	-	372,153	-	372,153
General obligation bonds payable	-	12,500	-	12,500
Revenue bonds payable	34,000	84,000	-	118,000
Compensated absences	8,336	10,363	736	19,435
Total Current Liabilities	<u>104,308</u>	<u>500,015</u>	<u>1,680</u>	<u>606,003</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Customer deposits payable	<u>20,702</u>	<u>-</u>	<u>-</u>	<u>20,702</u>
NONCURRENT LIABILITIES				
General obligation bonds payable (net of unamortized discounts)	-	59,123	-	59,123
Revenue bonds payable	<u>752,000</u>	<u>2,031,000</u>	<u>-</u>	<u>2,783,000</u>
Total Noncurrent Liabilities	<u>752,000</u>	<u>2,090,123</u>	<u>-</u>	<u>2,842,123</u>
Total Liabilities	<u>877,010</u>	<u>2,590,138</u>	<u>1,680</u>	<u>3,468,828</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,869,734	2,497,485	-	4,367,219
Unrestricted	<u>150,792</u>	<u>(281,144)</u>	<u>116,618</u>	<u>(13,734)</u>
Total Net Assets	<u>\$ 2,020,526</u>	<u>\$ 2,216,341</u>	<u>\$ 116,618</u>	<u>\$ 4,353,485</u>

CITY OF DYERSVILLE, IOWA

Exhibit H

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET

ASSETS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2004

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
OPERATING REVENUES				
Charges for sales and services	\$ 358,930	\$ 290,266	\$ 172,731	\$ 821,927
Other	14,872	725	-	15,597
Total Operating Revenues	<u>373,802</u>	<u>290,991</u>	<u>172,731</u>	<u>837,524</u>
OPERATING EXPENSES				
Employee expense	102,987	87,944	7,826	198,757
Utilities	32,753	46,431	-	79,184
Repairs and maintenance	119,887	51,455	-	171,342
Supplies and services	42,297	87,022	141,709	271,028
Insurance	10,268	9,306	-	19,574
Depreciation	81,994	122,170	694	204,858
Total Operating Expenses	<u>390,186</u>	<u>404,328</u>	<u>150,229</u>	<u>944,743</u>
OPERATING INCOME (LOSS)	<u>(16,384)</u>	<u>(113,337)</u>	<u>22,502</u>	<u>(107,219)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	465	7,573	195	8,233
Interest expense	(26,120)	(96,603)	-	(122,723)
Bond issuance cost	(523)	(2,173)	-	(2,696)
Total Nonoperating Revenues (Expenses)	<u>(26,178)</u>	<u>(91,203)</u>	<u>195</u>	<u>(117,186)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(42,562)</u>	<u>(204,540)</u>	<u>22,697</u>	<u>(224,405)</u>
CAPITAL CONTRIBUTIONS	<u>25,529</u>	<u>17,514</u>	<u>-</u>	<u>43,043</u>
CHANGE IN NET ASSETS	<u>(17,033)</u>	<u>(187,026)</u>	<u>22,697</u>	<u>(181,362)</u>
NET ASSETS, BEGINNING AS RESTATED	<u>2,037,559</u>	<u>2,403,367</u>	<u>93,921</u>	<u>4,534,847</u>
NET ASSETS, ENDING	<u>\$ 2,020,526</u>	<u>\$ 2,216,341</u>	<u>\$ 116,618</u>	<u>\$ 4,353,485</u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

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	\$ 353,023	\$ 289,890	\$ 171,868	\$ 814,781
Cash payments to suppliers for goods and services	(205,042)	(198,225)	(140,983)	(544,250)
Cash payments to employees for services	(100,166)	(86,351)	(7,468)	(193,985)
Other operating receipts	14,872	725	-	15,597
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>62,687</u>	<u>6,039</u>	<u>23,417</u>	<u>92,143</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	176,600	-	176,600
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(32,877)	(5,617)	(50,000)	(88,494)
Proceeds from issuance of debt	25,029	89,500	-	114,529
Payment of debt	(32,000)	(177,000)	-	(209,000)
Interest paid	(26,200)	(97,095)	-	(123,295)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(66,048)</u>	<u>(190,212)</u>	<u>(50,000)</u>	<u>(306,260)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	465	7,573	195	8,233
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,896)	-	(26,388)	(29,284)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>178,923</u>	<u>-</u>	<u>73,618</u>	<u>252,541</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 176,027</u>	<u>\$ -</u>	<u>\$ 47,230</u>	<u>\$ 223,257</u>

(continued)

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004

Exhibit I
(continued)

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (16,384)	\$ (113,337)	\$ 22,502	\$ (107,219)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	81,994	122,170	694	204,858
Change in assets and liabilities				
Increase in accounts receivable	(1,194)	(376)	(863)	(2,433)
Increase in inventories and prepaid items	(1,680)	(535)	-	(2,215)
Increase (decrease) in accounts payable	1,843	(3,476)	726	(907)
Decrease in deferred revenue	(5,360)	-	-	(5,360)
Increase in accrued liabilities	3,468	1,593	358	5,419
Total Adjustments	79,071	119,376	915	199,362
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 62,687</u>	<u>\$ 6,039</u>	<u>\$ 23,417</u>	<u>\$ 92,143</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions of capital assets from other funds and outside sources	<u>\$ 25,529</u>	<u>\$ 17,514</u>	<u>\$ -</u>	<u>\$ 43,043</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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.

Based on the above criteria, the City has determined that there are no potential component units which must be included in the City's financial statements as of and for the year ended June 30, 2004.

Jointly Governed Organization

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

Basis of Presentation

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue Funds –

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

The CDBG Fund is used to account for the use of Community Development Block Grant funds as received from the Iowa Department of Economic Development.

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

The City reports the following major proprietary funds:

Enterprise Funds

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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

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

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

Assets, Liabilities, and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2004 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002, assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004, and reflects tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

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.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business-type activities columns in the government-wide 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 extend 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.

Infrastructure	\$	5,000
Land, buildings and improvements		5,000
Equipment and vehicles		5,000

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

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Budgets and budgetary accounting - The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, no disbursements exceeded the amount budgeted in any of the functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2004, 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 state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The City classifies its investments into categories which present an indication of the level of credit risk in relation to the nature of the investment and the custodial provisions. Category 1 records securities that are insured, registered, held by the City, or held by the City's agent in the City's name. Category 2 denotes uninsured and unregistered securities that are held by a counterparty's trust department or agent in the City's name. Category 3 specifies uninsured and unregistered securities that are held by a counterparty's trust department or agent in other than the City's name.

The City's only investment at June 30, 2004, was donated stock with a fair value of approximately \$800.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004, was as follows:

	Balance Beginning of Year (as restated, note 14)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 835,868	\$ 299,058	\$ -	\$ 1,134,926
Construction in progress	<u>19,231</u>	<u>1,133,860</u>	<u>-</u>	<u>1,153,091</u>
Total capital assets, not being depreciated	<u>855,099</u>	<u>1,432,918</u>	<u>-</u>	<u>2,288,017</u>
Capital assets, being depreciated:				
Buildings	2,802,584	99,963	-	2,902,547
Improvements other than buildings	246,285	-	-	246,285
Machinery and equipment	1,176,229	102,922	-	1,279,151
Infrastructure	<u>-</u>	<u>120,413</u>	<u>-</u>	<u>120,413</u>
Total capital assets, being depreciated	<u>4,225,098</u>	<u>323,298</u>	<u>-</u>	<u>4,548,396</u>
Less accumulated depreciation for:				
Buildings	560,219	75,114	-	635,333
Improvements other than buildings	106,306	10,786	-	117,092
Machinery and equipment	413,185	96,864	-	510,049
Infrastructure	<u>-</u>	<u>4,014</u>	<u>-</u>	<u>4,014</u>
Total accumulated depreciation	<u>1,079,710</u>	<u>186,778</u>	<u>-</u>	<u>1,266,488</u>
Total capital assets, being depreciated, net	<u>3,145,388</u>	<u>136,520</u>	<u>-</u>	<u>3,281,908</u>
Governmental activities capital assets, net	<u>\$ 4,000,487</u>	<u>\$ 1,569,438</u>	<u>\$ -</u>	<u>\$ 5,569,925</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 140,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 140,280</u>
Capital assets, being depreciated:				
Equipment and vehicles	197,644	61,239	-	258,883
Infrastructure, water and sewer network	<u>9,170,659</u>	<u>70,301</u>	<u>-</u>	<u>9,240,960</u>
Total capital assets, being depreciated	<u>9,368,303</u>	<u>131,540</u>	<u>-</u>	<u>9,499,843</u>
Less accumulated depreciation for:				
Equipment and vehicles	98,838	18,467	-	117,305
Infrastructure, water and sewer network	<u>1,976,412</u>	<u>186,391</u>	<u>-</u>	<u>2,162,803</u>
Total accumulated depreciation	<u>2,075,250</u>	<u>204,858</u>	<u>-</u>	<u>2,280,108</u>
Total capital assets, being depreciated, net	<u>7,293,053</u>	<u>(73,318)</u>	<u>-</u>	<u>7,219,735</u>
Business-type activities capital assets, net	<u>\$ 7,433,333</u>	<u>\$ (73,318)</u>	<u>\$ -</u>	<u>\$ 7,360,015</u>

(continued on next page)

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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

Governmental activities:	
Public safety	\$ 51,483
Public works	30,404
Culture and recreation	99,305
General government	<u>5,586</u>
Total depreciation expense – governmental activities	<u>\$ 186,778</u>
Business-type activities:	
Water	\$ 81,994
Sewage disposal works	122,170
Solid waste	<u>694</u>
Total depreciation expense – business-type activities	<u>\$ 204,858</u>

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2004, is as follows:

<u>Governmental Activities</u>	General Obligation Bonds/Notes	Compensated Absences	<u>Total</u>
Balance beginning of year	\$ 2,623,269	\$ 69,462	\$ 2,692,731
Increases	1,405,500	75,453	1,480,953
Decreases	<u>1,178,595</u>	<u>69,462</u>	<u>1,248,057</u>
Balance end of year	<u>\$ 2,850,174</u>	<u>\$ 75,453</u>	<u>\$ 2,925,627</u>
Due within one year	<u>\$ 475,174</u>	<u>\$ 75,453</u>	<u>\$ 550,627</u>

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

<u>Business-type Activities</u>	Revenue Bonds	General Obligation Bonds/Notes	Compensated Absences	<u>Total</u>
Balance beginning of year	\$ 2,986,971	\$ 86,000	\$ 20,002	\$ 3,092,973
Increases	25,029	89,500	19,435	133,964
Decreases	<u>111,000</u>	<u>98,000</u>	<u>20,002</u>	<u>229,002</u>
Balance end of year	<u>\$ 2,901,000</u>	<u>\$ 77,500</u>	<u>\$ 19,435</u>	<u>\$ 2,997,935</u>
Due within one year	<u>\$ 118,000</u>	<u>\$ 12,500</u>	<u>\$ 19,435</u>	<u>\$ 149,935</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

General obligation bonds/notes

Nine issues of unmatured general obligation bonds/notes, totaling \$2,850,174, are outstanding at June 30, 2004. General obligation bonds/notes bear interest at rates ranging from 0% to 6.50% and mature in varying annual amounts, ranging from \$12,500 to \$110,000, with the final maturities due in the year ending June 30, 2015.

Details of general obligation bonds/notes payable at June 30, 2004 are as follows:

Governmental activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2004
General obligation bonds:						
Fire station	03/01/98	4.25-4.60%	06/01/08	\$ 35,000-40,000	\$ 325,000	\$ 145,000
Economic development	09/01/98	3.90-4.40%	06/01/07	70,000-105,000	750,000	280,000
Library	10/01/00	5.00-5.30%	06/01/15	65,000-110,000	1,100,000	930,000
Economic development	10/01/00	5.00%	06/01/15	80,000	300,000	80,000
Sewer improvement	08/01/03	1.40-3.10%	06/01/10	12,500-13,500	89,500	77,500
Aquatic Center	08/01/03	1.40-3.10%	06/01/10	100,000-108,000	716,000	<u>620,000</u>
Total general obligation bonds						<u>2,132,500</u>
General obligation notes:						
Fire station	08/03/98	0%	06/01/09	20,000	200,000	100,000
Economic development	02/11/99	6.50%	09/01/04	17,674	78,221	17,674
Economic development	10/01/03	1.65-4.00%	06/01/14	40,000-75,000	600,000	<u>600,000</u>
Total general obligation notes						<u>717,674</u>
Total governmental activities						<u>\$ 2,850,174</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
2005	\$ 475,174	\$ 119,949	\$ 595,123
2006	392,500	90,238	482,738
2007	362,500	77,708	440,208
2008	307,000	65,564	372,564
2009	276,500	55,282	331,782
2010-2014	926,500	252,798	1,179,298
2015	<u>110,000</u>	<u>5,830</u>	<u>115,830</u>
Total	<u>\$ 2,850,174</u>	<u>\$ 667,369</u>	<u>\$ 3,517,543</u>

(continued on next page)

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Business-type activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2004
General obligation bonds:						
Sewer improvement	08/01/03	1.40-3.10%	06/01/10	\$ 12,500-13,500	\$ 89,500	<u>\$ 77,500</u>

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

Year Ending June 30,	Principal	Interest	Total
2005	\$ 12,500	\$ 1,823	\$ 14,323
2006	12,500	1,648	14,148
2007	12,500	1,423	13,923
2008	13,000	1,141	14,141
2009	13,500	803	14,303
2010	<u>13,500</u>	<u>419</u>	<u>13,919</u>
Total	<u>\$ 77,500</u>	<u>\$ 7,257</u>	<u>\$ 84,757</u>

Revenue bonds

Six issues of unmatured Iowa Finance Authority revenue bonds, totaling \$2,901,000, are outstanding at June 30, 2004. These bonds bear interest at rates ranging from 3.00% to 3.92% and mature in varying annual amounts, ranging from \$3,000 to \$61,000, with the final maturity due in the year ending June 30, 2022.

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

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

During the year ended June 30, 2004, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2004 are as follows:

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Business-type activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2004
Revenue bonds:						
Sewer improvements	08/01/01	3.92%	06/01/22	\$ 32,000-61,000	\$ 862,751	\$ 804,000
Sewer improvements	08/01/01	3.92%	06/01/22	23,000-44,000	627,500	585,000
Sewer improvements	08/01/01	3.92%	06/01/22	16,000-21,000	444,749	414,000
Sewer improvements	08/01/01	3.92%	06/01/22	12,000-24,000	334,000	312,000
Well improvements	08/01/01	3.92%	06/01/22	31,000-51,000	785,000	726,000
Well improvements	04/16/03	3.00%	06/01/22	3,000-4,000	64,000	<u>60,000</u>
Total revenue bonds						<u>\$ 2,901,000</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
2005	\$ 117,000	\$ 107,674	\$ 224,674
2006	121,000	103,354	224,354
2007	126,000	98,888	224,888
2008	129,000	94,230	223,230
2009	135,000	89,464	224,464
2010-2014	748,000	368,795	1,116,795
2015-2019	901,000	219,181	1,120,181
2020-2022	<u>624,000</u>	<u>47,052</u>	<u>671,052</u>
Total	<u>\$ 2,901,000</u>	<u>\$ 1,128,638</u>	<u>\$ 4,029,638</u>

NOTE 5 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004, is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 26,248
Enterprise:	General	
Water Utility		25,529
Sewage Disposal Works		<u>17,514</u>
Total		<u>\$ 69,291</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. Transfers to the enterprise funds represent capital contributions of water and sewer infrastructure.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2004, is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	CDBG	\$ 174,933
	Capital Projects:	
	Capital Improvements	67,704
	Enterprise:	
	Sewage Disposal Works	372,153
Enterprise:	Special Revenue:	
Sewage Disposal Works	Southwest Commerical Park TIF	<u>70,027</u>
Total		<u>\$ 684,817</u>

These balances result from negative cash funding.

NOTE 7 – PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary, and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$51,939, \$50,755, and \$49,422, respectively, equal to the required contributions for each year.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 8 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$5,500,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$3,877,956 is outstanding at June 30, 2004. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The bond principal and interest do not constitute liabilities of the City.

NOTE 9 – DEFICIT BALANCES

At June 30, 2004, funds with deficit balances were as follows:

Special Revenue:	
CDBG	\$ 15,887
Northeast Industrial Park - TIF	18,139
Southwest Commercial Park - TIF	40,324
Capital Projects:	
Capital Improvements	676,357

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – CONSTRUCTION COMMITMENTS

The City has entered into contracts totaling \$430,031 for the main floor interior renovation and exterior facade of the Memorial Hall. As of June 30, 2004, costs of \$105,896 have been incurred against the contracts. The balance remaining at June 30, 2004, of \$324,135 will be paid as work on the project progresses.

NOTE 12 – CURRENT REFUNDINGS

The City issued \$895,000 of general obligation bonds for a current refunding of \$860,000 of general obligation bonds of the Sewage Disposal Works and General Fund. The refunding was undertaken to reduce the average interest rate from 5.45% to 2.68%.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 13 – SUBSEQUENT EVENT

In July 2004, the City combined all TIF districts into one. This will eliminate three funds in fiscal year 2005 and allow the City to utilize funds between the various TIF areas in the City.

NOTE 14 – ACCOUNTING CHANGE AND RESTATEMENTS

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units* was also implemented during fiscal year 2004. The statement provides criteria for determining whether certain related organizations should be reported as component units.

The government-wide financial statements report the City’s governmental and business-type activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

Beginning capital assets for governmental activities of \$4,071,784 were restated to \$4,000,487, net of accumulated depreciation of \$1,079,710. The restatement resulted from the change in capitalization policy to \$5,000.

The effects of the accounting change and other restatements are summarized as follows:

	<u>Total</u>
Governmental activities:	
Net assets June 30, 2003, as previously reported	\$ 2,783,327
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$1,079,710	4,000,487
Long-term liabilities	(2,692,731)
Interest payable	<u>(12,039)</u>
Net assets July 1, 2003, as restated	<u>\$ 4,079,044</u>

Business-type activities:

Beginning capital assets for business-type activities of \$7,505,187 were restated to \$7,433,333, net of accumulated depreciation of \$2,075,250. The restatement resulted from the change in capitalization policy to \$5,000.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 15 – PROSPECTIVE ACCOUNTING CHANGE

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

Statement No. 40, *Deposit and Investment Risk Disclosures* issued March 2003, will be effective for the City for the fiscal year ending June 30, 2005. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* issued November 2003, will be effective for the City for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

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

Statement No. 44, *Economic Condition Reporting: The Statistical Section* issued May 2004, will be effective for the City for the fiscal year ending June 30, 2006. This statement amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

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

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

NOTE 16 – OPERATING LEASE

The City has entered into a lease agreement with the St. Francis Xavier Basilica Corporation whereby the City leases the "convent building." The primary intent of leasing the convent is to fulfill the intended activities for senior citizens. The lease expires April 30, 2005, with lease expenditures of \$10,000 for the year ended June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DYERSVILLE, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS AND BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Variance with Final Budget-Positive (Negative)
Receipts:						
Property tax	\$ 1,282,057	\$ -	\$ 1,282,057	\$ 1,239,244	\$ 1,239,244	\$ 42,813
Tax increment financing	291,780	-	291,780	312,234	312,234	(20,454)
Other city tax	535,736	-	535,736	556,959	556,959	(21,223)
Licenses and permits	13,168	-	13,168	12,625	12,625	543
Use of money and property	60,530	660	61,190	95,650	95,650	(34,460)
Intergovernmental	1,068,393	-	1,068,393	1,432,305	1,432,305	(363,912)
Charges for service	175,849	814,239	990,088	894,474	894,474	95,614
Special assessments	124,069	-	124,069	188,527	188,527	(64,458)
Miscellaneous	225,885	44,575	270,460	500	500	269,960
Total receipts	3,777,467	859,474	4,636,941	4,732,518	4,732,518	(95,577)
Disbursements:						
Public safety	1,278,676	-	1,278,676	608,719	615,183	(663,493)
Public works	704,453	-	704,453	559,036	661,387	(43,066)
Health and social services	1,950	-	1,950	1,950	1,950	-
Culture and recreation	563,540	-	563,540	587,532	588,532	24,992
Community and economic development	26,687	-	26,687	11,500	11,500	(15,187)
General government	215,217	-	215,217	219,791	229,791	14,574
Debt service	1,312,561	-	1,312,561	271,175	1,076,675	(235,886)
Capital projects	804,232	-	804,232	1,266,588	1,866,588	1,062,356
Business-type activities	-	1,155,505	1,155,505	1,165,938	1,257,265	101,760
Total disbursements	4,907,316	1,155,505	6,062,821	4,692,229	6,308,871	246,050
Excess (deficiency) of receipts over (under) disbursements	(1,129,849)	(296,031)	(1,425,880)	40,289	(1,576,353)	150,473
Other financing sources, net	1,399,301	89,500	1,488,801	-	1,616,642	(127,841)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	269,452	(206,531)	62,921	40,289	40,289	22,632
Balances beginning of year	2,828,063	33,910	2,861,973	3,688,795	3,688,795	(826,822)
Balances end of year	\$ 3,097,515	\$ (172,621)	\$ 2,924,894	\$ 3,729,084	\$ 3,729,084	\$ (804,190)
Proprietary Funds						
Governmental Funds			Enterprise			
Reconciliation between cash and modified accrual basis:	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 3,777,467	\$ 172,283	\$ 3,949,750	\$ 859,474	\$ (13,717)	\$ 845,757
Expenditures/expenses	4,907,316	598,713	5,506,029	1,155,505	(85,343)	1,070,162
Net	(1,129,849)	(426,430)	(1,556,279)	(296,031)	71,626	(224,405)
Other financing sources, net	1,399,301	10,000	1,409,301	89,500	(46,457)	43,043
Beginning fund balances/net assets, as restated	2,828,063	(44,736)	2,783,327	33,910	4,500,937	4,534,847
Ending fund balances/net assets	\$ 3,097,515	\$ (461,166)	\$ 2,636,349	\$ (172,621)	\$ 4,526,106	\$ 4,353,485

CITY OF DYERSVILLE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,616,642. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements in the public safety, public works, community and economic development, and debt service functions exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Northwest Industrial Park – TIF – This fund is used to account for the receipt of property taxes and for the payment of the principal and interest costs on the tax increment financing district’s long-term debt service.

Southeast Industrial Park – TIF – This fund is used to account for the receipt of property taxes and for the payment of the principal and interest costs on the tax increment financing district’s long-term debt service.

Northeast Industrial Park – TIF – This fund is used to account for the receipt of property taxes and for the payment of the principal and interest costs on the tax increment financing district’s long-term debt service.

Southwest Commercial Park - TIF - This fund is used to account for the receipt of property taxes and for the payment of the principal and interest costs on the tax increment financing district’s long-term debt service.

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, 2004**

	Special Revenue		
	Northwest Industrial Park TIF	Southeast Industrial Park TIF	Northeast Industrial Park TIF
ASSETS			
Cash and pooled cash investments	\$ 247,153	\$ 257,301	\$ 3,861
Receivables			
Property tax			
Succeeding year	74,648	37,134	30,692
Accrued interest	222	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 322,023</u>	<u>\$ 294,435</u>	<u>\$ 34,553</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Deferred revenue			
Succeeding year property tax	\$ 74,648	\$ 37,134	\$ 30,692
Due to other funds	-	-	-
Advances from other funds	-	-	22,000
Total Liabilities	<u>74,648</u>	<u>37,134</u>	<u>52,692</u>
FUND BALANCES			
Unreserved, reported in			
Special revenue funds			
Designated for library	-	-	-
Undesignated	247,375	257,301	(18,139)
Capital projects funds	-	-	-
Total Fund Balances	<u>247,375</u>	<u>257,301</u>	<u>(18,139)</u>
Total Liabilities and Fund Balances	<u>\$ 322,023</u>	<u>\$ 294,435</u>	<u>\$ 34,553</u>

Southwest Commerical Park TIF	Library Trust	Capital Projects Capital Equipment	Total Nonmajor Governmental Funds
\$ 29,703	\$ 49,854	\$ 57,772	\$ 645,644
154,594	-	-	297,068
-	-	23	245
<u>\$ 184,297</u>	<u>\$ 49,854</u>	<u>\$ 57,795</u>	<u>\$ 942,957</u>
\$ 154,594	\$ -	\$ -	\$ 297,068
70,027	-	-	70,027
-	-	-	22,000
<u>224,621</u>	<u>-</u>	<u>-</u>	<u>389,095</u>
-	49,854	-	49,854
(40,324)	-	-	446,213
-	-	57,795	57,795
<u>(40,324)</u>	<u>49,854</u>	<u>57,795</u>	<u>553,862</u>
<u>\$ 184,297</u>	<u>\$ 49,854</u>	<u>\$ 57,795</u>	<u>\$ 942,957</u>

CITY OF DYERSVILLE, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	Special Revenue		
	Northwest Industrial Park TIF	Southeast Industrial Park TIF	Northeast Industrial Park TIF
REVENUES			
Tax increment financing	\$ 85,841	\$ -	\$ 26,140
Use of money and property	1,490	686	102
Charges for service	-	-	-
Miscellaneous	6,147	-	-
Total Revenues	<u>93,478</u>	<u>686</u>	<u>26,242</u>
EXPENDITURES			
Operating			
Public works	16,343	159,037	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
Debt service	37,784	4,145	23,373
Capital projects	-	-	-
Total Expenditures	<u>54,127</u>	<u>163,182</u>	<u>23,373</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	39,351	(162,496)	2,869
OTHER FINANCING SOURCES			
Issuance of bonds	<u>215,000</u>	<u>385,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	254,351	222,504	2,869
FUND BALANCES (DEFICIT), BEGINNING	<u>(6,976)</u>	<u>34,797</u>	<u>(21,008)</u>
FUND BALANCES (DEFICIT), ENDING	<u>\$ 247,375</u>	<u>\$ 257,301</u>	<u>\$ (18,139)</u>

Southwest Commerical Park TIF	Library Trust	Capital Projects Capital Equipment	Total Nonmajor Governmental Funds
\$ 176,964	\$ -	\$ -	\$ 288,945
3,209	310	666	6,463
-	29,789	-	29,789
-	-	-	6,147
180,173	30,099	666	331,344
-	-	-	175,380
-	15,315	-	15,315
17,640	-	-	17,640
147,368	-	-	212,670
-	-	10,000	10,000
165,008	15,315	10,000	431,005
15,165	14,784	(9,334)	(99,661)
-	-	-	600,000
15,165	14,784	(9,334)	500,339
(55,489)	35,070	67,129	53,523
\$ (40,324)	\$ 49,854	\$ 57,795	\$ 553,862

**INFORMATION PROVIDED TO COMPLY WITH
*GOVERNMENT AUDITING STANDARDS***



CPAs & BUSINESS ADVISORS

**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
City of Dyersville, Iowa

We have audited the 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, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in financial statements. The reportable condition is described in the accompanying Schedule of Findings as item I-A-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the City of Dyersville, Iowa, in a separate letter dated September 30, 2004. Prior year reportable condition item I-A-04 has not been resolved.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Dyersville, Iowa. 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 prior year statutory comments have been resolved except for item II-B-04.

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

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

Eida Bailey LLP

Dubuque, Iowa
September 30, 2004

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITION

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that several individuals not independent of the payroll entry function have access to employee payroll master information.

Recommendation – We recommend that employee payroll master information only be assessable by someone independent of the payroll entry function. We also recommend that someone independent of payroll entry and the employee payroll master compare the time cards to the payroll edit report to insure that all time is entered appropriately. We realize that with a limited number of office employees additional segregation of duties is difficult. We recommend that the City continue to review its staffing needs and duties to enhance its segregation of duties as future staff permits.

Response – We will continue to segregate as much as possible. Operating procedures are reviewed on a regular basis to ensure maximum internal control.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-04 Official Depositories – A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the public safety, public works, community and economic development, and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – The City Administrator will continue to work with the City Council to ensure compliance with the Code of Iowa.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

II-E-04 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Kevin Klostermann, council member, part owner of Computer Doctors, Inc.	Supplies	\$ 1,400
Keith Mensen, water utility employee, owner of MCM Cabinets	Construction of cabinets	500
Joyce Bries, library employee, owner of Pastry Palace	Supplies	427
Ray Sauser, council member	Lessee of City owned property	15
Gary Krogman, public works employee	Lessee of City owned property	15
Jim Willenbring, planning and zoning board member	Lessee of City owned property	8

In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

II-F-04 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-04 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.