

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2005**

CITY OF DYERSVILLE, IOWA

CITY OF DYERSVILLE, IOWA

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CITY OF DYERSVILLE, IOWA
OFFICIALS
JUNE 30, 2005

<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
Tricia Maiers	City Clerk/Treasurer	Appointed
Marc Casey	City Attorney	Appointed
William Blum	Assistant City Attorney	Appointed



CPAs & BUSINESS ADVISORS

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, 2005, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005, 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 37 and 38 are not a required part 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. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005, (which are not presented herein) and expressed unqualified opinions on those 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the typed name and date.

Dubuque, Iowa
November 30, 2005

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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 23%, or approximately \$914,000, from fiscal 2004 to fiscal 2005. Charges for service, operating grants and contributions, and capital grants and contributions decreased approximately \$21,000, \$785,000, \$282,000, respectively. Property tax levied for general purposes and debt service increased approximately \$71,000.

Program expenses of the City's governmental activities decreased 21%, or approximately \$562,000 in fiscal 2005 from fiscal 2004. Public safety, public works, and interest on long-term debt expenses decreased approximately \$278,000, \$413,000, and \$3,100, respectively. Culture and recreation, community and economic development, and general government increased approximately \$35,000, \$70,000, and \$28,000, respectively.

The City's net assets increased 7%, or approximately \$648,000 from June 30, 2004 to June 30, 2005. Of this amount, the net assets of the governmental activities increased approximately \$312,000 and the net assets of the business-type activities increased approximately \$336,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Debt Service Fund, 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 which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects 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, 2005		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 3,871,341	\$(152,098)	\$3,719,243
Capital assets	6,718,557	7,879,007	14,597,564
Total assets	<u>10,589,898</u>	<u>7,726,909</u>	<u>18,316,807</u>
Long-term liabilities	2,480,167	2,940,435	5,420,602
Other liabilities	2,507,465	97,178	2,604,643
Total liabilities	<u>4,987,632</u>	<u>3,037,613</u>	<u>8,025,245</u>
Net assets:			
Invested in capital assets,			
net of related debt	4,377,757	4,367,219	8,744,976
Restricted	1,241,560	-	1,241,560
Unrestricted	(17,051)	322,077	305,026
Total net assets	<u>\$ 5,602,266</u>	<u>\$4,689,296</u>	<u>\$10,291,562</u>

Net assets of governmental activities increased from FY04 by approximately \$312,000, or 6%. Net assets of business-type activities increased from FY04 by approximately \$336,000, or 8%. 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 \$(17,000) a deficit balance at the end of this year.

**Changes in Net Assets
Year ended June 30, 2005**

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for service	\$184,038	\$872,251	\$1,056,289
Operating grants and contributions	454,263	-	454,263
Capital grants and contributions	7,667	-	7,667
General revenues:			
Property tax levied for:			
General purposes	1,047,509	-	1,047,509
Debt service	299,496	-	299,496
Tax increment financing	300,510	-	300,510
Local option sales tax	436,312	-	436,312
Hotel/motel tax	71,049	-	71,049
Unrestricted investment earnings	38,533	104	38,637
Miscellaneous	213,015	6,068	219,083
Total revenues	<u>3,052,392</u>	<u>878,423</u>	<u>3,930,815</u>
Program expenses:			
Public safety	741,175	-	741,175
Public works	231,026	-	231,026
Health and social services	1,800	-	1,800
Culture and recreation	695,621	-	695,621
Community and economic development	94,768	-	94,768
General government	263,795	-	263,795
Interest on long-term debt	121,560	-	121,560
Water utility	-	470,063	470,063
Sewage disposal works	-	508,346	508,346
Solid waste	-	154,945	154,945
Total expenses	<u>2,149,745</u>	<u>1,133,354</u>	<u>3,283,099</u>
Transfers	(590,742)	590,742	-
Change in net assets	311,905	335,811	647,716
Net assets beginning of year	<u>5,290,361</u>	<u>4,353,485</u>	<u>9,643,846</u>
Net assets end of year	<u>\$5,602,266</u>	<u>\$4,689,296</u>	<u>\$10,291,562</u>

The City increased property tax rates for general purposes and debt service for fiscal 2005 by approximately 1.2%. This increase raised the City's property tax revenue by approximately \$71,000 in fiscal 2005. Revenues for operating grants and contributions decreased by approximately \$785,000 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 in fiscal 2004.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Dyersville completed the year, its governmental funds reported a combined fund balance of \$1,364,618, which is more than the \$1,271,731 total fund balance at June 30, 2004. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

General Fund revenues and expenditures remained consistent when compared to the prior year. The General Fund showed an increase of \$208,666 from the prior year to \$2,364,423.

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 2005 with a \$554,133 balance compared to the prior year ending fund balance of \$548,480.

The Dyersville Economic Development TIF Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2005 with a \$350,954 balance compared to the prior year ending fund balance of \$446,213.

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 2005 with a \$(2,119,084) deficit balance compared to the prior year ending deficit balance of \$(676,357). The fiscal year 2005 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 2005 with a \$2,319,170 net asset balance compared to the prior year ending net asset balance of \$2,020,526.

The Sewage Disposal Works Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2005 with a \$2,232,952 net asset balance compared to the prior year ending net asset balance of \$2,216,341.

The Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal 2005 with a \$137,174 net asset balance compared to the prior year ending net asset balance of \$116,618.

Budgetary Highlights

Over the course of the year, the City of Dyersville amended its budget once. The amendment was done in May 2005. This amendment was needed to adjust expenditures for the increase in fuel, maintenance, and insurance costs. Furthermore, expenditures were adjusted due to misclassification of funds.

Even with this amendment, the City exceeded its budgetary amounts in the general government, capital projects, and business-type activities functions for the year ended June 30, 2005.

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 \$6,718,557 (net of accumulated depreciation) at June 30, 2005. Capital assets for business-type activities totaled \$7,879,007 (net of accumulated depreciation) at June 30, 2005. 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 completion of the renovations of Memorial Hall and 1st Avenue Streetscape.

For business-type activities, major additions included a purchase of two trucks and water and sewer improvements to 1st Avenue Streetscape.

Construction in progress at June 30, 2005, for governmental activities consists primarily of the 9th Avenue Southwest and 6th Street Southwest projects. For business-type activities, construction in progress represents Woodland Creek Water Lines project.

Long-Term Debt

At June 30, 2005, the City had \$2,480,167 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$2,924,983 at June 30, 2005. During the year ended June 30, 2005, the City entered into a capital lease purchase agreement for two trucks totaling \$92,400, of which \$30,800 is recorded in governmental activities and \$61,600 is recorded in business-type activities.

The City does not have a general obligation bond rating assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$13 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 2006 budget. The City of Dyersville will experience a significant drop in General Fund and Enterprise Fund revenues from fiscal 2005 to fiscal 2006. 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 5.1 percent for fiscal 2005. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in energy prices in 2004-2005.

The General Fund is projected to end fiscal 2006 with a fund balance of approximately \$1,601,000, a 48.2% decrease from fiscal 2004.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2006 are provided below:

General levy	\$ 8.07033
Debt Service levy	1.96193
Total	\$ 10.03226

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, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled cash investments	\$ 1,135,194	\$ 158,173	\$ 1,293,367
Receivables			
Property tax			
Delinquent	12,701	-	12,701
Succeeding year	1,755,251	-	1,755,251
Accounts and other	8,648	120,215	128,863
Special assessments	130	-	130
Accrued interest	4,491	-	4,491
Due from other governments	399,031	-	399,031
Internal balances	503,795	(503,795)	-
Inventories	-	13,049	13,049
Prepaid expenses	45,267	14,524	59,791
Restricted assets			
Cash and pooled cash investments	-	20,349	20,349
Deferred charges	6,833	25,387	32,220
Capital assets			
Land	1,203,595	140,280	1,343,875
Buildings	3,425,209	-	3,425,209
Improvements other than buildings	265,385	-	265,385
Machinery and equipment	1,339,125	368,215	1,707,340
Infrastructure	1,893,739	9,855,542	11,749,281
Construction in progress	31,041	13,362	44,403
Accumulated depreciation	(1,439,537)	(2,498,392)	(3,937,929)
Total Assets	<u>10,589,898</u>	<u>7,726,909</u>	<u>18,316,807</u>

See notes to financial statements.

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 418,527	\$ 46,277	\$ 464,804
Accrued interest payable	7,575	8,931	16,506
Salaries and benefits payable	38,483	8,034	46,517
Unearned revenue			
Succeeding year property tax	1,755,251	-	1,755,251
Other	287,629	33,936	321,565
Long-term liabilities			
Portion due or payable within one year			
Customer deposits	-	20,349	20,349
Capital lease purchase agreement	3,280	6,560	9,840
Notes payable	75,000	-	75,000
General obligation bonds payable	317,500	12,500	330,000
Revenue bonds payable	-	121,000	121,000
Compensated absences	74,367	14,383	88,750
Portion due or payable after one year			
Capital lease purchase agreement	27,520	55,040	82,560
Notes payable	565,000	-	565,000
General obligation bonds payable	1,417,500	47,603	1,465,103
Revenue bonds payable	-	2,663,000	2,663,000
Total Liabilities	<u>4,987,632</u>	<u>3,037,613</u>	<u>8,025,245</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,377,757	4,367,219	8,744,976
Restricted for			
Road use	554,133	-	554,133
Library	51,115	-	51,115
Other purposes	485,071	-	485,071
Prepaid items	45,267	-	45,267
Debt service	105,974	-	105,974
Unrestricted	<u>(17,051)</u>	<u>322,077</u>	<u>305,026</u>
Total Net Assets	<u>\$ 5,602,266</u>	<u>\$ 4,689,296</u>	<u>\$ 10,291,562</u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Public safety	\$ 741,175	\$ 22,441	\$ 5,284	\$ -
Public works	231,026	5,763	334,660	6,667
Health and social services	1,800	-	-	-
Culture and recreation	695,621	155,834	29,086	1,000
Community and economic development	94,768	-	85,233	-
General government	263,795	-	-	-
Interest on long-term debt	121,560	-	-	-
Total governmental activities	<u>2,149,745</u>	<u>184,038</u>	<u>454,263</u>	<u>7,667</u>
Business-type activities				
Water utility	470,063	394,433	-	-
Sewage disposal works	508,346	302,341	-	-
Solid waste	154,945	175,477	-	-
Total business-type activities	<u>1,133,354</u>	<u>872,251</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,283,099</u>	<u>\$ 1,056,289</u>	<u>\$ 454,263</u>	<u>\$ 7,667</u>

General revenues

Property tax and other City tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Hotel/motel tax

Unrestricted investment earnings

Other

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (713,450)	\$ -	\$ (713,450)
116,064	-	116,064
(1,800)	-	(1,800)
(509,701)	-	(509,701)
(9,535)	-	(9,535)
(263,795)	-	(263,795)
(121,560)	-	(121,560)
<u>(1,503,777)</u>	<u>-</u>	<u>(1,503,777)</u>
-	(75,630)	(75,630)
-	(206,005)	(206,005)
-	20,532	20,532
-	<u>(261,103)</u>	<u>(261,103)</u>
<u>(1,503,777)</u>	<u>(261,103)</u>	<u>(1,764,880)</u>
1,047,509	-	1,047,509
299,496	-	299,496
300,510	-	300,510
436,312	-	436,312
71,049	-	71,049
38,533	104	38,637
213,015	6,068	219,083
(590,742)	590,742	-
<u>1,815,682</u>	<u>596,914</u>	<u>2,412,596</u>
311,905	335,811	647,716
<u>5,290,361</u>	<u>4,353,485</u>	<u>9,643,846</u>
<u>\$ 5,602,266</u>	<u>\$ 4,689,296</u>	<u>\$ 10,291,562</u>

CITY OF DYERSVILLE, IOWA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue		
	General	Road Use Tax	Dyersville Economic Development TIF
ASSETS			
Cash and pooled cash investments	\$ -	\$ 480,088	\$ 441,489
Receivables			
Property tax			
Delinquent	8,710	-	1,605
Succeeding year	1,058,899	-	408,500
Accounts and other	8,648	-	-
Special assessments	-	-	-
Accrued interest	3,908	-	238
Due from other governments	367,995	26,256	-
Due from other funds	2,353,648	85,762	-
Advances to other funds	22,000	-	-
Prepaid expenditures	45,267	-	-
Total Assets	<u>\$ 3,869,075</u>	<u>\$ 592,106</u>	<u>\$ 851,832</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 124,815	\$ 37,579	\$ 351
Salaries and benefits payable	38,089	394	-
Deferred revenue			
Succeeding year property tax	1,058,899	-	408,500
Other	282,849	-	-
Due to other funds	-	-	70,027
Advances from other funds	-	-	22,000
Total Liabilities	<u>1,504,652</u>	<u>37,973</u>	<u>500,878</u>
FUND BALANCES			
Reserved for			
Prepaid expenditures	45,267	-	-
Debt service	-	-	-
Unreserved, reported in			
General fund			
Designated for Aquatic Center improvements	18,229	-	-
Undesignated	2,300,927	-	-
Special revenue funds			
Designated for library	-	-	-
Undesignated	-	554,133	350,954
Capital projects funds			
Undesignated	-	-	-
Total Fund Balances	<u>2,364,423</u>	<u>554,133</u>	<u>350,954</u>
Total Liabilities and Fund Balances	<u>\$ 3,869,075</u>	<u>\$ 592,106</u>	<u>\$ 851,832</u>

See notes financial statements.

<u>Capital Projects</u>	<u>Nonmajor</u>	
<u>Capital</u>	<u>Governmental</u>	<u>Total</u>
<u>Improvements</u>	<u>Funds</u>	
\$ -	\$ 213,617	\$ 1,135,194
-	2,386	12,701
-	287,852	1,755,251
-	-	8,648
130	-	130
321	24	4,491
-	4,780	399,031
-	-	2,439,410
-	-	22,000
-	-	45,267
<u>\$ 451</u>	<u>\$ 508,659</u>	<u>\$ 5,822,123</u>
\$ 255,654	\$ 128	\$ 418,527
-	-	38,483
-	287,852	1,755,251
-	4,780	287,629
1,863,881	1,707	1,935,615
-	-	22,000
<u>2,119,535</u>	<u>294,467</u>	<u>4,457,505</u>
-	-	45,267
-	106,716	106,716
-	-	18,229
-	-	2,300,927
-	51,115	51,115
-	(1,707)	903,380
<u>(2,119,084)</u>	<u>58,068</u>	<u>(2,061,016)</u>
<u>(2,119,084)</u>	<u>214,192</u>	<u>1,364,618</u>
<u>\$ 451</u>	<u>\$ 508,659</u>	<u>\$ 5,822,123</u>

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Exhibit D

Total fund balances - governmental funds \$ 1,364,618

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	\$ 8,158,094	
Accumulated depreciation	<u>(1,439,537)</u>	
		6,718,557

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	(1,735,000)	
Capital lease purchase agreement	(30,800)	
Deferred charges on bonds	6,833	
Notes payable	(640,000)	
Accrued interest	(7,575)	
Compensated absences	<u>(74,367)</u>	
		<u>(2,480,909)</u>

Net assets of governmental activities \$ 5,602,266

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICIT) – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Special Revenue	
		Road Use Tax	Dyersville Economic Development TIF
REVENUES			
Property tax	\$ 1,047,509	\$ -	\$ -
Tax increment financing	-	-	300,510
Other city tax	535,448	-	-
Licenses and permits	20,015	-	-
Use of money and property	42,878	-	3,127
Intergovernmental	34,370	334,660	-
Charges for service	173,551	-	-
Special assessments	-	-	-
Miscellaneous	152,843	5,762	-
Total Revenues	<u>2,006,614</u>	<u>340,422</u>	<u>303,637</u>
EXPENDITURES			
Operating			
Public safety	708,385	43,178	-
Public works	255,706	205,657	-
Health and social services	1,800	-	-
Culture and recreation	597,758	-	-
Community and economic development	4,628	-	90,142
General government	240,516	-	-
Debt service	-	18,823	291,638
Capital projects	-	67,111	17,116
Total Expenditures	<u>1,808,793</u>	<u>334,769</u>	<u>398,896</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER (UNDER) EXPENDITURES	<u>197,821</u>	<u>5,653</u>	<u>(95,259)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of bonds	30,800	-	-
Transfers in	-	-	-
Transfers out	(24,930)	-	-
Sale of capital assets	4,975	-	-
Total Other Financing Sources (Uses)	<u>10,845</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	208,666	5,653	(95,259)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>2,155,757</u>	<u>548,480</u>	<u>446,213</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 2,364,423</u>	<u>\$ 554,133</u>	<u>\$ 350,954</u>

See notes to financial statements.

<u>Capital Projects</u>	<u>Nonmajor</u>	
<u>Capital</u>	<u>Governmental</u>	
<u>Improvements</u>	<u>Funds</u>	<u>Total</u>
\$ -	\$ 299,496	\$ 1,347,005
-	-	300,510
-	-	535,448
-	-	20,015
6,218	623	52,846
-	85,233	454,263
-	2,484	176,035
19,082	-	19,082
<u>1,000</u>	<u>-</u>	<u>159,605</u>
<u>26,300</u>	<u>387,836</u>	<u>3,064,809</u>
-	71,053	822,616
-	-	461,363
-	-	1,800
-	1,545	599,303
-	-	94,770
-	-	240,516
-	288,233	598,694
<u>1,469,027</u>	<u>-</u>	<u>1,553,254</u>
<u>1,469,027</u>	<u>360,831</u>	<u>4,372,316</u>
<u>(1,442,727)</u>	<u>27,005</u>	<u>(1,307,507)</u>
-	-	30,800
-	24,930	24,930
-	-	(24,930)
-	-	4,975
<u>-</u>	<u>24,930</u>	<u>35,775</u>
(1,442,727)	51,935	(1,271,732)
<u>(676,357)</u>	<u>162,257</u>	<u>2,636,350</u>
<u>\$ (2,119,084)</u>	<u>\$ 214,192</u>	<u>\$ 1,364,618</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, 2005

Exhibit F

Net change in fund balances - total governmental funds \$ (1,271,732)

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

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

Capital assets expended in governmental funds	\$ 1,363,871	
Depreciation expense	<u>(204,691)</u>	1,159,180

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets (10,548)

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

Special assessments		(12,415)
---------------------	--	----------

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

Issued	(30,800)	
Issuance costs net of current year amortization	(1,708)	
Repaid	<u>475,174</u>	442,666

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

Compensated absences	1,086	
Interest on long-term debt	<u>3,668</u>	<u>4,754</u>

Change in net assets of governmental activities \$ 311,905

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
ASSETS				
CURRENT ASSETS				
Cash and pooled cash investments	\$ 82,575	\$ -	\$ 75,598	\$ 158,173
Receivables				
Accounts receivable	52,897	45,638	21,680	120,215
Inventories	13,049	-	-	13,049
Due from other funds	-	70,027	-	70,027
Prepaid items	7,414	7,110	-	14,524
Total Current Assets	<u>155,935</u>	<u>122,775</u>	<u>97,278</u>	<u>375,988</u>
NONCURRENT ASSETS				
Restricted assets - cash and pooled cash investments	<u>20,349</u>	<u>-</u>	<u>-</u>	<u>20,349</u>
Deferred charges	<u>6,280</u>	<u>19,107</u>	<u>-</u>	<u>25,387</u>
Capital assets				
Land	65,750	74,530	-	140,280
Machinery and equipment	143,078	129,829	50,000	322,907
Meters	45,308	-	-	45,308
Wells	452,835	-	-	452,835
Distribution system	3,635,298	-	-	3,635,298
Sewer system	-	5,767,409	-	5,767,409
Construction in progress	13,362	-	-	13,362
Accumulated depreciation	<u>(1,346,998)</u>	<u>(1,142,366)</u>	<u>(9,028)</u>	<u>(2,498,392)</u>
Net Capital Assets	<u>3,008,633</u>	<u>4,829,402</u>	<u>40,972</u>	<u>7,879,007</u>
Total Noncurrent Assets	<u>3,035,262</u>	<u>4,848,509</u>	<u>40,972</u>	<u>7,924,743</u>
Total Assets	<u>3,191,197</u>	<u>4,971,284</u>	<u>138,250</u>	<u>8,300,731</u>

See notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	Total
	Water Utility	Sewage Disposal Works	Solid Waste	
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 24,416	\$ 21,848	\$ 13	\$ 46,277
Accrued interest payable	1,998	6,933	-	8,931
Salaries and benefits payable	3,443	3,937	654	8,034
Unearned revenue	33,936	-	-	33,936
Due to other funds	-	573,822	-	573,822
Capital lease purchase agreement	3,280	3,280	-	6,560
General obligation bonds payable	-	12,500	-	12,500
Revenue bonds payable	35,000	86,000	-	121,000
Compensated absences	5,085	8,889	409	14,383
Total Current Liabilities	107,158	717,209	1,076	825,443
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Customer deposits payable	20,349	-	-	20,349
NONCURRENT LIABILITIES				
Capital lease purchase agreement	27,520	27,520	-	55,040
General obligation bonds payable (net of unamortized discounts)	-	47,603	-	47,603
Revenue bonds payable	717,000	1,946,000	-	2,663,000
Total Noncurrent Liabilities	744,520	2,021,123	-	2,765,643
Total Liabilities	872,027	2,738,332	1,076	3,611,435
NET ASSETS				
Invested in capital assets, net of related debt	1,869,734	2,497,485	-	4,367,219
Unrestricted	449,436	(264,533)	137,174	322,077
Total Net Assets	\$ 2,319,170	\$ 2,232,952	\$ 137,174	\$ 4,689,296

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

Exhibit H

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
OPERATING REVENUES				
Charges for sales and services	\$ 394,433	\$ 302,341	\$ 175,477	\$ 872,251
Other	5,474	594	-	6,068
Total Operating Revenues	<u>399,907</u>	<u>302,935</u>	<u>175,477</u>	<u>878,319</u>
OPERATING EXPENSES				
Employee expense	98,542	90,566	8,575	197,683
Utilities	38,506	42,374	-	80,880
Repairs and maintenance	152,324	86,070	-	238,394
Supplies and services	61,126	64,466	138,037	263,629
Insurance	9,943	13,784	-	23,727
Depreciation	85,525	124,425	8,333	218,283
Total Operating Expenses	<u>445,966</u>	<u>421,685</u>	<u>154,945</u>	<u>1,022,596</u>
OPERATING INCOME (LOSS)	<u>(46,059)</u>	<u>(118,750)</u>	<u>20,532</u>	<u>(144,277)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	80	-	24	104
Interest expense	(23,574)	(85,682)	-	(109,256)
Bond issuance cost	(523)	(979)	-	(1,502)
Total Nonoperating Revenues (Expenses)	<u>(24,017)</u>	<u>(86,661)</u>	<u>24</u>	<u>(110,654)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(70,076)</u>	<u>(205,411)</u>	<u>20,556</u>	<u>(254,931)</u>
CAPITAL CONTRIBUTIONS	<u>368,720</u>	<u>222,022</u>	<u>-</u>	<u>590,742</u>
CHANGE IN NET ASSETS	<u>298,644</u>	<u>16,611</u>	<u>20,556</u>	<u>335,811</u>
NET ASSETS, BEGINNING	<u>2,020,526</u>	<u>2,216,341</u>	<u>116,618</u>	<u>4,353,485</u>
NET ASSETS, ENDING	<u>\$ 2,319,170</u>	<u>\$ 2,232,952</u>	<u>\$ 137,174</u>	<u>\$ 4,689,296</u>

See notes to financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

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	\$ 382,889	\$ 293,874	\$ 175,559	\$ 852,322
Cash payments to suppliers for goods and services	(247,013)	(196,509)	(138,750)	(582,272)
Cash payments to employees for services	(101,493)	(90,081)	(8,466)	(200,040)
Other operating receipts	5,474	594	-	6,068
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>39,857</u>	<u>7,878</u>	<u>28,343</u>	<u>76,078</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	201,669	-	201,669
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(86,321)	(59,017)	-	(145,338)
Proceeds from issuance of debt	30,800	30,800	-	61,600
Payment of debt	(34,000)	(95,500)	-	(129,500)
Interest paid	(23,519)	(85,830)	-	(109,349)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(113,040)</u>	<u>(209,547)</u>	<u>-</u>	<u>(322,587)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	80	-	25	105
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(73,103)	-	28,368	(44,735)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>176,027</u>	<u>-</u>	<u>47,230</u>	<u>223,257</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 102,924</u>	<u>\$ -</u>	<u>\$ 75,598</u>	<u>\$ 178,522</u>

(continued)

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

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)	\$ (46,059)	\$ (118,750)	\$ 20,532	\$ (144,277)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	85,525	124,425	8,333	218,283
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(6,538)	(8,467)	82	(14,923)
Decrease in inventories and prepaid items	8,767	277	-	9,044
Increase (decrease) in accounts payable	6,119	9,908	(713)	15,314
Decrease in unearned revenue	(4,653)	-	-	(4,653)
Increase (decrease) in accrued liabilities	(3,304)	485	109	(2,710)
Total adjustments	85,916	126,628	7,811	220,355
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 39,857</u>	<u>\$ 7,878</u>	<u>\$ 28,343</u>	<u>\$ 76,078</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions of capital assets from other funds and outside sources	<u>\$ 368,720</u>	<u>\$ 222,022</u>	<u>\$ -</u>	<u>\$ 590,742</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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, 2005.

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, 2005

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

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.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The City reports the following major proprietary funds:

Enterprise Funds

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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, 2005, 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, 2003, assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005, and reflects tax asking contained in the budget certified by the County Board of Supervisors in March, 2004.

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
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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, 2005, 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 and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially 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.

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

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

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
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Unearned revenue on the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which it is levied.

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, 2005. 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, 2005, disbursements exceeded the amount budgeted in the general government, capital projects, and business-type activities functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

Deposits. The City's deposits in banks at June 30, 2005, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
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Interest Rate Risk. The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City. The City did not hold any investments with a maturity greater than 397 days during the year.

Credit Risk. The City's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The City did not invest in any commercial paper or other corporate debt during the year.

Concentration of Credit Risk. The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The City held no such investments during the year.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposits are 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.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's only investment at June 30, 2005, was donated stock with a fair value of approximately \$800.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,134,926	\$ 68,669	\$ -	\$ 1,203,595
Construction in progress	<u>1,153,091</u>	<u>31,041</u>	<u>1,153,091</u>	<u>31,041</u>
Total capital assets, not being depreciated	<u>2,288,017</u>	<u>99,710</u>	<u>1,153,091</u>	<u>1,234,636</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
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	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities: (continued)				
Capital assets, being depreciated:				
Buildings	\$ 2,902,547	\$ 522,662	\$ -	\$ 3,425,209
Improvements other than buildings	246,285	19,100	-	265,385
Machinery and equipment	1,279,151	102,164	42,190	1,339,125
Infrastructure	120,413	1,773,326	-	1,893,739
Total capital assets, being depreciated	<u>4,548,396</u>	<u>2,417,252</u>	<u>42,190</u>	<u>6,923,458</u>
Less accumulated depreciation for:				
Buildings	635,333	86,647	-	721,980
Improvements other than buildings	117,092	11,529	-	128,621
Machinery and equipment	510,049	96,529	31,642	574,936
Infrastructure	4,014	9,986	-	14,000
Total accumulated depreciation	<u>1,266,488</u>	<u>204,691</u>	<u>31,642</u>	<u>1,439,537</u>
Total capital assets, being depreciated, net	<u>3,281,908</u>	<u>2,212,561</u>	<u>10,548</u>	<u>5,483,921</u>
Governmental activities capital assets, net	<u>\$ 5,569,925</u>	<u>\$ 2,312,271</u>	<u>\$ 1,163,639</u>	<u>\$ 6,718,557</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 140,280	\$ -	\$ -	\$ 140,280
Construction in progress	-	13,362	-	13,362
Total capital assets, not being depreciated	<u>140,280</u>	<u>13,362</u>	<u>-</u>	<u>153,642</u>
Capital assets, being depreciated:				
Equipment and vehicles	258,883	109,332	-	368,215
Infrastructure, water and sewer network	9,240,960	614,582	-	9,855,542
Total capital assets, being depreciated	<u>9,499,843</u>	<u>723,914</u>	<u>-</u>	<u>10,223,757</u>
Less accumulated depreciation for:				
Equipment and vehicles	117,305	28,665	-	145,970
Infrastructure, water and sewer network	2,162,804	189,618	-	2,352,422
Total accumulated depreciation	<u>2,280,109</u>	<u>218,283</u>	<u>-</u>	<u>2,498,392</u>
Total capital assets, being depreciated, net	<u>7,219,734</u>	<u>505,631</u>	<u>-</u>	<u>7,725,365</u>
Business-type activities capital assets, net	<u>\$ 7,360,014</u>	<u>\$ 518,993</u>	<u>\$ -</u>	<u>\$ 7,879,007</u>

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CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

Governmental activities:	
Public safety	\$ 52,577
Public works	28,899
Culture and recreation	100,146
General government	<u>23,069</u>
Total depreciation expense – governmental activities	<u>\$ 204,691</u>
Business-type activities:	
Water	\$ 85,525
Sewage disposal works	124,425
Solid waste	<u>8,333</u>
Total depreciation expense – business-type activities	<u>\$ 218,283</u>

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2005, is as follows:

<u>Governmental Activities</u>	<u>Capital Lease Purchase Agreement</u>	<u>General Obligation Bonds/Notes</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ -	\$ 2,850,174	\$ 75,453	\$ 2,925,627
Increases	30,800	-	74,367	105,167
Decreases	<u>-</u>	<u>475,174</u>	<u>75,453</u>	<u>550,627</u>
Balance end of year	<u>\$ 30,800</u>	<u>\$ 2,375,000</u>	<u>\$ 74,367</u>	<u>\$ 2,480,167</u>
Due within one year	<u>\$ 3,280</u>	<u>\$ 392,500</u>	<u>\$ 74,367</u>	<u>\$ 470,147</u>

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

<u>Business-type Activities</u>	<u>Capital Lease Purchase Agreement</u>	<u>Revenue Bonds</u>	<u>General Obligation Bonds</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ -	\$ 2,901,000	\$ 77,500	\$ 19,435	\$ 2,997,935
Increases	61,600	-	-	14,383	75,983
Decreases	<u>-</u>	<u>117,000</u>	<u>12,500</u>	<u>19,435</u>	<u>148,935</u>
Balance end of year	<u>\$ 61,600</u>	<u>\$ 2,784,000</u>	<u>\$ 65,000</u>	<u>\$ 14,383</u>	<u>\$ 2,924,983</u>
Due within one year	<u>\$ 6,560</u>	<u>\$ 121,000</u>	<u>\$ 12,500</u>	<u>\$ 14,383</u>	<u>\$ 154,443</u>

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CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Capital Lease Purchase Agreement

The City has entered into a capital lease purchase agreement to lease two trucks with historical costs of \$132,400, accumulated depreciation of \$736, and a net book value of \$131,664. The following is a schedule of the future minimum lease payments, including interest of 5.480% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2005:

<u>Governmental Activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2006	\$ 4,908
	2007	4,909
	2008	4,909
	2009	4,909
	2010	4,909
	2011-2013	<u>13,500</u>
	Total minimum lease payments	38,044
	Less amount representing interest	<u>(7,244)</u>
	Present value of net minimum lease payments	<u>\$ 30,800</u>
<u>Business-type Activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2006	\$ 9,816
	2007	9,818
	2008	9,818
	2009	9,818
	2010	9,818
	2011-2013	<u>27,000</u>
	Total minimum lease payments	76,088
	Less amount representing interest	<u>(14,488)</u>
	Present value of net minimum lease payments	<u>\$ 61,600</u>

General obligation bonds/notes

Seven issues of unmatured general obligation bonds/notes, totaling \$2,375,000, are outstanding at June 30, 2005. General obligation bonds/notes bear interest at rates ranging from 0% to 5.30% and mature in varying annual amounts, ranging from \$12,500 to \$110,000, with the final maturities due in the year ending June 30, 2015.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Details of general obligation bonds/notes payable at June 30, 2005, are as follows:

Governmental activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
General obligation bonds:						
Fire station	03/01/98	4.40-4.60%	06/01/08	\$ 35,000-40,000	\$ 325,000	\$ 110,000
Economic development	09/01/98	4.30-4.40%	06/01/07	70,000-105,000	750,000	175,000
Library	10/01/00	5.00-5.30%	06/01/15	65,000-110,000	1,100,000	865,000
Sewer improvement	08/01/03	1.40-3.10%	06/01/10	12,500-13,500	89,500	65,000
Aquatic Center	08/01/03	1.40-3.10%	06/01/10	100,000-108,000	716,000	<u>520,000</u>
Total general obligation bonds						<u>1,735,000</u>
General obligation notes:						
Fire station	08/03/98	0%	06/01/09	20,000	200,000	80,000
Economic development	10/01/03	2.150-4.00%	06/01/14	55,000-75,000	600,000	<u>560,000</u>
Total general obligation notes						<u>640,000</u>
Total governmental activities						<u>\$ 2,375,000</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
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	266,500	46,032	312,532
2011-2015	<u>770,000</u>	<u>212,596</u>	<u>982,596</u>
Total	<u>\$ 2,375,000</u>	<u>\$ 547,420</u>	<u>\$ 2,922,420</u>

Business-type activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
General obligation bond:						
Sewer improvement	08/01/03	1.40-3.10%	06/01/10	\$ 12,500-13,500	\$ 89,500	<u>\$ 65,000</u>

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

Year Ending June 30,	Principal	Interest	Total
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>\$ 65,000</u>	<u>\$ 5,434</u>	<u>\$ 70,434</u>

Revenue bonds

Six issues of unmatured Iowa Finance Authority revenue bonds, totaling \$2,784,000, are outstanding at June 30, 2005. 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 include the following provisions:

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

During the year ended June 30, 2005, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2005, are as follows:

Business-type activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
Revenue bonds:						
Sewer improvements	08/01/01	3.92%	06/01/22	\$ 33,000-61,000	\$ 862,751	\$ 772,000
Sewer improvements	08/01/01	3.92%	06/01/22	24,000-44,000	627,500	562,000
Sewer improvements	08/01/01	3.92%	06/01/22	17,000-21,000	444,749	398,000
Sewer improvements	08/01/01	3.92%	06/01/22	12,000-24,000	334,000	300,000
Well improvements	08/01/01	3.92%	06/01/22	32,000-51,000	785,000	695,000
Well improvements	04/16/03	3.00%	06/01/22	3,000-4,000	64,000	<u>57,000</u>
Total revenue bonds						<u>\$ 2,784,000</u>

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

Year Ending June 30,	Principal	Interest	Total
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	140,000	84,470	224,470
2011-2015	775,000	341,055	1,116,055
2016-2020	934,000	185,693	1,119,693
2021-2022	<u>424,000</u>	<u>23,810</u>	<u>447,810</u>
Total	<u>\$ 2,784,000</u>	<u>\$ 1,020,964</u>	<u>\$ 3,804,964</u>

NOTE 5 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2005, is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 24,930
Enterprise:		
Water Utility	General	195,412
	Capital projects	
	Capital improvements	172,001
	Special revenue	
	Dyersville Economic Development TIF	1,307
Sewage Disposal Works	General	142,624
	Capital projects	
	Capital improvements	66,155
	Special revenue	
	Road use tax	12,426
	Dyersville Economic Development TIF	<u>817</u>
Total		<u>\$ 615,672</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, 2005

NOTE 6 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2005, is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects:	
	Capital Improvements	\$ 1,863,881
	Enterprise:	
	Sewage Disposal Works	489,767
Special Revenue:	Enterprise:	
Road Use Tax	Sewage Disposal Works	84,055
	Special Revenue:	
	Nonmajor Governmental Funds - CDBG	1,707
Enterprise:	Special Revenue:	
Sewage Disposal Works	Dyersville Economic Development TIF	<u>70,027</u>
Total		<u>\$ 2,509,437</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 6.16 and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$56,084, \$51,939, and \$50,755, respectively, equal to the required contributions for each year.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 \$3,770,655 is outstanding at June 30, 2005. 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, 2005, funds with deficit balances were as follows:

Special Revenue:	
CDBG	\$ 1,707
Capital Projects:	
Capital Improvements	2,119,084

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – CONSTRUCTION COMMITMENTS

The City has entered into a contract totaling \$1,813,988 for the 1st Avenue reconstruction and downtown streetscape. As of June 30, 2005, costs of \$1,723,288 have been incurred against the contract. The balance remaining at June 30, 2005, of \$90,700 will be paid as work on the project progresses.

NOTE 12 – PROSPECTIVE ACCOUNTING CHANGES

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

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.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

Statement No. 46, *Net Assets Restricted by Enabling Legislation*, issued December 2004, will be effective for the City for the fiscal year ending June 30, 2006. This statement clarifies the definition of a legally enforceable enabling legislation restriction. It also specifies the accounting and financial reporting requirements for the restrictions and for any changes in them.

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

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

NOTE 13 – OPERATING LEASE

The City has entered into a lease agreement with the St. Francis Xavier Basilica Corporation whereby the City leases the "convent building." The primary intent of leasing the convent is to fulfill the intended activities for senior citizens. The lease expires April 30, 2006, with lease expenditures of \$10,000 for the year ended June 30, 2005.

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, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Variance with Final Budget-Positive (Negative)
Receipts:						
Property tax	\$ 1,371,341	\$ -	\$ 1,371,341	\$ 1,311,125	\$ 1,311,125	\$ 60,216
Tax increment financing	298,905	-	298,905	297,068	297,068	1,837
Other city tax	513,197	-	513,197	555,612	555,612	(42,415)
Licenses and permits	20,015	-	20,015	17,500	17,500	2,515
Use of money and property	52,215	104	52,319	48,500	48,500	3,819
Intergovernmental	613,484	-	613,484	1,583,123	1,583,123	(969,639)
Charges for service	176,266	852,570	1,028,836	1,191,708	1,191,708	(162,872)
Special assessments	30,084	-	30,084	260,000	260,000	(229,916)
Miscellaneous	158,949	6,068	165,017	1,000	1,000	164,017
Total receipts	<u>3,234,456</u>	<u>858,742</u>	<u>4,093,198</u>	<u>5,265,636</u>	<u>5,265,636</u>	<u>(1,172,438)</u>
Disbursements:						
Public safety	806,887	-	806,887	631,524	698,453	(108,434)
Public works	409,981	-	409,981	439,835	388,800	(21,181)
Health and social services	1,800	-	1,800	1,550	1,800	-
Culture and recreation	605,472	-	605,472	624,031	594,675	(10,797)
Community and economic development	94,768	-	94,768	5,500	5,500	(89,268)
General government	217,105	-	217,105	223,678	223,678	6,573
Debt service	597,916	-	597,916	299,053	299,053	(298,863)
Capital projects	1,893,193	-	1,893,193	2,000,000	2,000,000	106,807
Business-type activities	-	1,105,629	1,105,629	1,108,012	1,108,012	2,383
Total disbursements	<u>4,627,122</u>	<u>1,105,629</u>	<u>5,732,751</u>	<u>5,333,183</u>	<u>5,319,971</u>	<u>(412,780)</u>
Deficiency of receipts under disbursements	(1,392,666)	(246,887)	(1,639,553)	(67,547)	(54,335)	(1,585,218)
Other financing sources, net	4,975	-	4,975	-	-	4,975
Deficiency of receipts and other financing sources under disbursements and other financing uses	(1,387,691)	(246,887)	(1,634,578)	(67,547)	(54,335)	(1,580,243)
Balances beginning of year	<u>3,097,513</u>	<u>(172,621)</u>	<u>2,924,892</u>	<u>3,688,795</u>	<u>3,688,795</u>	<u>(763,903)</u>
Balances end of year	<u>\$ 1,709,822</u>	<u>\$ (419,508)</u>	<u>\$ 1,290,314</u>	<u>\$ 3,621,248</u>	<u>\$ 3,634,460</u>	<u>\$ (2,344,146)</u>
Budget to GAAP Reconciliation						
	Governmental Funds			Proprietary Funds Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 3,234,456	\$ (169,647)	\$ 3,064,809	\$ 858,742	\$ 19,681	\$ 878,423
Expenditures/expenses	<u>4,627,122</u>	<u>(254,806)</u>	<u>4,372,316</u>	<u>1,105,629</u>	<u>27,725</u>	<u>1,133,354</u>
Net	(1,392,666)	85,159	(1,307,507)	(246,887)	(8,044)	(254,931)
Other financing sources, net	4,975	30,800	35,775	-	590,742	590,742
Beginning fund balances/net assets	<u>3,097,513</u>	<u>(461,163)</u>	<u>2,636,350</u>	<u>(172,621)</u>	<u>4,526,106</u>	<u>4,353,485</u>
Ending fund balances/net assets	<u>\$ 1,709,822</u>	<u>\$ (345,204)</u>	<u>\$ 1,364,618</u>	<u>\$ (419,508)</u>	<u>\$ 5,108,804</u>	<u>\$ 4,689,296</u>

CITY OF DYERSVILLE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$13,212. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements in the general government, capital projects, and business-type activities functions exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

DEBT SERVICE

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

CAPITAL PROJECTS FUND

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, 2005**

Schedule 1

	Special Revenue			Capital Projects	Total Nonmajor
	CDBG	Library Trust	Debt Service	Capital Equipment	Governmental Funds
ASSETS					
Cash and pooled cash investments	\$ -	\$ 51,243	\$ 104,330	\$ 58,044	\$ 213,617
Receivables					
Property tax					
Delinquent	-	-	2,386	-	2,386
Succeeding year	-	-	287,852	-	287,852
Accrued interest	-	-	-	24	24
Due from other governments	4,780	-	-	-	4,780
Total Assets	\$ 4,780	\$ 51,243	\$ 394,568	\$ 58,068	\$ 508,659
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 128	\$ -	\$ -	\$ 128
Deferred revenue					
Succeeding year property tax	-	-	287,852	-	287,852
Other	4,780	-	-	-	4,780
Due to other funds	1,707	-	-	-	1,707
Total Liabilities	6,487	128	287,852	-	294,467
FUND BALANCES					
Reserved for					
Debt service	-	-	106,716	-	106,716
Unreserved, reported in					
Special revenue funds					
Designated for library	-	51,115	-	-	51,115
Undesignated	(1,707)	-	-	-	(1,707)
Capital projects funds					
Undesignated	-	-	-	58,068	58,068
Total Fund Balances	(1,707)	51,115	106,716	58,068	214,192
Total Liabilities and Fund Balances	\$ 4,780	\$ 51,243	\$ 394,568	\$ 58,068	\$ 508,659

CITY OF DYERSVILLE, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

Schedule 2

	Special Revenue			Capital Projects	Total Nonmajor
	CDBG	Library Trust	Debt Service	Capital Equipment	Governmental Funds
REVENUES					
Property tax	\$ -	\$ -	\$ 299,496	\$ -	\$ 299,496
Use of money and property	-	322	28	273	623
Intergovernmental	85,233	-	-	-	85,233
Charges for service	-	2,484	-	-	2,484
Total Revenues	<u>85,233</u>	<u>2,806</u>	<u>299,524</u>	<u>273</u>	<u>387,836</u>
EXPENDITURES					
Operating					
Public safety	71,053	-	-	-	71,053
Culture and recreation	-	1,545	-	-	1,545
Debt service	-	-	288,233	-	288,233
Total Expenditures	<u>71,053</u>	<u>1,545</u>	<u>288,233</u>	<u>-</u>	<u>360,831</u>
EXCESS OF REVENUES OVER EXPENDITURES	14,180	1,261	11,291	273	27,005
OTHER FINANCING SOURCES					
Transfers in	-	-	24,930	-	24,930
NET CHANGE IN FUND BALANCES	14,180	1,261	36,221	273	51,935
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>(15,887)</u>	<u>49,854</u>	<u>70,495</u>	<u>57,795</u>	<u>162,257</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (1,707)</u>	<u>\$ 51,115</u>	<u>\$ 106,716</u>	<u>\$ 58,068</u>	<u>\$ 214,192</u>

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

Schedule 3

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:				
Property tax	\$ 1,347,005	\$ 1,276,337	\$ 1,231,585	\$ 1,187,590
Tax increment financing	300,510	288,945	325,246	255,904
Other city tax	535,448	541,492	506,544	484,049
Licenses and permits	20,015	13,168	11,760	14,891
Use of money and property	52,846	62,981	78,660	114,860
Intergovernmental	454,263	1,231,635	799,733	561,806
Charges for service	176,035	176,066	146,181	112,875
Special assessments	19,082	133,889	13,801	17,855
Miscellaneous	<u>159,605</u>	<u>225,237</u>	<u>154,203</u>	<u>261,865</u>
 Total revenues	 <u>\$ 3,064,809</u>	 <u>\$ 3,949,750</u>	 <u>\$ 3,267,713</u>	 <u>\$ 3,011,695</u>
Expenditures:				
Operating:				
Public safety	\$ 822,616	\$ 1,281,597	\$ 1,249,182	\$ 594,142
Public works	461,363	689,997	509,673	666,253
Health and social services	1,800	1,950	1,950	1,950
Culture and recreation	599,303	571,754	534,236	473,287
Community and economic development	94,770	25,188	21,769	15,004
General government	240,516	207,899	223,680	200,445
Debt service	598,694	1,312,560	514,830	512,485
Capital projects	<u>1,553,254</u>	<u>1,415,084</u>	<u>481,928</u>	<u>1,559,627</u>
 Total expenditures	 <u>\$ 4,372,316</u>	 <u>\$ 5,506,029</u>	 <u>\$ 3,537,248</u>	 <u>\$ 4,023,193</u>

**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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 initiate, record, process, and report financial data consistent with the assertions of management in financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

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.

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, 2005, 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.

We noted certain matters that we reported to the management of the City of Dyersville in a separate letter dated November 30, 2005.

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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Dubuque, Iowa
November 30, 2005

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Findings Related to the Basic Financial Statements:

REPORTABLE CONDITION

I-A-05 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 accessible by someone independent of the payroll entry function. 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 – During the beginning of fiscal year 2006, the employee payroll master information was changed to be only accessible to the City Administrator and City Clerk. The City Administrator and City Clerk are now independent of the payroll entry function, and the City Administrator performs oversight of the payroll functions.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-05 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, 2005.

II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the general government, capital projects, and business-type activities 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. We recommend that the City set up its budgeting procedures and amend the budget as necessary during the course of the year. We also recommend that the City becomes more conscious in reviewing the revenue budget amounts because of the large discrepancies between budgeted revenues and actual revenues.

Response – The City upgraded its financial software that would allow City staff to become more conscious in reviewing the revenue budget amounts. Furthermore, the City has changed policies to allow for budget amendments to be sent to the City Council as necessary, instead of the practice to perform one budget amendment annually.

Conclusion – Response accepted.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

II-C-05 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-05 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05 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	\$ 8,460
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 transactions with Ray Sauser, Gary Krogman, and Jim Willenbring do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year. The transaction with Computer Doctors, Inc., does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

II-F-05 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-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-05 Deposits and Investments – During the year, the City had deposits with a credit union that were not secured by a letter of credit in an amount of at least 110% of the uninsured amount of those deposits.

Recommendation – The City should obtain a letter of credit of at least 110% of the uninsured amount prior to depositing public funds in a credit union in accordance with Chapter 12C(16) of the Code of Iowa. Any funds held at a credit union without a sufficient letter of credit should be removed from that institution.

Response – The City was not aware of this issue and made many attempts to correct this with the credit union. This City has moved public funds to bring this issue into compliance.

Conclusion – Response accepted.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

II-I-05 Claims – The City is not publishing claims approved at each City Council meeting within 15 days following a regular or special meeting of the Council as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish claims within 15 days following each regular or special meeting of the Council as required by Chapter 372.13(6) of the Code of Iowa.

Response – The City did publish claims within 15 days following each regular or special meeting of the Council; however, the claims were combined into general format versus having a listing in a vendor format. This City is now publishing the claims in a vendor format as required by Chapter 372.13(6) of the Code of Iowa.

Conclusion – Response accepted.