CITY OF DYSART, IOWA

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

June 30, 2009

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CITY OF DYSART

Officials

Name	Title	Term Expires
Donald Lyons	Mayor	January 2012
Tim Glenn	Council Member	January 2010
Kent King	Council Member	January 2010
Kevin Kugel	Council Member	January 2010
Rich Behrens	Council Member	January 2012
Don Zeien	Council Member	January 2012
Roxanne Schneider	City Clerk and Treasurer	Indefinite
Kelli Knoop	Deputy Clerk	Indefinite
Nancy Burk	City Attorney	Indefinite

CITY OF DYSART

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City of Dysart's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Dysart'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 that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Dysart as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2009 on our consideration of City of Dysart'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 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.

Offices in 17 states and Washington, DC

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Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 33 through 37 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 City of Dysart's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting as described in Note 1. Other supplementary information included in Schedules 1 through 8 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.

Clifton Gunderson LLP

Cedar Rapids, Iowa
December 22, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dysart provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased less than 1% from fiscal year 2008 to fiscal year 2009. Total governmental revenues were $942,830 in FY08, and $951,926 in FY09. Property tax revenues increased approximately $16,637, while TIF revenues held steady at $65,937 for fiscal year 2009, as compared to $66,683 for fiscal year 2008.

- Governmental disbursements decreased $960,251 from fiscal year 2008 to fiscal year 2009. Capital project expenses decreased by $1,100,271, due to completion of the Main Street/Infrastructure Project in the prior year. Public Safety disbursements increased by $165,671 due to the purchase of a new ambulance, as well as new bunker gear and air packs for the Fire Department. Public Works expenditures decreased $24,520. Culture & Recreation expense increased $29,761, and Community and Economic Development expenses decreased $24,566. General government expenses were stable, showing a slight decrease from $52,788 to $50,142. Debt Service expenses were also stable at $235,314, as compared to $238,994 last fiscal year. Business type expenses increased $129,688, primarily due to increased wholesale electric rates and ongoing infrastructure maintenance.

- The City's total cash basis net assets decreased $44,323 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased $143,740; the assets of the business type activities increased by $99,417. The decrease in governmental activities can be attributed to use of cash reserves for purchase of a new ambulance and fire department equipment.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents 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 statement 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 funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's 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 and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

- Business Type Activities include the Water Fund, Electric Fund and Garbage Service Fund. 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. The Governmental Funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government 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 statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary Funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three major Enterprise Funds to provide separate information for the water, garbage and electric funds.

   The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from $1.29 million to approximately $1.14 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30, 2009	Year Ended June 30, 2008
Receipts:		
Program receipts:		
Charges for service	$ 174,486	$ 135,570
Operating grants, contributions, and restricted interest	196,882	191,697
General receipts:		
Property tax	400,114	383,477
Local option sales tax	77,249	75,962
TIF revenues	65,937	66,683
Other city tax	1,669	3,413
Unrestricted investment earnings	7,993	12,358
Other general receipts	16,104	51,784
Special assessments	11,492	21,886
Total receipts	951,926	942,830
Disbursements:		
Public safety	359,673	194,002
Public works	166,411	190,931
Culture and recreation	202,304	172,543
Community and economic development	19,609	44,175
General government	50,142	52,788
Debt service	235,314	238,994
Capital projects	110,693	1,210,964
Total disbursements	1,144,146	2,104,397
Change in cash basis net assets before transfers	(192,220)	(1,161,567)
Transfers, net	48,480	297,719
Change in cash basis net assets	(143,740)	(863,848)
Cash basis net assets, beginning of year	1,288,413	2,152,261
Cash basis net assets, end of year	$1,144,673	$1,288,413

The City's total receipts for governmental activities increased $9,096, from $942,830 to $951,926. The total cost of all governmental programs and services decreased by approximately 54% or $960,251. The decrease was attributable to the completion of capital improvement projects completed during FY 2008.

Property tax rates for 2009 held steady, at a rate of $12.62702/$1,000 valuation, as compared to a rate of $12.74532/$1,000 valuation in fiscal year 2008. Overall, property tax revenues increased from $383,477 to $400,114, thanks to an increase in taxable value. TIF revenues also held steady, with revenues of $66,683 during fiscal year 2008, and $65,937 during fiscal year 2009. Local option sales tax revenues increased slightly, with $77,249 received during fiscal year 2009, as compared to $75,962 received in fiscal year 2008. Local option sales tax revenues are used to service the aquatic center debt.

There were several changes in the governmental program expenses also. Public Safety expenditures increased by $165,671 due to the purchase of a new ambulance, as well as new bunker gear and air packs for the Fire Department. Public Works expenditures decreased by $24,520 primarily due to lower snow and ice removal expenses. Culture and Recreation expenses increased by $29,761 and Community and Economic Development expenses decreased by $24,566. Capital Projects decreased significantly, from $1,210,964 in fiscal year 2008 to $110,693 in fiscal year 2009, due to the completion of the Main Street/Infrastructure Project that was completed during fiscal year 2008.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30, 2009	Year Ended June 30, 2008
Receipts:		
Program receipts:		
Charges for service:		
Water	$ 297,467	$ 298,130
Sewer	87,086	88,281
Electric	1,137,618	1,004,533
Garbage	269,632	263,507
Operating grants, contributions and restricted interest	6,401	-
General receipts:		
Unrestricted investment earnings	15,561	31,648
Total receipts	1,813,765	1,686,099
Disbursements:		
Water	280,061	259,261
Sewer	167,096	101,491
Electric	883,077	849,641
Garbage	263,549	251,992
Debt service	72,085	73,795
Total disbursements	1,665,868	1,536,180
Change in cash basis net assets before transfers	147,897	149,919
Transfers, net	(48,480)	(297,719)

	Year Ended June 30, 2009	Year Ended June 30, 2008
Change in cash basis net assets	99,417	(147,800)
Cash basis net assets, beginning of year	1,056,675	1,204,475
Cash basis net assets, end of year	$1,156,092	$1,056,675

Total business type activities receipts for the fiscal year increased approximately $128,000 from the previous year, coming in at $1.81 million compared to $1.69 million last year. Most of the increase can be attributed to a substantial increase in electric rates in January 2009 due to a 20% increase in wholesale rates. Total disbursements for the fiscal year increased, from $1,536,180 in fiscal year 2008, to $1,665,868 in fiscal year 2009. Transfers out to capital projects decreased dramatically. Sewer expenditures increased due to ongoing sanitary sewer improvement projects.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Dysart completed the year, its governmental funds reported a combined fund balance of $1,144,673, a decrease of approximately $144,000 from last years total of $1,288,413. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased $218,998 from the prior year to $827,645. Cash reserves were used for budgeted purchases such as a new ambulance and street repairs.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by $11,088 to $237,506. Revenues held steady for the year, while expenses increased by approximately $20,000.

- The Electric Fund cash balance increased by $189,568 to $689,675. Cash reserves will be used for future capital improvement projects.

- The Garbage Fund cash balance decreased by $10,312 to $56,141. Major truck repairs accounted for the fund balance decrease.

BUDGETARY HIGHLIGHTS

The City amended its budget on October 8, 2008, and again on May 13, 2009. The October, 2008 budget amendment, which included an increase in expenditures of $1,793,000, was to include planned construction of the proposed assisted living facility and for an alley seal coating project. The May, 2009 amendment showed an increase in expenditures of $252,417. Reasons for the amendment included: purchase of air packs and bunker gear for the fire department, contribution to park stand, sanitary and storm sewer improvements, and purchase of an end loader blade and dump truck/snow plow. The City had sufficient cash on hand to finance the increased costs.

DEBT ADMINISTRATION

On June 30, 2009, the City had $2,370,000 in bonds and other long-term debt, compared to $2,580,000 last year, as shown below.

Outstanding Debt at Year End

	Year Ended June 30,	
	2009	2008
General obligation bonds and notes	$2,100,000	$2,250,000
Revenue bonds	270,000	330,000
Total	$2,370,000	$2,580,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is $3,182,476. With outstanding general obligation debt of $2,100,000, the City was using approximately 66% of its constitutional debt limit at fiscal year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Dysart's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities.

Budgets for various departments have remained fairly consistent with past years. The property tax rate for fiscal year 2010 will decrease slightly, to $12.58682/$1,000 in valuation, compared to $12.62702/$1,000 for fiscal year 2009. This is the second consecutive year that the property tax rate has shown a slight decrease.

The City is currently preparing plans and specifications for major street, water and sewer improvement projects to be completed during the 2010 construction season. The tentative schedule will provide for a December, 2009 bid-letting, with construction to begin early spring of 2010. The City Council anticipates issuing approximately $450,000 in general obligation bonds to finance the project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roxanne L. Schneider, City Clerk, 601 Wilson Street, PO Box 686, Dysart, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF DYSART

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2009

	Disbursements	Charges for Services
FUNCTIONS/PROGRAMS:		
Governmental activities:		
Public safety	$ 359,673	$ 114,134
Public works	166,411	-
Culture and recreation	202,304	33,950
Community and economic development	19,609	2,364
General government	50,142	24,038
Debt service	235,314	-
Capital projects	110,693	-
Total governmental activities	1,144,146	174,486
Business type activities:		
Water	280,061	297,467
Sewer	167,096	87,086
Electric	955,162	1,137,618
Garbage	263,549	269,633
Total business type activities	1,665,868	1,791,804
Total	$ 2,810,014	$ 1,966,290

GENERAL RECEIPTS:

Property taxes levied for:
- General purposes
- Employee benefits
- Tax increment financing
- Debt service

Other city tax

Local option sales tax

Special assessments

Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Operating Grants, Contri-butions and Restricted Interest	Capital Grants, Contri-butions and Restricted Interest	Govern-mental Activities	Business Type Activities	Total
$ 18,653	$ -	$ (226,886)	$ -	$ (226,886)
108,110	-	(58,301)	-	(58,301)
9,950	-	(158,404)	-	(158,404)
-	-	(17,245)	-	(17,245)
60,169	-	34,065	-	34,065
-	-	(235,314)	-	(235,314)
-	-	(110,693)	-	(110,693)
196,882	-	(772,778)	-	(772,778)
-	-	-	17,406	17,406
6,401	-	-	(73,609)	(73,609)
-	-	-	182,456	182,456
-	-	-	6,084	6,084
6,401	-	-	132,337	132,337
$ 203,283	$ -	(772,778)	132,337	(640,441)
		288,246	-	288,246
		58,578	-	58,578
		65,937	-	65,937
		53,290	-	53,290
		1,669	-	1,669
		77,249	-	77,249
		11,492	-	11,492

(continued)

CITY OF DYSART

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended June 30, 2009

	Disbursements	Charges for Services
GENERAL RECEIPTS: (CONTINUED)		
Unrestricted interest on investments		
Miscellaneous		
Transfers		
Total general receipts and transfers		
CHANGE IN CASH BASIS NET ASSETS		
CASH BASIS NET ASSETS, BEGINNING OF YEAR		
CASH BASIS NET ASSETS, END OF YEAR		
CASH BASIS NET ASSETS:		
Restricted:		
Debt service		
Unrestricted		
TOTAL CASH BASIS NET ASSETS		

Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Operating Grants, Contri-butions, and Restricted Interest	Capital Grants, Contri-butions, and Restricted Interest	Govern-mental Activities	Business Type Activities	Total
		7,993	15,560	23,553
		16,104	-	16,104
		48,480	(48,480)	-
		629,038	(32,920)	596,118
		(143,740)	99,417	(44,323)
		1,288,413	1,056,675	2,345,088
		$ 1,144,673	$ 1,156,092	$ 2,300,765
		$ 32,515	$ 75,120	$ 107,635
		1,112,158	1,080,972	2,193,130
		$ 1,144,673	$ 1,156,092	$ 2,300,765

The accompanying notes are an integral part of the financial statements.

CITY OF DYSART

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances-Governmental Funds

As of and for the Year Ended June 30, 2009

	General	Nonmajor	Totals
RECEIPTS:			
Property tax	$ 288,246	$ 111,868	$ 400,114
Tax increment financing collections	-	65,937	65,937
Other city tax	1,211	77,708	78,919
Licenses and permits	6,502	-	6,502
Use of money and property	25,260	3,640	28,900
Intergovernmental	10,550	108,109	118,659
Charges for services	149,308	-	149,308
Special assessments	-	11,492	11,492
Miscellaneous	80,781	11,314	92,095
Total receipts	561,858	390,068	951,926
DISBURSEMENTS:			
Operating:			
Public safety	359,673	-	359,673
Public works	74,400	92,011	166,411
Culture and recreation	202,304	-	202,304
Community and economic development	17,110	2,499	19,609
General government	50,142	-	50,142
Debt service	-	235,314	235,314
Capital projects	-	110,693	110,693
Total disbursements	703,629	440,517	1,144,146
Excess of disbursements over receipts	(141,771)	(50,449)	(192,220)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	59,024	368,365	427,389
Operating transfers out	(136,251)	(242,658)	(378,909)
Net other financing sources (uses)	(77,227)	125,707	48,480

Exhibit B

	General	Nonmajor	Totals
NET CHANGE IN CASH BALANCE	(218,998)	75,258	(143,740)
CASH BALANCE, BEGINNING OF YEAR	1,046,643	241,770	1,288,413
CASH BALANCE, END OF YEAR	$ 827,645	$ 317,028	$ 1,144,673
CASH BASIS FUND BALANCE:			
Reserved			
Debt service	$ -	$ 32,515	$ 32,515
Unreserved:			
General	827,645	-	827,645
Special revenue funds	-	175,989	175,989
Capital project funds	-	108,524	108,524
Total cash basis fund balance	$ 827,645	$ 317,028	$ 1,144,673

The accompanying notes are an integral part of the financial statements.

CITY OF DYSART

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Proprietary Funds

As of and for the Year Ended June 30, 2009

	Water	Electric
OPERATING RECEIPTS:		
Charges for services	$ 277,018	$ 1,084,886
Miscellaneous	20,449	52,732
Total operating receipts	297,467	1,137,618
OPERATING DISBURSEMENTS:		
Business type activities:		
Water	280,061	-
Sewer	780	-
Electric	-	883,077
Garbage	-	-
Total operating disbursements	280,841	883,077
Excess (deficiency) of operating receipts over (under) operating disbursements	16,626	254,541
NONOPERATING RECEIPTS (DISBURSEMENTS):		
Interest on investments	3,966	7,227
Debt service	-	-
Net nonoperating receipts (disbursements)	3,966	7,227
Excess (deficiency) of receipts over (under) disbursements	20,592	261,768
OTHER FINANCING SOURCES (USES):		
Operating transfers in	-	-
Operating transfers out	(31,680)	(72,200)
Net other financing sources (uses)	(31,680)	(72,200)

Garbage	Nonmajor	Totals
$ 266,973	$ 86,383	$ 1,715,260
2,659	7,104	82,944
269,632	93,487	1,798,204
-	-	280,061
-	166,316	167,096
-	-	883,077
263,549	-	263,549
263,549	166,316	1,593,783
6,083	(72,829)	204,421
405	3,963	15,561
-	(72,085)	(72,085)
405	(68,122)	(56,524)
6,488	(140,951)	147,897
-	72,200	72,200
(16,800)	-	(120,680)
(16,800)	72,200	(48,480)

(continued)

CITY OF DYSART

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Proprietary Funds

As of and for the Year Ended June 30, 2009

	Water	Electric
NET CHANGE IN CASH BALANCE	(11,088)	189,568
CASH BALANCE, BEGINNING OF YEAR	248,594	500,107
CASH BALANCE, END OF YEAR	$ 237,506	$ 689,675
CASH BASIS FUND BALANCE:		
Reserved:		
Debt service	$ -	$ -
Unreserved	237,506	689,675
Total cash basis fund balance	$ 237,506	$ 689,675

Garbage	Nonmajor	Totals
(10,312)	(68,751)	99,417
66,453	241,521	1,056,675
$ 56,141	$ 172,770	$ 1,156,092
$ -	$ 75,120	$ 75,120
56,141	97,650	1,080,972
$ 56,141	$ 172,770	$ 1,156,092

The accompanying notes are an integral part of the financial statements.

(1) Summary of Significant Accounting Policies

The City of Dysart, a political subdivision of the State of Iowa, is located in Tama County. It was first incorporated in 1873 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 non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, electric, and garbage utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama County E911 Board.

B. Basis of Presentation

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

(1) **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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 that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts 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 disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

(1) **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation (continued)

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Electric Fund accounts for operation of the City's electric utility.

The Garbage Fund accounts for the operation and maintenance of the City's garbage collection services.

C. Measurement Focus and Basis of Accounting

The City of Dysart maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the capital project function prior to the budget being amended.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2007, to compute the amounts which became liens on property on July 1, 2008. These taxes were due and payable in two installments on September 30, 2008 and March 31, 2009, at the Tama County Treasurer's Office. These taxes are recognized as income to the City when they are received from the County.

(2) Cash and Pooled Investments

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

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 maintains funds in an automated cash management trust and investment account with a financial institution. This is a yield maintenance repurchase agreement. The financial institution purchases securities for the City and agrees to repurchase those securities with settlement daily. This investment is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name. The cost of this investment as of June 30, 2009 was $710,899, which approximates fair market value.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes and bonds and revenue bonds are as follows:

	General Obligation Notes and Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 155,000	$ 36,569	$ 65,000	$ 10,075	$ 220,000	$ 46,644
2011	130,000	34,274	65,000	7,865	195,000	42,139
2012	130,000	32,624	70,000	5,460	200,000	38,084
2013	120,000	30,864	70,000	2,800	190,000	33,664
2014	120,000	28,854	-	-	120,000	28,854
2015	130,000	26,754	-	-	130,000	26,754

(3) **Bonds and Notes Payable** (continued)

	General Obligation Notes and Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	130,000	24,414	-	-	130,000	24,414
2017	140,000	22,009	-	-	140,000	22,009
2018	140,000	19,349	-	-	140,000	19,349
2019	150,000	16,619	-	-	150,000	16,619
2020	155,000	13,618	-	-	155,000	13,618
2021	160,000	10,419	-	-	160,000	10,419
2022	170,000	7,219	-	-	170,000	7,219
2023	180,000	3,713	-	-	180,000	3,713
2024	90,000	3,713	-	-	90,000	3,713
Total	$2,100,000	$ 311,012	$ 270,000	$ 26,200	$2,370,000	$ 337,212

A general obligation note was issued for the purpose of defraying a portion of the costs of constructing a library. Proceeds from this note were received April 29, 2003, and is payable to the Farmers Cooperative Telephone Company, Dysart, Iowa, due in annual installments of $20,000 with 0.0% interest. The balance of this note at June 30, 2009 was $60,000.

A general obligation note was issued for the purpose of constructing a new pool. This note is dated July 1, 2003 with interest rates ranging between 2.10% and 4.125%. The note is due in annual installments ranging between $60,000 and $90,000. The balance of this note at June 30, 2009 was $995,000.

A general obligation bond was issued for the purpose of constructing City streets, water mains, curb and gutter. This note is dated August 23, 2006 with interest rates ranging between 4.00% and 4.50%. The note is due in annual installments ranging between $50,000 and $90,000. The balance of this note at June 30, 2009 was $1,045,000.

Electric revenue bonds were issued March 1, 2003 with interest rates ranging between 1.50% and 4.00%. These bonds are due in annual installments of $50,000 to $70,000, plus interest. Bonds outstanding at June 30, 2009 amount to $270,000.

(3) **Bonds and Notes Payable** (continued)

The electric revenue bond resolution includes a provision that requires the revenue bond principal and interest must be paid solely out of the net revenues of the electric utility. The resolution also requires an amount equal to one-twelfth of the bond principal coming due on the succeeding June 1 plus an amount equal to one-sixth of the interest coming due on the succeeding interest payment date be deposited in an electric revenue sinking fund in monthly installments. In addition, the resolution requires a balance be maintained in an electric revenue reserve fund at least equal to the lesser of 1) the maximum amount of principal and interest coming due on the notes in any succeeding year, 2) 125% of the average amount of principal and interest coming due on the notes and any parity obligations in any succeeding year, or 3) 10% of the stated principal amount of the notes and any parity obligations outstanding. As of June 30, 2009, the City was in compliance with these requirements.

(4) **Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered salary. 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 years ended June 30, 2009, 2008, and 2007 were $25,401, $23,538, and $18,941, respectively, equal to the required contributions for each year.

(5) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment for subsequent use or for payment upon termination, retirement or death. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 120 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2009 was $12,909. This liability has been computed based on rates of pay in effect at June 30, 2009.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special revenue:	
	Employee benefits	$ 59,024
Debt service:		
Library debt	General	20,000
Debt service:	Special revenue:	
Pool debt	Local option sales tax	65,000
	T.I.F. revenue	17,392
	Debt service:	
	Debt service	4,567
		86,959
Enterprise:	Enterprise:	
Electric revenue debt	Electric	72,200
Debt service:	Enterprise:	
Water bond	Water	31,680
Enterprise:	Enterprise:	
Garbage truck	Garbage	16,800
Special revenue:		
Assisted living	General	51,251
Debt service:	Special revenue:	
Main Street/Westview debt	T.I.F. revenue	48,133
	Debt service:	
	Debt service	48,542
		96,675
Capital projects:		
Dreamfield capital campaign	General	65,000
Total		$ 499,589

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

(7) Risk Management

The City of Dysart 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.

(8) Commitments

The City of Dysart participates in a 28E organization with Tama County and other cities in Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated costs of closure and post closure care as of March 31, 2009, the most recent date for which such information is available, is approximately $778,000. The Commission has accumulated resources to fund these costs and, at June 30, 2009, assets of $1,000,000 are restricted for these purposes.

Under a wholesale power agreement, the City is committed to purchase its electric power and energy requirements from Resale Power Group of Iowa through December 2010. The rates for such purchases are subject to review annually. Although there are other suppliers of electric power, a change in supplier would cause a delay, which could ultimately affect operating results.

Under a water purchase contract, the City is committed to the purchase of bulk water from Poweshiek Water Association through December 2038. The rates for such purchases are subject to review annually.

In March 1994, the City agreed to pay the Medicare supplement for a retired City employee. The estimated liability for these benefits has not been determined. The cost to the City for the year ended June 30, 2009 was $3,148.

(9) New Accounting Standard

The City of Dysart will implement GASB Statement No. 45, *Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans,* during the year ending June 30, 2010. This statement establishes uniform accounting and financial reporting standards for state and local governmental entities related to postemployment benefits other than pension plans ("OPEB"). It is not anticipated that the implementation of the new standard will have a significant effect to the City's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DYSART

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Required Supplementary Information

Year Ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual
RECEIPTS:		
Property tax	$ 400,114	$ -
Tax increment financing collections	65,937	-
Other city tax	78,919	-
Licenses and permits	6,502	-
Use of money and property	28,900	15,561
Intergovernmental	118,659	-
Charges for services	149,308	1,715,260
Special assessments	11,492	-
Miscellaneous	92,095	82,944
Total receipts	951,926	1,813,765
DISBURSEMENTS:		
Operating:		
Public safety	359,673	-
Public works	166,411	-
Culture and recreation	202,304	-
Community and economic development	19,609	-
General government	50,142	-
Debt service	235,314	-
Capital projects	110,693	-
Business type activities	-	1,665,868
Total disbursements	1,144,146	1,665,868
Excess (deficiency) of receipts over (under) disbursements	(192,220)	147,897
OTHER FINANCING SOURCES (USES), NET	48,480	(48,480)

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final Budget to Total Actual Variance
$ 400,114	$ 395,942	$ 395,942	$ 4,172
65,937	65,525	65,525	412
78,919	68,513	68,513	10,406
6,502	3,320	3,320	3,182
44,461	24,500	24,500	19,961
118,659	137,360	137,360	(18,701)
1,864,568	1,743,800	1,743,800	120,768
11,492	2,500	2,500	8,992
175,039	61,225	446,225	(271,186)
2,765,691	2,502,685	2,887,685	(121,994)
359,673	344,800	387,658	27,985
166,411	113,529	232,468	66,057
202,304	186,750	210,871	8,567
19,609	16,697	32,633	13,024
50,142	53,930	57,646	7,504
235,314	235,314	235,314	-
110,693	-	1,500,000	1,389,307
1,665,868	1,392,085	1,731,932	66,064
2,810,014	2,343,105	4,388,522	1,578,508
(44,323)	159,580	(1,500,837)	1,456,514
-	-	1,150,000	(1,150,000)

(continued)

CITY OF DYSART

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Required Supplementary Information

Year Ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(143,740)	99,417
BALANCE, BEGINNING OF YEAR	1,288,413	1,056,675
BALANCE, END OF YEAR	$ 1,144,673	$ 1,156,092

Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final Budget to Total Actual Variance
(44,323)	159,580	(350,837)	306,514
2,345,088	1,965,792	1,965,792	379,296
$ 2,300,765	$ 2,125,372	$ 1,614,955	$ 685,810

See accompanying independent auditor's report.

CITY OF DYSART

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2009

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 except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund. These eight functions are: public safety, public works, 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 Funds, the Capital Projects Funds, the Permanent Fund, and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted revenues by $350,000 and budgeted disbursements by $2,045,417. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the capital project function prior to the budget being amended.

OTHER SUPPLEMENTARY INFORMATION

CITY OF DYSART

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the Year Ended June 30, 2009

	Special Revenue	Debt Service
RECEIPTS:		
Property tax	$ 58,578	$ 53,290
Tax increment financing collections	65,937	-
Other city tax	77,497	211
Use of money and property	1,499	324
Intergovernmental	108,109	-
Special assessments	-	11,492
Miscellaneous	-	-
Total receipts	311,620	65,317
DISBURSEMENTS:		
Operating:		
Public works	92,011	-
Community and economic development	2,499	-
Debt service	-	235,314
Capital projects	-	-
Total disbursements	94,510	235,314
Excess (deficiency) of receipts over (under) disbursements	217,110	(169,997)
OTHER FINANCING SOURCES (USES):		
Operating transfers in	-	235,314
Operating transfers out	(189,549)	(53,109)
Net other financing sources (uses)	(189,549)	182,205
NET CHANGE IN CASH BALANCE	27,561	12,208
CASH BALANCE, BEGINNING OF YEAR	148,428	20,307
CASH BALANCE, END OF YEAR	$ 175,989	$ 32,515

Capital Projects	Totals
$ -	$ 111,868
-	65,937
-	77,708
1,817	3,640
-	108,109
-	11,492
11,314	11,314
13,131	390,068
-	92,011
-	2,499
-	235,314
110,693	110,693
110,693	440,517
(97,562)	(50,449)
133,051	368,365
-	(242,658)
133,051	125,707
35,489	75,258
73,035	241,770
$ 108,524	$ 317,028

(continued)

CITY OF DYSART

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the Year Ended June 30, 2009

	Special Revenue	Debt Service
CASH BASIS FUND BALANCE:		
Reserved:		
Debt service	$ -	$ 32,515
Unreserved:		
Special revenue funds	175,989	-
Capital project funds	-	-
Total cash basis fund balance	$ 175,989	$ 32,515

Schedule 1

Capital Projects	Totals
$ -	$ 32,515
-	175,989
108,524	108,524
$ 108,524	$ 317,028

CITY OF DYSART

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances

Nonmajor Special Revenue Funds

As of and for the Year Ended June 30, 2009

	Road Use Tax	Employee Benefits
RECEIPTS:		
Property tax	$ -	$ 58,578
Tax increment financing collections	-	-
Other city tax	-	247
Use of money and property	-	199
Intergovernmental	108,109	-
Total receipts	108,109	59,024
DISBURSEMENTS:		
Operating:		
Public works	92,011	-
Community and economic development	-	-
Total disbursements	92,011	-
Excess (deficiency) of receipts over (under) disbursements	16,098	59,024
OTHER FINANCING USES:		
Operating transfers out	-	(59,024)
NET CHANGE IN CASH BALANCE	16,098	-
CASH BALANCE, BEGINNING OF YEAR	50,662	-
CASH BALANCE, END OF YEAR	$ 66,760	$ -
CASH BASIS FUND BALANCE:		
Unreserved:		
Special revenue funds	$ 66,760	$ -

Local Option Sales Tax	TIF Revenue	LMI Housing	Project Share	Totals
$ -	$ -	$ -	$ -	$ 58,578
-	65,937	-	-	65,937
77,250	-	-	-	77,497
871	352	76	1	1,499
-	-	-	-	108,109
78,121	66,289	76	1	311,620
-	-	-	-	92,011
-	-	2,499	-	2,499
-	-	2,499	-	94,510
78,121	66,289	(2,423)	1	217,110
(65,000)	(65,525)	-	-	(189,549)
13,121	764	(2,423)	1	27,561
54,464	12,084	31,126	92	148,428
$ 67,585	$ 12,848	$ 28,703	$ 93	$ 175,989
$ 67,585	$ 12,848	$ 28,703	$ 93	$ 175,989

CITY OF DYSART

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances

Nonmajor Debt Service Funds

As of and for the Year Ended June 30, 2009

	Debt Service	Water Bond
RECEIPTS:		
Property tax	$ 53,290	$ -
Other city tax	211	-
Use of money and property	182	-
Special assessments	-	-
Total receipts	53,683	-
DISBURSEMENTS:		
Debt service	-	31,680
Total disbursements	-	31,680
Excess (deficiency) of receipts over (under) disbursements	53,683	(31,680)
OTHER FINANCING SOURCES (USES):		
Operating transfers in	-	31,680
Operating transfers out	(53,109)	-
Net other financing sources (uses)	(53,109)	31,680
NET CHANGE IN CASH BALANCE	574	-
CASH BALANCE, BEGINNING OF YEAR	176	-
CASH BALANCE, END OF YEAR	$ 750	$ -
CASH BASIS FUND BALANCE:		
Reserved:		
Debt service	$ 750	$ -

Library Debt	Pool Debt	Westview Debt	Totals
$ -	$ -	$ -	$ 53,290
-	-	-	211
-	-	142	324
-	-	11,492	11,492
-	-	11,634	65,317
20,000	86,959	96,675	235,314
20,000	86,959	96,675	235,314
(20,000)	(86,959)	(85,041)	(169,997)
20,000	86,959	96,675	235,314
-	-	-	(53,109)
20,000	86,959	96,675	182,205
-	-	11,634	12,208
-	-	20,131	20,307
$ -	$ -	$ 31,765	$ 32,515
$ -	$ -	$ 31,765	$ 32,515

CITY OF DYSART

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances

Nonmajor Capital Projects Funds

As of and for the Year Ended June 30, 2009

	Library Project	Assisted Living	Dreamfield Capital Campaign
RECEIPTS:			
Use of money and property	$ 1,528	$ 109	$ 44
Miscellaneous	-	-	11,314
Total receipts	1,528	109	11,358
DISBURSEMENTS:			
Capital projects	-	37,926	72,767
Excess (deficiency) of receipts over (under) disbursements	1,528	(37,817)	(61,409)
OTHER FINANCING SOURCES:			
Operating transfers in	-	51,251	65,000
NET CHANGE IN CASH BALANCE	1,528	13,434	3,591
CASH BALANCE, BEGINNING OF YEAR	50,781	13,827	-
CASH BALANCE, END OF YEAR	$ 52,309	$ 27,261	$ 3,591
CASH BASIS FUND BALANCE:			
Unreserved:			
Capital project funds	$ 52,309	$ 27,261	$ 3,591

Garbage Truck Replacement	Totals
$ 136	$ 1,817
-	11,314
136	13,131
-	110,693
136	(97,562)
16,800	133,051
16,936	35,489
8,427	73,035
$ 25,363	$ 108,524
$ 25,363	$ 108,524

Schedule 5

CITY OF DYSART

Statement of Cash Receipts, Disbursements, and Changes in Cash Balances

Nonmajor Enterprise Funds

As of and for the Year Ended June 30, 2009

	Sewer	Electric Revenue Debt	Electric Revenue Reserve	Totals
OPERATING RECEIPTS				
Charges for services	$ 86,383	$ -	$ -	$ 86,383
Miscellaneous	7,104	-	-	7,104
Total operating receipts	93,487	-	-	93,487
OPERATING DISBURSEMENTS				
Business type activities:				
Sewer	166,316	-	-	166,316
Excess of operating disbursements over operating receipts	(72,829)	-	-	(72,829)
NONOPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	2,400	209	1,354	3,963
Debt service	-	(72,085)	-	(72,085)
Net nonoperating receipts (disbursements)	2,400	(71,876)	1,354	(68,122)
Excess (deficiency) of receipts over (under) disbursements	(70,429)	(71,876)	1,354	(140,951)
OTHER FINANCING SOURCES:				
Operating transfers in	-	72,200	-	72,200
NET CHANGE IN CASH BALANCE	(70,429)	324	1,354	(68,751)
CASH BALANCE, BEGINNING OF YEAR	168,079	6,652	66,790	241,521
CASH BALANCE, END OF YEAR	$ 97,650	$ 6,976	$ 68,144	$ 172,770
CASH BASIS FUND BALANCE:				
Reserved:				
Debt service	$ -	$ 6,976	$ 68,144	$ 75,120
Unreserved	97,650	-	-	97,650
Total cash basis fund balance	$ 97,650	$ 6,976	$ 68,144	$ 172,770

CITY OF DYSART

Schedule of Indebtedness

Year Ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Aquatic center	July 1, 2003	2.10 - 4.125%	$ 1,375,000
Library	May 8, 2002	0.00%	200,000
Total			
General obligation bond:			
Infrastructure/Street	August 23, 2006	4.00 - 4.50%	1,200,000
Revenue bonds:			
Electric	March 1, 2003	1.50 - 4.00%	600,000
Total indebtedness			

Schedule 6

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
$ 1,075,000	$ -	$ 80,000	$ 995,000	$ 38,489	$ -
80,000	-	20,000	60,000	-	-
1,155,000	-	100,000	1,055,000	38,489	-
1,095,000	-	50,000	1,045,000	46,475	-
330,000	-	60,000	270,000	11,935	-
$ 2,580,000	$ -	$ 210,000	$ 2,370,000	$ 96,899	$ -

CITY OF DYSART

Schedule 7

Bond and Note Maturities

June 30, 2009

	General Obligation Debt						
	Notes Payable				Bond Payable		
	Library Note Issued May 8, 2002		Aquatic Center Issued July 1, 2003		Infrastructure/Street Issued August 23, 2006		
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2010	0.00%	$ 20,000	2.70%	$ 85,000	4.00%	$ 50,000	$ 155,000
2011	0.00%	20,000	3.00%	55,000	4.00%	55,000	130,000
2012	0.00%	20,000	3.20%	55,000	4.00%	55,000	130,000
2013		-	3.35%	60,000	4.00%	60,000	120,000
2014		-	3.50%	60,000	4.00%	60,000	120,000
2015		-	3.60%	65,000	4.05%	65,000	130,000
2016		-	3.70%	65,000	4.25%	65,000	130,000
2017		-	3.80%	70,000	4.25%	70,000	140,000
2018		-	3.90%	70,000	4.25%	70,000	140,000
2019		-	4.00%	75,000	4.30%	75,000	150,000
2020		-	4.00%	80,000	4.35%	75,000	155,000
2021		-	4.00%	80,000	4.45%	80,000	160,000
2022		-	4.125%	85,000	4.45%	85,000	170,000
2023		-	4.125%	90,000	4.50%	90,000	180,000
2024		-		-	4.50%	90,000	90,000
Total		$ 60,000		$ 995,000		$1,045,000	$2,100,000

	Revenue Bonds Electric Issued March 1, 2003	
Year Ending June 30,	Interest Rates	Amount
2010	3.40%	$ 65,000
2011	3.70%	65,000
2012	3.80%	70,000
2013	4.00%	70,000
Total		$ 270,000

CITY OF DYSART

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the Last Seven Years

	2009	2008	2007
RECEIPTS:			
Property tax	$ 400,114	$ 383,477	$ 367,048
Tax increment financing collections	65,937	66,683	18,162
Other city tax	78,919	79,371	79,163
Licenses and permits	6,502	4,298	4,381
Use of money and property	28,900	41,377	57,779
Intergovernmental	118,659	139,353	126,208
Charges for services	149,308	123,955	138,279
Special assessments	11,492	21,884	-
Miscellaneous	92,095	36,646	609,737
Total	$ 951,926	$ 897,044	$ 1,400,757
DISBURSEMENTS:			
Operating:			
Public safety	$ 359,673	$ 194,002	$ 227,635
Public works	166,411	190,931	39,096
Health and social services	-	-	-
Culture and recreation	202,304	172,543	194,800
Community and economic development	19,609	44,175	111,715
General government	50,142	52,788	40,420
Debt service	235,314	238,994	230,610
Capital projects	110,693	1,210,964	365,183
Total	$ 1,144,146	$ 2,104,397	$ 1,209,459

2006	2005	2004	2003
$ 289,247	$ 300,357	$ 278,626	$ 272,764
153,709	99,898	70,266	51,315
68,114	2,762	2,858	3,927
4,771	6,375	4,899	3,919
20,375	74,707	66,078	16,716
119,517	158,351	187,520	133,947
113,843	95,328	75,886	61,540
-	-	-	-
54,027	69,622	113,894	628,285
$ 823,603	$ 807,400	$ 800,027	$ 1,172,413
$ 211,926	$ 237,893	$ 181,966	$ 185,701
137,495	75,172	125,372	44,567
-	-	342	328
164,702	184,566	197,107	291,449
26,337	22,985	19,033	98,631
48,297	41,698	43,353	81,858
257,999	207,811	133,639	89,801
43,970	155,219	2,363,383	700,663
$ 890,726	$ 925,344	$ 3,064,195	$ 1,492,998

See accompanying independent auditor's report.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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
Dysart, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 22, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 Dysart's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Dysart's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Dysart's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Dysart's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Dysart's financial statements that is more than inconsequential will not be prevented or detected by City of Dysart's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Dysart's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-B-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Dysart'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 instance of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Dysart's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Dysart's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Dysart and other parties to whom City of Dysart 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 City of Dysart 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.

Clifton Gunderson LLP

Cedar Rapids, Iowa
December 22, 2009

CITY OF DYSART

Schedule of Findings

Year Ended June 30, 2009

Part I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

(a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

(b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

SIGNIFICANT DEFICIENCIES:

II-A-09: Segregation of Duties

Criteria:

The City should have adequate segregation of duties to provide for the accuracy and reliability of the financial statements.

Condition:

The City does not have complete segregation of duties over all accounting transactions.

Context:

Internal controls that are in place could be averted, overridden, or not consistently implemented.

Effect:

As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Cause:

The City has a limited number of personnel performing accounting functions.

Recommendation:

When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend the City review its operating procedures to obtain the maximum internal control possible under the circumstances.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (CONTINUED)

SIGNIFICANT DEFICIENCIES: (CONTINUED)

II-A-09: Segregation of Duties (continued)

Management Response:

With a limited number of office employees, segregation of duties is sometimes difficult. Management is aware of the lack of segregation of duties and has considered alternatives to improve the situation. Management is monitoring the situation and is segregating accounting duties where practical.

Conclusion:

Response accepted.

II-B-09: Preparation of Financial Statements

Criteria:

The City Council and management share the ultimate responsibility for the City's financial statements, including disclosures.

Condition:

The City Clerk has the ability to prepare the basic financial statements, but does not have the training and reference materials available to draft the footnotes to the financial statements.

Context:

While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to review the financial statements and disclosures but has not utilized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

Effect:

As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected.

Cause:

The City has relied on the independent auditor to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (CONTINUED)

SIGNIFICANT DEFICIENCIES: (CONTINUED)

II-B-09: Preparation of Financial Statements (continued)

Recommendation:

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable accounting principles and knowledge of the City's activities and operations.

Management Response:

The City does not have the resources to employ staff possessing the detailed understanding of applicable accounting principles to the extent required to utilize such a disclosure checklist. We understand the list of reporting and disclosure requirements in these disclosure checklists are extensive. As a result, the City of Dysart has relied on the independent auditor to identify disclosures required in the financial statements.

Conclusion:

Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

III-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the capital project function prior to the budget being amended. 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 budget will be amended in the future before expenditures exceed budget, if applicable.

Conclusion - Response accepted.

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (CONTINUED)

III-B-09 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-09 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-D-09 Business Transactions - We noted no business transactions between the City and City officials or employees.

III-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-09 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-09 Revenue Bonds - No instances of noncompliance with the revenue bond resolutions were noted.

CITY OF DYSART

Audit Staff

This audit was performed by:

William Vincent, CPA, Partner

Bradley Hauge, CPA, Partner

James Fitzpatrick, CPA, Manager

Victor Neff, Associate

Christi O'Dell, Associate