



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

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NEWS RELEASE

FOR RELEASE March 29, 2007

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

The City's revenues totaled \$4,749,826 for the year ended June 30, 2006, a 20.8 percent increase over the prior year. Revenues included \$1,345,594 in property tax, \$410,153 from tax increment financing, \$1,203,843 from charges for service, \$378,277 from operating grants, contributions and restricted interest, \$698,835 from capital grants, contributions and restricted interest, \$459,692 from local option sales tax, \$51,499 from unrestricted investment earnings and \$201,933 from other general revenues.

Expenses for City operations totaled \$3,562,250, an 8.5 percent increase over the previous year. Expenses included \$741,982 for culture and recreation, \$706,005 for public safety and \$468,146 for public works. Expenses for business type activities totaled \$1,159,524.

The significant increase in revenues is due primarily to capital grants and contributions received by the City in the current year from Vision Iowa and contributions from developers. No similar/significant capital contributions were received during fiscal year 2005.

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

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CITY OF DYERSVILLE

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

JUNE 30, 2006

CITY OF DYERSVILLE, IOWA

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CITY OF DYERSVILLE, IOWA
OFFICIALS
JUNE 30, 2006

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
James Heavens	Mayor	Jan 2006
Kevin Klostermann	Council Member	Jan 2006
Robert Platz	Council Member	Jan 2006
Eileen Huberty	Council Member	Jan 2006
Michael English	Council Member	Jan 2008
Ray Sauser	Council Member	Jan 2008
(After January 2006)		
James Heavens	Mayor	Jan 2008
Michael English	Council Member	Jan 2008
Ray Sauser	Council Member	Jan 2008
Dan Willenborg	Council Member	Jan 2010
Robert Platz	Council Member	Jan 2010
Molly Evers	Council Member	Jan 2010
Mick Michel	City Administrator	Appointed
Tricia Maiers	City Clerk/Treasurer	Appointed
Marc Casey	City Attorney	Appointed
William Blum	Assistant City Attorney	Appointed

City of Dyersville



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Dyersville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2006 on our consideration of the City of Dyersville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

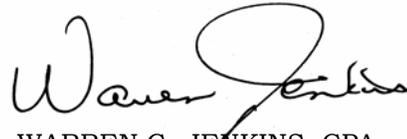
Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 50 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dyersville's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The financial statements for the four years ended June 30, 2005 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The report of the other auditors stated the supplementary information for the four years ended June 30, 2005, was subjected to the auditing procedures applied in their audits of the financial statements and, in their opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 17, 2006

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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 20%, or approximately \$616,000, from fiscal 2005 to fiscal 2006. Operating grants and contributions decreased approximately \$76,000, while charges for service and capital grants and contributions increased approximately \$36,000 and \$601,000, respectively. Property tax levied for general purposes and debt service decreased approximately \$1,400.

Program expenses of the City's governmental activities increased 12%, or approximately \$253,000, in fiscal 2006 from fiscal 2005. Public safety, health and social services, community and economic development and interest on long-term debt expenses decreased approximately \$35,000, \$500, \$75,000 and \$30,000, respectively. Public works, culture and recreation and general government increased approximately \$237,000, \$46,000 and \$110,000, respectively.

The City's net assets increased 12%, or approximately \$1,188,000, from June 30, 2005 to June 30, 2006. Of this amount, the net assets of the governmental activities increased approximately \$1,266,000 and the net assets of the business-type activities decreased approximately \$78,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds, including Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

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 revenues finance most of these activities.
- Business-type activities include the City's utility services, such as waterworks, sanitation and sanitary sewer systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Assets at Year-end

	Government Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 3,837,709	\$ 3,871,341	\$ (243,667)	\$ (152,098)	\$ 3,594,042	\$ 3,719,243
Capital assets	7,051,091	6,718,557	7,757,795	7,879,007	14,808,886	14,597,564
Total assets	10,888,800	10,589,898	7,514,128	7,726,909	18,402,928	18,316,807
Long-term liabilities	2,092,316	2,480,167	2,784,562	2,940,435	4,899,210	5,420,602
Other liabilities	1,928,394	2,507,465	118,518	97,178	2,024,559	2,604,643
Total liabilities	4,020,710	4,987,632	2,903,080	3,037,613	6,923,769	8,025,245
Net assets:						
Invested in capital net assets, net of related debt	5,041,074	4,377,757	4,991,179	4,367,219	10,032,253	8,744,976
Restricted	3,098,707	1,241,560	-	-	3,098,707	1,241,560
Unrestricted	(1,271,691)	(17,051)	(380,131)	322,077	(1,651,822)	305,026
Total net assets	\$ 6,868,090	\$ 5,602,266	\$ 4,611,048	\$ 4,689,296	\$ 11,479,138	\$ 10,291,562

Net assets of governmental activities increased from FY05 by approximately \$1,266,000, or 22.6%. Net assets of business type activities decreased from FY05 by approximately \$78,000, or 1.67%. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is a deficit balance of approximately \$(1,652,000) at the end of this year.

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

	Government Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for service	\$ 219,832	\$ 184,038	\$ 984,011	\$ 872,251	\$ 1,203,843	\$ 1,056,289
Operating grants, contributions and restricted interest	378,277	454,263	-	-	378,277	454,263
Capital grants, contributions and restricted interest	608,535	7,667	90,300	-	698,835	7,667
General revenues:						
Property tax levied for:						
General purposes	1,059,523	1,047,509	-	-	1,059,523	1,047,509
Debt service	286,071	299,496	-	-	286,071	299,496
Tax increment financing	410,153	300,510	-	-	410,153	300,510
Local option sales tax	459,692	436,312	-	-	459,692	436,312
Hotel/motel tax	62,988	71,049	-	-	62,988	71,049
Unrestricted investment earnings	51,499	38,533	-	104	51,499	38,637
Miscellaneous	131,980	213,015	6,965	6,068	138,945	219,083
Total revenues	<u>3,668,550</u>	<u>3,052,392</u>	<u>1,081,276</u>	<u>878,423</u>	<u>4,749,826</u>	<u>3,930,815</u>
Program expenses:						
Public safety	706,005	741,175	-	-	706,005	741,175
Public works	468,146	231,026	-	-	468,146	231,026
Health and social services	1,300	1,800	-	-	1,300	1,800
Culture and recreation	741,982	695,621	-	-	741,982	695,621
Community and economic development	19,963	94,768	-	-	19,963	94,768
General government	373,710	263,795	-	-	373,710	263,795
Interest on long-term debt	91,620	121,560	-	-	91,620	121,560
Water utility	-	-	427,272	470,063	427,272	470,063
Sewage disposal works	-	-	568,075	508,346	568,075	508,346
Solid waste	-	-	164,177	154,945	164,177	154,945
Total expenses	<u>2,402,726</u>	<u>2,149,745</u>	<u>1,159,524</u>	<u>1,133,354</u>	<u>3,562,250</u>	<u>3,283,099</u>
Excess (deficiency) before transfers	1,265,824	902,647	(78,248)	(254,931)	1,187,576	647,716
Transfers	-	(590,742)	-	590,742	-	-
Change in net assets	1,265,824	311,905	(78,248)	335,811	1,187,576	647,716
Net assets beginning of year	<u>5,602,266</u>	<u>5,290,361</u>	<u>4,689,296</u>	<u>4,353,485</u>	<u>10,291,562</u>	<u>9,643,846</u>
Net assets end of year	<u>\$ 6,868,090</u>	<u>\$ 5,602,266</u>	<u>\$ 4,611,048</u>	<u>\$ 4,689,296</u>	<u>\$ 11,479,138</u>	<u>\$ 10,291,562</u>

The City decreased property tax rates for general purposes and debt service for fiscal 2006 by approximately 0.001%. This decreased the City's property tax revenue approximately \$1,400 in fiscal year 2006. Revenues from capital grants and contributions increased approximately \$601,000 due to revenue from Vision Iowa and contributions from developers in fiscal year 2006.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Dyersville completed the year, its governmental funds reported a combined fund balance of \$1,905,675, which is more than the \$1,364,618 total fund balance at June 30, 2005. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund balance decreased \$229,106 from the prior year to \$935,819. The prior year included the Local Option Sales Tax Fund in the General Fund. However, in the current year local option sales tax was reported separately in a Special Revenue Fund.

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 2006 with a \$709,862 balance compared to the prior year ending fund balance of \$554,133.

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 notes and other indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2006 with a \$549,370 balance compared to the prior year ending fund balance of \$350,954. Revenues increased due to an increase in TIF revenues and expenditures decreased due to a reduction in debt payments and a reduction in tax increment financing rebate agreement payments.

The Local Option Sales Tax Fund is used to account for revenues from the local sales and service tax of one percent and used twenty-five percent for property relief and seventy-five percent to reduce future borrowing. This fund ended fiscal 2006 with a \$1,613,231 balance compared to the prior year ending fund balance of \$1,199,498. The balance of this fund will be transferred to the Capital Improvements Fund. The prior year included the local option sales tax fund transactions in the General Fund. In the current year local option sales tax was reported separately in a Special Revenue Fund.

The Capital Improvements Fund is used to account for the resources and costs related to infrastructure, building construction and major improvements. This fund ended fiscal 2006 with a \$2,146,822 deficit balance compared to the prior year ending deficit balance of \$2,119,084. The fiscal year 2006 deficit is a result of project costs exceeding available funds. The deficit will be eliminated through future transfers from other funds. Expenditures decreased due to the majority of the streetscape project being completed in fiscal year 2005.

Proprietary Fund Highlights

The Water Utility Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2006 with a \$2,362,679 net asset balance compared to the prior year ending net asset balance of \$2,319,170.

The Sewage Disposal Works Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2006 with a \$2,098,740 net asset balance compared to the prior year ending net asset balance of \$2,232,952.

Budgetary Highlights

Over the course of the year, the City of Dyersville amended its budget three times. The amendments were done on December 19, 2005, April 17, 2006 and May 15, 2006. The amendments were needed to adjust receipts and disbursements. On December 19, 2005, disbursements were increased as a result of a miscalculation related to the Debt Service Fund. Also, several capital projects were recalculated for fiscal year 2006 and additional disbursements were added for the 1st Avenue Streetscape Project. Furthermore, disbursements were increased within the culture and recreation function due to the increase of Library spending for several capital outlay purchases. On April 17, 2006, receipts increased due to grants from various sources. Disbursements were decreased within the General Fund due to capital outlay adjustments. However, disbursements were increased within the Capital Improvements Fund due to additional costs related to the 1st Avenue Streetscape Project and several subdivision projects. On May 15, 2006, receipts increased from various sources due to increases in use of money and property, intergovernmental and charges for service. Disbursements were increased within the public safety, culture and recreation and general government functions to make operation and capital outlay adjustments. Disbursements were decreased within the community and economic development function due to a project being moved to fiscal year 2007. Even with the amendments, the City exceeded its budgetary amounts in the general government, community and economic development and public works functions for the year ended June 30, 2006.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$7,051,091 (net of accumulated depreciation) at June 30, 2006. Capital assets for business type activities totaled \$7,757,795 (net of accumulated depreciation) at June 30, 2006. 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 purchase of software, some vehicles and the donation of infrastructure in a subdivision.

For business type activities, major additions included the purchase of software, the purchase of a truck and donation of water and sewer improvements.

Construction in progress at June 30, 2006, for business type activities, represents the City's share of Grandview Heights Subdivision projects which the developer has not yet turned over to the City.

Long-Term Debt

At June 30, 2006, the City had \$2,010,017 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business type activities was \$2,770,534 at June 30, 2006. The long term debt includes a capital lease purchase agreement for two trucks totaling \$92,400 with a remaining balance of \$82,551 at June 30, 2006, of which a portion is recorded in governmental activities and a portion is recorded in business type activities.

The City does not have a general obligation bond rating assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,117,551 is significantly below its constitutional debt limit of approximately \$11.8 million. 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 2007 budget. The City of Dyersville will experience a significant drop in General Fund and Enterprise Fund revenues from fiscal 2006 to fiscal 2007. The major factors for fiscal year 2007 that will play a role in this change are uncontrollable factors — reduction in intergovernmental revenue and increase in operational costs, such as energy and insurance prices.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index (CPI) increase. The State's CPI increase was 3.7 percent for calendar 2006. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in energy prices in 2005-2006.

If these estimates are realized, the City's budgetary operating balance is expected to modestly increase by the close of 2007 to \$1,578,954.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2007 are provided below:

General levy	\$ 8.07033
Debt Service levy	1.98108
Total	\$ 10.05141

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

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled cash investments	\$ 1,225,860	\$ 191,192	\$ 1,417,052
Receivables			
Property tax			
Delinquent	15,136	-	15,136
Succeeding year	1,692,036	-	1,692,036
Accounts and other	3,870	169,742	173,612
Special assessments	44,109	-	44,109
Accrued interest	1,920	-	1,920
Due from other governments	113,160	-	113,160
Internal balances	691,848	(691,848)	-
Inventories	-	24,297	24,297
Prepaid expenses	44,645	13,924	58,569
Restricted assets			
Cash and pooled cash investments	-	25,356	25,356
Deferred charges	5,125	23,670	28,795
Capital assets			
Land	1,203,595	140,280	1,343,875
Buildings	3,442,814	-	3,442,814
Improvements other than buildings	289,335	-	289,335
Machinery and equipment	1,473,279	389,527	1,862,806
Infrastructure	2,266,507	9,945,842	12,212,349
Construction in progress	-	13,362	13,362
Accumulated depreciation	(1,624,439)	(2,731,216)	(4,355,655)
Total Assets	<u>10,888,800</u>	<u>7,514,128</u>	<u>18,402,928</u>

	Governmental Activities	Business type Activities	Total
LIABILITIES			
Accounts payable	\$ 168,145	\$ 50,599	\$ 218,744
Accrued interest payable	6,528	8,514	15,042
Salaries and benefits payable	21,550	10,029	31,579
Unearned revenue			
Succeeding year property tax	1,692,036	-	1,692,036
Other	40,135	27,044	67,179
Liability payable from restricted assets	-	22,332	22,332
Long-term liabilities			
Portion due or payable within one year			
Capital lease purchase agreement	3,465	6,930	10,395
Notes payable	75,000	-	75,000
Bonds payable	287,500	12,500	300,000
Revenue bonds payable	-	126,000	126,000
Compensated absences	82,299	17,946	100,245
Portion due or payable after one year			
Capital lease purchase agreements	24,052	48,104	72,156
Notes payable	490,000	-	490,000
Bonds payable	1,130,000	36,082	1,166,082
Revenue bonds payable	-	2,537,000	2,537,000
Total Liabilities	<u>4,020,710</u>	<u>2,903,080</u>	<u>6,923,790</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,041,074	4,991,179	10,032,253
Restricted for			
Streets	709,862	-	709,862
Tax increment financing	549,370	-	549,370
Local option sales tax	1,613,231	-	1,613,231
Other purposes	55,677	-	55,677
Debt service	125,922	-	125,922
Unrestricted	<u>(1,227,046)</u>	<u>(380,131)</u>	<u>(1,607,177)</u>
Total Net Assets	<u>\$ 6,868,090</u>	<u>\$ 4,611,048</u>	<u>\$ 11,479,138</u>

See notes to financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities				
Public safety	\$ 706,005	\$ 28,052	\$ 7,793	\$ -
Public works	468,146	-	337,885	269,297
Health and social services	1,300	-	-	275,000
Culture and recreation	741,982	191,780	27,819	64,238
Community and economic development	19,963	-	4,780	-
General government	373,710	-	-	-
Interest on long-term debt	91,620	-	-	-
Total governmental activities	2,402,726	219,832	378,277	608,535
Business type activities				
Water utility	427,272	432,399	-	32,400
Sewage disposal works	568,075	374,980	-	57,900
Solid waste	164,177	176,632	-	-
Total business type activities	1,159,524	984,011	-	90,300
Total	\$ 3,562,250	\$ 1,203,843	\$ 378,277	\$ 698,835

General revenues

Property tax and other City tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Hotel/motel tax

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

See notes to financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business type Activities	Total
\$ (670,160)	\$ -	\$ (670,160)
139,036	-	139,036
273,700	-	273,700
(458,145)	-	(458,145)
(15,183)	-	(15,183)
(373,710)	-	(373,710)
(91,620)	-	(91,620)
(1,196,082)	-	(1,196,082)
-	37,527	37,527
-	(135,195)	(135,195)
-	12,455	12,455
-	(85,213)	(85,213)
(1,196,082)	(85,213)	(1,281,295)
1,059,523	-	1,059,523
286,071	-	286,071
410,153	-	410,153
459,692	-	459,692
62,988	-	62,988
51,499	-	51,499
131,980	6,965	138,945
2,461,906	6,965	2,468,871
1,265,824	(78,248)	1,187,576
5,602,266	4,689,296	10,291,562
\$ 6,868,090	\$ 4,611,048	\$ 11,479,138

CITY OF DYERSVILLE, IOWA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Special Revenue	
		Road Use Tax	Dyerville Economic Development TIF
ASSETS			
Cash and pooled cash investments	\$ 250,285	\$ 92,453	\$ 640,473
Receivables			
Property tax			
Delinquent	11,531	-	758
Succeeding year	1,076,156	-	327,600
Accounts	3,870	-	-
Special assessments	-	-	-
Accrued interest	856	-	166
Due from other governments	11,276	26,309	-
Due from other funds	761,875	612,812	-
Advances to other funds	22,000	-	-
Prepaid expenditures	44,645	-	-
Total Assets	<u>\$ 2,182,494</u>	<u>\$ 731,574</u>	<u>\$ 968,997</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 145,201	\$ 21,418	\$ -
Salaries and benefits payable	21,256	294	-
Deferred revenue			
Succeeding year property tax	1,076,156	-	327,600
Other	4,062	-	-
Due to other funds	-	-	70,027
Advances from other funds	-	-	22,000
Total Liabilities	<u>1,246,675</u>	<u>21,712</u>	<u>419,627</u>
FUND BALANCES			
Reserved for			
Prepaid expenditures	44,645	-	-
Debt service	-	-	-
Unreserved, reported in			
General fund			
Undesignated	891,174	-	-
Special revenue funds			
Designated for library	-	-	-
Undesignated	-	709,862	549,370
Capital projects funds			
Undesignated	-	-	-
Total Fund Balances	<u>935,819</u>	<u>709,862</u>	<u>549,370</u>
Total Liabilities and Fund Balances	<u>\$ 2,182,494</u>	<u>\$ 731,574</u>	<u>\$ 968,997</u>

See notes financial statements.

Local Option Sales Tax	Capital Projects		Total
	Capital Improvements	Nonmajor	
\$ -	\$ -	\$ 242,649	\$ 1,225,860
-	-	2,847	15,136
-	-	288,280	1,692,036
-	-	-	3,870
-	44,109	-	44,109
751	137	10	1,920
75,575	-	-	113,160
1,536,905	-	-	2,911,592
-	-	-	22,000
-	-	-	44,645
<u>\$ 1,613,231</u>	<u>\$ 44,246</u>	<u>\$ 533,786</u>	<u>\$ 6,074,328</u>
\$ -	\$ 1,216	\$ 310	\$ 168,145
-	-	-	21,550
-	-	288,280	1,692,036
-	40,135	981	45,178
-	2,149,717	-	2,219,744
-	-	-	22,000
-	<u>2,191,068</u>	<u>289,571</u>	<u>4,168,653</u>
-	-	-	44,645
-	-	127,326	127,326
-	-	-	891,174
-	-	55,677	55,677
1,613,231	-	3,073	2,875,536
-	(2,146,822)	58,139	(2,088,683)
<u>1,613,231</u>	<u>(2,146,822)</u>	<u>244,215</u>	<u>1,905,675</u>
<u>\$ 1,613,231</u>	<u>\$ 44,246</u>	<u>\$ 533,786</u>	<u>\$ 6,074,328</u>

City of Dyersville

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Exhibit D

Total fund balances - governmental funds (page 21) \$ 1,905,675

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	\$ 8,675,530	
Accumulated depreciation	<u>(1,624,439)</u>	7,051,091

Some of the City's property tax revenues will be collected after
 year-end but are not available soon enough to pay for the current
 period's expenditures and, therefore, are deferred in the funds. 5,043

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

Capital lease purchase agreement	(27,517)	
General obligation bonds	(1,417,500)	
General obligation notes	(565,000)	
Deferred charges	5,125	
Accrued interest payable	(6,528)	
Compensated absences	<u>(82,299)</u>	<u>(2,093,719)</u>

Net assets of governmental activities (page 17) \$ 6,868,090

See notes to financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICIT) – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Special Revenue	
		Road Use Tax	Dyersville Economic Development TIF
REVENUES			
Property tax	\$ 1,054,479	\$ -	\$ -
Tax increment financing	-	-	410,153
Other city tax	91,325	-	-
Licenses and permits	19,721	-	-
Use of money and property	48,849	-	6,091
Intergovernmental	321,412	337,887	-
Charges for service	192,775	-	-
Special assessments	-	-	-
Miscellaneous	77,238	-	-
Total Revenues	<u>1,805,799</u>	<u>337,887</u>	<u>416,244</u>
EXPENDITURES			
Operating			
Public safety	724,766	40,090	-
Public works	351,778	123,202	-
Health and social services	1,300	-	-
Culture and recreation	721,241	-	-
Community and economic development	5,261	-	14,702
General government	265,260	-	-
Debt service	-	-	203,126
Capital projects	-	18,866	-
Total Expenditures	<u>2,069,606</u>	<u>182,158</u>	<u>217,828</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(263,807)</u>	<u>155,729</u>	<u>198,416</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	34,701	-	-
Operating transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>34,701</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(229,106)	155,729	198,416
FUND BALANCES (DEFICIT), BEGINNING OF YEAR, AS RESTATED	<u>1,164,925</u>	<u>554,133</u>	<u>350,954</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 935,819</u>	<u>\$ 709,862</u>	<u>\$ 549,370</u>

See notes to financial statements.

Local Option Sales Tax	Capital Projects		
	Capital Improvements	Nonmajor	Total
\$ -	\$ -	\$ 286,071	\$ 1,340,550
-	-	-	410,153
458,174	-	-	549,499
-	-	-	19,721
5,132	7,289	223	67,584
-	-	4,780	664,079
-	-	8,374	201,149
-	14,897	-	14,897
-	64,238	-	141,476
<u>463,306</u>	<u>86,424</u>	<u>299,448</u>	<u>3,409,108</u>
-	-	-	764,856
-	-	-	474,980
-	-	-	1,300
-	-	3,964	725,205
-	-	-	19,963
-	-	-	265,260
-	-	280,333	483,459
-	114,162	-	133,028
-	<u>114,162</u>	<u>284,297</u>	<u>2,868,051</u>
<u>463,306</u>	<u>(27,738)</u>	<u>15,151</u>	<u>541,057</u>
-	-	14,872	49,573
<u>(49,573)</u>	<u>-</u>	<u>-</u>	<u>(49,573)</u>
<u>(49,573)</u>	<u>-</u>	<u>14,872</u>	<u>-</u>
413,733	(27,738)	30,023	541,057
<u>1,199,498</u>	<u>(2,119,084)</u>	<u>214,192</u>	<u>1,364,618</u>
<u>\$ 1,613,231</u>	<u>\$ (2,146,822)</u>	<u>\$ 244,215</u>	<u>\$ 1,905,675</u>

City of Dyersville

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Exhibit F

Net change in fund balances - total governmental funds (page 25) \$ 541,057

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 and
contributed capital assets is allocated over their estimated useful lives as
depreciation expense. In the current period, these amounts are:

Capital assets expended in governmental funds	\$ 390,697	
Capital assets contributed by developers	254,400	
Depreciation expense	<u>(270,775)</u>	374,322

The net effect of various miscellaneous transactions involving capital assets
(i.e., sales, trade-ins, and donations) is to increase net assets (41,788)

Because some property tax 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. 5,043

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

Issuance costs, net of current year amortization	(1,708)	
Repaid	<u>395,783</u>	394,075

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	(7,932)	
Interest on long-term debt	<u>1,047</u>	<u>(6,885)</u>

Change in net assets of governmental activities (page 19) \$ 1,265,824

See notes to financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
ASSETS				
CURRENT ASSETS				
Cash and pooled cash investments	\$ 102,546	\$ -	\$ 88,646	\$ 191,192
Accounts receivable	74,082	72,233	23,427	169,742
Inventories	24,297	-	-	24,297
Due from other funds	-	70,027	-	70,027
Prepaid expenses	7,359	6,565	-	13,924
Total Current Assets	<u>208,284</u>	<u>148,825</u>	<u>112,073</u>	<u>469,182</u>
NONCURRENT ASSETS				
Restricted assets - cash and pooled investments	<u>25,356</u>	<u>-</u>	<u>-</u>	<u>25,356</u>
Deferred charges	<u>5,757</u>	<u>17,913</u>	<u>-</u>	<u>23,670</u>
Capital assets				
Land	65,750	74,530	-	140,280
Machinery and equipment	152,443	132,411	59,365	344,219
Meters	45,308	-	-	45,308
Wells	452,835	-	-	452,835
Distribution system	3,667,698	-	-	3,667,698
Sewer system	-	5,825,309	-	5,825,309
Construction in progress	13,362	-	-	13,362
Accumulated depreciation	<u>(1,445,216)</u>	<u>(1,267,078)</u>	<u>(18,922)</u>	<u>(2,731,216)</u>
Net Capital Assets	<u>2,952,180</u>	<u>4,765,172</u>	<u>40,443</u>	<u>7,757,795</u>
Total Noncurrent Assets	<u>2,983,293</u>	<u>4,783,085</u>	<u>40,443</u>	<u>7,806,821</u>
Total Assets	<u>3,191,577</u>	<u>4,931,910</u>	<u>152,516</u>	<u>8,276,003</u>

	Business type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 20,586	\$ 28,066	\$ 1,947	\$ 50,599
Accrued interest payable	1,896	6,618	-	8,514
Salaries and benefits payable	4,707	5,016	306	10,029
Unearned revenue	27,044	-	-	27,044
Due to other funds	-	761,875	-	761,875
Capital lease purchase agreement	3,465	3,465	-	6,930
Bonds payable	-	12,500	-	12,500
Revenue bonds payable	36,000	90,000	-	126,000
Compensated absences	7,816	9,496	634	17,946
Total Current Liabilities	<u>101,514</u>	<u>917,036</u>	<u>2,887</u>	<u>1,021,437</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Customer deposits payable	<u>22,332</u>	-	-	<u>22,332</u>
NONCURRENT LIABILITIES				
Capital lease purchase agreement	24,052	24,052	-	48,104
Bonds payable (net of amortized discounts)	-	36,082	-	36,082
Revenue bonds payable	<u>681,000</u>	<u>1,856,000</u>	-	<u>2,537,000</u>
Total Noncurrent Liabilities	<u>705,052</u>	<u>1,916,134</u>	-	<u>2,621,186</u>
Total Liabilities	<u>828,898</u>	<u>2,833,170</u>	<u>2,887</u>	<u>3,664,955</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,207,663	2,743,073	40,443	4,991,179
Unrestricted	<u>155,016</u>	<u>(644,333)</u>	<u>109,186</u>	<u>(380,131)</u>
Total Net Assets	<u>\$ 2,362,679</u>	<u>\$ 2,098,740</u>	<u>\$ 149,629</u>	<u>\$ 4,611,048</u>

See notes to financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

Exhibit H

	Business type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
OPERATING REVENUES				
Charges for sales and services	\$ 432,399	\$ 374,980	\$ 176,632	\$ 984,011
Other	5,982	983	-	6,965
Total Operating Revenues	<u>438,381</u>	<u>375,963</u>	<u>176,632</u>	<u>990,976</u>
OPERATING EXPENSES				
Employee expense	94,490	98,437	8,587	201,514
Utilities	42,831	43,855	-	86,686
Repair and maintenance	84,983	86,590	10	171,583
Supplies and services	70,442	91,113	145,686	307,241
Insurance	9,885	25,691	-	35,576
Depreciation	98,218	134,933	9,894	243,045
Total Operating Expenses	<u>400,849</u>	<u>480,619</u>	<u>164,177</u>	<u>1,045,645</u>
OPERATING INCOME (LOSS)	<u>37,532</u>	<u>(104,656)</u>	<u>12,455</u>	<u>(54,669)</u>
NONOPERATING EXPENSES				
Interest expense	(25,900)	(85,283)	-	(111,183)
Bond issuance cost	(523)	(2,173)	-	(2,696)
Total Nonoperating Expenses	<u>(26,423)</u>	<u>(87,456)</u>	<u>-</u>	<u>(113,879)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	11,109	(192,112)	12,455	(168,548)
CAPITAL CONTRIBUTIONS	<u>32,400</u>	<u>57,900</u>	<u>-</u>	<u>90,300</u>
CHANGE IN NET ASSETS	43,509	(134,212)	12,455	(78,248)
NET ASSETS, BEGINNING OF YEAR	<u>2,319,170</u>	<u>2,232,952</u>	<u>137,174</u>	<u>4,689,296</u>
NET ASSETS, END OF YEAR	<u>\$ 2,362,679</u>	<u>\$ 2,098,740</u>	<u>\$ 149,629</u>	<u>\$ 4,611,048</u>

See notes to financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

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	\$ 406,305	\$ 348,385	\$ 174,885	\$ 929,575
Cash payments to suppliers for goods and services	(223,164)	(240,486)	(143,762)	(607,412)
Cash payments to employees for services	(90,495)	(96,751)	(8,710)	(195,956)
Other operating receipts	5,982	983	-	6,965
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>98,628</u>	<u>12,131</u>	<u>22,413</u>	<u>133,172</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advances from other funds	-	188,053	-	188,053
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(9,365)	(12,803)	(9,365)	(31,533)
Payment of debt principal	(38,283)	(101,783)	-	(140,066)
Interest paid	(26,002)	(85,598)	-	(111,600)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(73,650)</u>	<u>(200,184)</u>	<u>(9,365)</u>	<u>(283,199)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,978	-	13,048	38,026
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>102,924</u>	<u>-</u>	<u>75,598</u>	<u>178,522</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 127,902</u>	<u>\$ -</u>	<u>\$ 88,646</u>	<u>\$ 216,548</u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

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)	\$ 37,532	\$ (104,656)	\$ 12,455	\$ (54,669)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	98,218	134,933	9,894	243,045
Changes in assets and liabilities				
Increase in accounts receivable	(21,185)	(26,595)	(1,747)	(49,527)
(Increase) decrease in inventories and prepaid items	(11,193)	545	-	(10,648)
Increase (decrease) in accounts payable	(3,830)	6,218	1,934	4,322
Decrease in unearned revenue	(6,892)	-	-	(6,892)
Increase (decrease) in accrued liabilities	5,978	1,686	(123)	7,541
Total adjustments	61,096	116,787	9,958	187,841
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 98,628	\$ 12,131	\$ 22,413	\$ 133,172
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets				
Current assets:				
Cash and pooled investments	\$ 102,546	-	88,646	191,192
Restricted assets:				
Cash and pooled investments	25,356	-	-	25,356
Cash and cash equivalents at year end	\$ 127,902	\$ -	\$ 88,646	\$ 216,548
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions of capital assets from outside sources	\$ 32,400	\$ 57,900	\$ -	\$ 90,300

See notes to financial statements.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Jointly Governed Organization

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

Basis of Presentation

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

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

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

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

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.

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

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
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The City reports the following major proprietary funds:

Enterprise Funds

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
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When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by unrestricted resources as they are needed.

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

Assets, Liabilities, and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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, 2006, 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, 2004, assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006, and reflects tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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 who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. 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 not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and budgetary accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works, community and economic development and general government functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

Deposits. The City's deposits in banks at June 30, 2006, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,203,595	\$ -	\$ -	\$ 1,203,595
Construction in progress	31,041	-	31,041	-
Total capital assets not being depreciated	<u>1,234,636</u>	<u>-</u>	<u>31,041</u>	<u>1,203,595</u>
Capital assets being depreciated				
Buildings	\$ 3,425,209	\$ 17,605	\$ -	\$ 3,442,814
Improvements other than buildings	265,385	23,950	-	289,335
Machinery and equipment	1,339,125	272,617	138,463	1,473,279
Infrastructure	1,893,739	372,768	-	2,266,507
Total capital assets being depreciated	<u>6,923,458</u>	<u>686,940</u>	<u>138,463</u>	<u>7,471,935</u>
Less accumulated depreciation for:				
Buildings	721,980	110,599	-	832,579
Improvements other than buildings	128,621	12,193	-	140,814
Machinery and equipment	574,936	103,334	85,873	592,397
Infrastructure	14,000	44,649	-	58,649
Total accumulated depreciation	<u>1,439,537</u>	<u>270,775</u>	<u>85,873</u>	<u>1,624,439</u>
Total capital assets being depreciated, net	<u>5,483,921</u>	<u>416,165</u>	<u>52,590</u>	<u>5,847,496</u>
Governmental activities capital assets, net	<u>\$ 6,718,557</u>	<u>\$ 416,165</u>	<u>\$ 83,631</u>	<u>\$ 7,051,091</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
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>153,642</u>	<u>-</u>	<u>-</u>	<u>153,642</u>
Capital assets being depreciated				
Equipment and vehicles	368,215	33,577	12,265	389,527
Infrastructure, water and sewer network	9,855,542	90,300	-	9,945,842
Total capital assets being depreciated	<u>10,223,757</u>	<u>123,877</u>	<u>12,265</u>	<u>10,335,369</u>
Less accumulated depreciation for:				
Equipment and vehicles	145,970	42,417	10,221	178,166
Infrastructure, water and sewer network	2,352,422	200,628	-	2,553,050
Total accumulated depreciation	<u>2,498,392</u>	<u>243,045</u>	<u>10,221</u>	<u>2,731,216</u>
Total capital assets being depreciated, net	<u>7,725,365</u>	<u>(119,168)</u>	<u>2,044</u>	<u>7,604,153</u>
Business type activities capital assets, net	<u>\$ 7,879,007</u>	<u>\$ (119,168)</u>	<u>\$ 2,044</u>	<u>\$ 7,757,795</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
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Depreciation expense was charged to functions of the City as follows:

Governmental activities:	
Public safety	\$ 49,504
Public works	30,653
Culture and recreation	104,059
General government	<u>86,559</u>
Total depreciation expense - governmental activities	<u>\$ 270,775</u>
Business type activities:	
Water	\$ 98,218
Sewage disposal works	134,933
Solid waste	<u>9,894</u>
Total depreciation expense - business type activities	<u>\$ 243,045</u>

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

<u>Governmental Activities</u>	Capital Lease Purchase Agreement	General Obligation Bonds/Notes	Compensated Absences	Total
Balance beginning of year	\$ 30,800	\$ 2,375,000	\$ 74,367	\$ 2,480,167
Increases	-	-	82,299	82,299
Decreases	<u>3,283</u>	<u>392,500</u>	<u>74,367</u>	<u>470,150</u>
Balance end of year	<u>\$ 27,517</u>	<u>\$ 1,982,500</u>	<u>\$ 82,299</u>	<u>\$ 2,092,316</u>
Due within one year	<u>\$ 3,465</u>	<u>\$ 362,500</u>	<u>\$ 82,299</u>	<u>\$ 448,264</u>

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

<u>Business-type Activities</u>	Capital Lease Purchase Agreement	General Obligation Bonds	Revenue Bonds	Compensated Absences	Total
Balance beginning of year	\$ 61,600	\$ 65,000	\$ 2,784,000	\$ 14,383	\$ 2,924,983
Increases	-	-	-	17,946	17,946
Decreases	<u>6,566</u>	<u>12,500</u>	<u>121,000</u>	<u>14,383</u>	<u>154,449</u>
Balance end of year	<u>\$ 55,034</u>	<u>\$ 52,500</u>	<u>\$ 2,663,000</u>	<u>\$ 17,946</u>	<u>\$ 2,788,480</u>
Due within one year	<u>\$ 6,930</u>	<u>\$ 12,500</u>	<u>\$ 126,000</u>	<u>\$ 17,946</u>	<u>\$ 163,376</u>

(1) Bonds were sold at discount; unamortized discount at June 30, 2006 totaled \$3,918.

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

The City has entered into a capital lease purchase agreement to lease two trucks with historical costs of \$132,400, accumulated depreciation of \$9,561 and a net book value of \$122,839. 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, 2006:

<u>Governmental Activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2007	\$ 4,909
	2008	4,909
	2009	4,909
	2010	4,909
	2011	4,909
	2012-2013	<u>8,592</u>
	Total minimum lease payments	33,137
	Less amount representing interest	<u>(5,620)</u>
	Present value of net minimum lease payments	<u>\$ 27,517</u>
<u>Business-type Activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2007	\$ 9,818
	2008	9,818
	2009	9,818
	2010	9,818
	2011	9,818
	2012-2013	<u>17,182</u>
	Total minimum lease payments	66,272
	Less amount representing interest	<u>(11,238)</u>
	Present value of net minimum lease payments	<u>\$ 55,034</u>

General obligation bonds/notes

Seven issues of unmatured general obligation bonds/notes, totaling \$1,982,500, are outstanding at June 30, 2006. General obligation bonds/notes bear interest at rates ranging from 0% to 5.30% per annum 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, 2006

Details of general obligation bonds/notes payable at June 30, 2006 are as follows:

Governmental activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
General obligation bonds:						
Fire Station	03/01/98	4.40 - 4.60%	06/01/08	\$35,000 - 40,000	\$ 325,000	\$ 75,000
Economic Development	09/01/98	4.30 - 4.40%	06/01/07	70,000	750,000	70,000
Library	10/01/00	5.00 - 5.30%	06/01/15	70,000 - 110,000	1,100,000	800,000
Sewer improvement	08/01/03	1.40 - 3.10%	06/01/10	12,500-13,500	89,500	52,500
Aquatic Center	08/01/03	1.40 - 3.10%	06/01/10	100,000 - 108,000	716,000	<u>420,000</u>
Total general obligation bonds						<u>1,417,500</u>
General obligation notes:						
Fire Station	08/03/98	0%	06/01/09	20,000	200,000	60,000
Economic Development	10/01/03	2.15 - 4.00%	06/01/14	55,000 - 75,000	600,000	<u>505,000</u>
Total general obligation notes						<u>565,000</u>
Total governmental activities						<u>\$ 1,982,500</u>

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

Year Ending June 30,	Principal	Interest	Total
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	145,000	35,915	180,915
2012-2015	<u>625,000</u>	<u>114,313</u>	<u>739,313</u>
Total	<u>\$ 1,982,500</u>	<u>\$ 394,814</u>	<u>\$ 2,377,314</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

Business type activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2006
General obligation bond:						
Sewer improvement	08/01/03	1.40-3.10%	06/01/10	\$ 12,500-13,500	\$ 89,500	<u>\$ 52,500</u>

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

Year Ending June 30,	Principal	Interest	Total
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>
	52,500	<u>\$ 3,786</u>	<u>\$ 56,286</u>
Less:			
Unamortized discount	<u>(3,918)</u>		
Total	<u>\$ 48,582</u>		

Revenue bonds

Six issues of unmatured Iowa Finance Authority revenue bonds, totaling \$2,663,000, are outstanding at June 30, 2006. These bonds bear interest at rates ranging from 3.00% to 3.92% per annum and mature in varying annual amounts, ranging from \$3,000 to \$61,000, with the final maturity due in the year ending June 30, 2022.

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

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

The City makes sufficient monthly transfers to separate water and sewer bond sinking accounts. The City did not provide for the collection of rates to provide a balance of net revenues equal to at least 110% of the principal and interest due on the sewer bonds each fiscal year.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

Details of the revenue bonds payable at June 30, 2006 are as follows:

Business type activities:						
	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
Revenue bonds:						
Sewer improvements	08/01/01	3.92%	06/01/22	\$34,000 - 61,000	\$ 862,751	\$ 739,000
Sewer improvements	08/01/01	3.92%	06/01/22	25,000 - 44,000	627,500	538,000
Sewer improvements	08/01/01	3.92%	06/01/22	18,000 - 21,000	444,749	381,000
Sewer improvements	08/01/01	3.92%	06/01/22	13,000 - 24,000	334,000	288,000
Well improvements	08/01/01	3.92%	06/01/22	33,000 - 51,000	785,000	663,000
Well improvements	04/16/03	3.00%	06/01/22	3,000 - 4,000	64,000	<u>54,000</u>
Total revenue bonds						<u>\$ 2,663,000</u>

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
2007	\$ 126,000	\$ 98,888	\$ 224,888
2008	129,000	94,230	223,230
2009	135,000	89,464	224,464
2010	140,000	84,469	224,469
2011	144,000	79,283	223,283
2012-2016	804,000	312,301	1,116,301
2017-2021	970,000	150,962	1,120,962
2022	<u>215,000</u>	<u>8,013</u>	<u>223,013</u>
Total	<u>\$ 2,663,000</u>	<u>\$ 917,610</u>	<u>\$ 3,580,610</u>

NOTE 5 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Local Option Sales Tax	\$ 14,872
General	Special Revenue: Local Option Sales Tax	<u>34,701</u>
		<u>\$ 49,573</u>

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6 – INTERFUND ASSETS/LIABILITIES

Due to/Due From Other Funds

Receivable Fund	Payable Fund	Amount
General	Enterprise: Sewage Disposal Works	\$ 761,875
Special Revenue: Road Use Tax	Capital Projects: Capital Improvements	612,812
Local Option Sales Tax	Capital Projects: Capital Improvements	1,536,905
Enterprise: Sewage Disposal Works	Special Revenue: Dyersville Economic Development TIF	<u>70,027</u>
Total		<u>\$ 2,981,619</u>

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

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Dyersville Economic Development TIF	<u>\$ 22,000</u>

This balance results from a loan between funds which has not been repaid.

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.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

Most regular 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. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the three years ended June 30, 2006, 2005 and 2004 were \$59,402, \$56,084 and \$51,939, respectively, equal to the required contributions for each year.

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 \$3,668,698 is outstanding at June 30, 2006. 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 FUND BALANCES

The Capital Projects, Capital Improvements and the Enterprise, Sewage Disposal Works Funds had deficit fund balances of \$2,146,822 and \$644,333, respectively, at June 30, 2006. In fiscal year 2007, the City will eliminate these deficits by making transfers from various City funds.

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – CONSTRUCTION COMMITMENTS

The City has entered into a contract totaling \$1,840,974 for the 1st Avenue reconstruction and downtown streetscape. As of June 30, 2006, costs of \$1,748,925 have been incurred against the contract. The balance remaining at June 30, 2006, of \$92,049 is currently being contested with the contractor.

NOTE 12 – PROSPECTIVE ACCOUNTING CHANGES

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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 government employers.

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

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, 2007, with lease expenditures of \$10,000 for the year ended June 30, 2006.

NOTE 14 – RESTATEMENT

A portion of the General Fund was reclassified to the Special Revenue, Local Option Sales Tax Fund to more appropriately report local option sales tax in a separate fund.

As a result, the July 1, 2005 General Fund balance was decreased by \$1,199,498 and the July 1, 2005 Special Revenue, Local Option Sales Tax Fund balance was increased by \$1,199,498.

NOTE 15 – REBATE AGREEMENTS

The City has entered into tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental taxes paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The actual amount rebated during the year ended June 30, 2006 was \$14,702. The City has agreed to provide tax increment payments in a total amount not exceeding \$452,801.

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, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Variance with Final Budget-Positive (Negative)
Receipts:						
Property tax	\$ 1,342,312	\$ -	\$ 1,342,312	\$ 1,318,409	\$ 1,318,409	\$ 23,903
Tax increment financing	410,994	-	410,994	408,500	408,500	2,494
Other city tax	550,353	-	550,353	547,342	556,842	(6,489)
Licenses and permits	17,593	-	17,593	42,950	43,950	(26,357)
Use of money and property	70,158	-	70,158	40,500	45,000	25,158
Intergovernmental	664,024	-	664,024	390,900	672,500	(8,476)
Charges for service	205,544	929,575	1,135,119	1,127,420	1,152,420	(17,301)
Special assessments	11,053	-	11,053	200,000	20,000	(8,947)
Miscellaneous	140,676	6,965	147,641	144,300	187,000	(39,359)
Total receipts	<u>3,412,707</u>	<u>936,540</u>	<u>4,349,247</u>	<u>4,220,321</u>	<u>4,404,621</u>	<u>(55,374)</u>
Disbursements:						
Public safety	782,283	-	782,283	813,342	788,342	6,059
Public works	480,792	-	480,792	409,675	409,675	(71,117)
Health and social services	1,300	-	1,300	1,550	1,550	250
Culture and recreation	685,114	-	685,114	655,111	722,878	37,764
Community and economic development	19,961	-	19,961	11,000	6,150	(13,811)
General government	273,658	-	273,658	253,150	264,900	(8,758)
Debt service	483,808	-	483,808	287,852	556,218	72,410
Capital projects	407,878	-	407,878	554,500	563,000	155,122
Business-type activities	-	1,086,567	1,086,567	1,114,288	1,114,288	27,721
Total disbursements	<u>3,134,794</u>	<u>1,086,567</u>	<u>4,221,361</u>	<u>4,100,468</u>	<u>4,427,001</u>	<u>205,640</u>
Excess (deficiency) of receipts over (under) disbursements	277,913	(150,027)	127,886	119,853	(22,380)	150,266
Balances beginning of year	<u>1,709,822</u>	<u>(395,300)</u>	<u>1,314,522</u>	<u>2,784,270</u>	<u>1,627,098</u>	<u>(312,576)</u>
Balances end of year	<u>\$ 1,987,735</u>	<u>\$ (545,327)</u>	<u>\$ 1,442,408</u>	<u>\$ 2,904,123</u>	<u>\$ 1,604,718</u>	<u>\$ (162,310)</u>
Budget to GAAP Reconciliation						
	Governmental Funds			Proprietary Funds		
	Cash	Accrual	Modified	Cash	Accrual	Accrual
	Basis	Adjustments	Accrual	Basis	Adjustments	Basis
Revenues	\$ 3,412,707	\$ (3,599)	\$ 3,409,108	\$ 936,540	\$ 54,436	\$ 990,976
Expenditures/expenses	3,134,794	(266,743)	2,868,051	1,086,567	72,957	1,159,524
Net	277,913	263,144	541,057	(150,027)	(18,521)	(168,548)
Other financing sources, net	-	-	-	-	90,300	90,300
Beginning fund balances/net assets	1,709,822	(345,204)	1,364,618	(395,300)	5,084,596	4,689,296
Ending fund balances/net assets	<u>\$ 1,987,735</u>	<u>\$ (82,060)</u>	<u>\$ 1,905,675</u>	<u>\$ (545,327)</u>	<u>\$ 5,156,375</u>	<u>\$ 4,611,048</u>

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$326,533. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements in the public works, community and economic development and general government functions exceeded the amounts 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 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

CITY OF DYERSVILLE, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

Schedule 1

	Special Revenue		Debt Service	Capital Projects	Total
	CDBG	Library Trust		Capital Equipment	
ASSETS					
Cash and pooled cash investments	\$ 3,073	\$ 55,987	\$ 125,460	\$ 58,129	\$ 242,649
Receivables					
Property tax					
Delinquent	-	-	2,847	-	2,847
Succeeding year	-	-	288,280	-	288,280
Accrued interest	-	-	-	10	10
Total Assets	<u>\$ 3,073</u>	<u>\$ 55,987</u>	<u>\$ 416,587</u>	<u>\$ 58,139</u>	<u>\$ 533,786</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 310	\$ -	\$ -	\$ 310
Deferred revenue					
Succeeding year property tax	-	-	288,280	-	288,280
Other	-	-	981	-	981
Total Liabilities	<u>-</u>	<u>310</u>	<u>289,261</u>	<u>-</u>	<u>289,571</u>
FUND BALANCES					
Reserved for debt service	-	-	127,326	-	127,326
Unreserved, reported in					
Special revenue funds					
Designated for library	-	55,677	-	-	55,677
Undesignated	3,073	-	-	-	3,073
Capital projects funds					
Undesignated	-	-	-	58,139	58,139
Total Fund Balances	<u>3,073</u>	<u>55,677</u>	<u>127,326</u>	<u>58,139</u>	<u>244,215</u>
Total Liabilities and Fund Balances	<u>\$ 3,073</u>	<u>\$ 55,987</u>	<u>\$ 416,587</u>	<u>\$ 58,139</u>	<u>\$ 533,786</u>

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

Schedule 2

	Special Revenue			Capital Projects	
	CDBG	Library Trust	Debt Service	Capital Equipment	Total
REVENUES					
Property tax	\$ -	\$ -	\$ 286,071	\$ -	\$ 286,071
Use of money and property	-	152	-	71	223
Intergovernmental	4,780	-	-	-	4,780
Charges for service	-	8,374	-	-	8,374
Total Revenues	<u>4,780</u>	<u>8,526</u>	<u>286,071</u>	<u>71</u>	<u>299,448</u>
EXPENDITURES					
Operating:					
Culture and recreation	-	3,964	-	-	3,964
Debt service	-	-	280,333	-	280,333
Total Expenditures	<u>-</u>	<u>3,964</u>	<u>280,333</u>	<u>-</u>	<u>284,297</u>
EXCESS OF REVENUES OVER EXPENDITURES	4,780	4,562	5,738	71	15,151
OTHER FINANCING SOURCES					
Operating transfers in	-	-	14,872	-	14,872
NET CHANGE IN FUND BALANCES	4,780	4,562	20,610	71	30,023
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>(1,707)</u>	<u>51,115</u>	<u>106,716</u>	<u>58,068</u>	<u>214,192</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,073</u>	<u>\$ 55,677</u>	<u>\$ 127,326</u>	<u>\$ 58,139</u>	<u>\$ 244,215</u>

See accompanying independent auditor's report.

CITY OF DYERSVILLE, IOWA

Schedule 3

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

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

See accompanying independent auditor's report.

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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dyersville, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 17, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dyersville's internal control over financial reporting 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 of Dyersville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable 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, of the reportable conditions described above, we believe item (A) is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 17, 2006

City of Dyersville

Schedule of Findings

Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual can have control over cash receipts collecting, depositing, journalizing and posting.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will continue to segregate duties as much as possible. Operating procedures are reviewed by the City Administrator on a regular basis to ensure maximum internal control.

Conclusion – Response accepted.

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

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Dyersville

Schedule of Findings

Year ended June 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public works, community and economic development and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City has upgraded its financial software that allows City staff to be more conscious in reviewing the revenue and expenditure amounts. Furthermore, the City has taken great effort to process more budget amendments this fiscal year, instead of implementing the past practice of performing one budget amendment annually.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Kevin Klostermann, Council Member, part owner of Computer Doctors Inc.	Supplies	2,443
Angela English, Library Secretary, Husband owns Ross English Insurance	Insurance	79,234
Dan Willenborg, Council Member, part owner of Tri State of Iowa	Cemetery Lettering	470
Betty Scherrman, Library Trustee, Husband owns Scherrman’s Appliance	Equipment	20,045
Mary Jo Goldsmith, Administrative Assistant, Husband owns Goldsmith Painting	Painting	6,791
Joyce Bries, Librarian	Pastries	198

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

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

City of Dyersville

Schedule of Findings

Year ended June 30, 2006

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

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

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds – Except as follows, no instances of non-compliance with the resolutions providing for the issuance of the water and sewer revenue bonds were noted.

The City has established water and sewer revenue bond sinking accounts but did not make sufficient transfers to these accounts as required by the water and sewer revenue bond resolutions.

The sewer revenue bond resolution states the City will provide for the collection of rates to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the utility and to have a balance of net revenues equal to at least 110% of the principal and interest due on the bonds each fiscal year. The City has not complied with this provision.

The City does not pay for water used by the City. Section 4 of the water revenue bond resolution states “the City shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the utility, including the City.”

Chapter 384.91 of the Code of Iowa states, in part, “The City shall pay for the use of or the service provided by the City utility as any other customer, except that the City may pay for use or service at a reduced rate or receive free use or service so long as the City complies with the provisions, terms, conditions and covenants of any and all resolutions pursuant to which revenue bonds or pledge orders are issued and outstanding.”

Recommendation – The City should make the required transfers and determine an equitable, reasonable and just charge for the City's water usage as required by the water revenue bond resolution. The City should also provide for the collection of revenues sufficient to meet the requirements of the revenue bond resolution.

Response – The City will implement this policy going forward to fiscal year 2007.

Conclusion – Response accepted.

City of Dyersville

Schedule of Findings

Year ended June 30, 2006

- (9) Financial Condition – At June 30, 2006, the following funds had deficit balances (on a cash basis):

Fund	June 30, 2006, Deficit Balance
Capital Projects:	
Capital Improvements	\$ 2,149,717
Enterprise:	
Sewage Disposal Works	761,875

In addition, the Capital Projects, Capital Improvements and the Enterprise, Sewage Disposal Works Funds had deficit fund balances (on a modified accrual basis) of \$2,146,822 and \$644,333, respectively, at June 30, 2006.

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

Response – The City will implement this recommendation in fiscal year 2007 by making transfers from various City funds to eliminate these deficits.

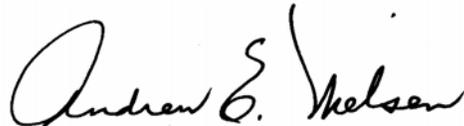
Conclusion – Response accepted.

City of Dyersville

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Sheila M. Jensen, Senior Auditor
John G. Vanis, CGFM, Senior Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State