



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE

December 9, 2010

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$2,117,970 for the year ended June 30, 2010. The receipts included \$654,516 in property tax, \$29,828 from tax increment financing, \$787,313 from charges for service, \$421,424 from operating grants, contributions and restricted interest, \$104,726 in capital grants, contributions and restricted interest, \$103,277 from bond proceeds and \$16,886 from unrestricted interest on investments.

Disbursements for the year totaled \$2,263,637, and included \$434,282 for public works, \$408,250 for public safety and \$281,374 for culture and recreation. Also, disbursements for business type activities totaled \$647,322.

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/1021-0230-B00F.pdf>.

###



**CITY OF DALLAS CENTER**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2010**

## Table of Contents

|  |                 | <u>Page</u> |
|--|-----------------|-------------|
| Officials  |                 | 3           |
| Independent Auditor’s Report   |                 | 5-6         |
| Management’s Discussion and Analysis   |                 | 7-12        |
| Basic Financial Statements:  | <u>Exhibit</u>  |             |
| Government-wide Financial Statement:   |                 |             |
| Statement of Activities and Net Assets – Cash Basis  | A               | 14-15       |
| Governmental Fund Financial Statement:   |                 |             |
| Statement of Cash Receipts, Disbursements and<br>Changes in Cash Balances  | B               | 16          |
| Proprietary Fund Financial Statement:  |                 |             |
| Statement of Cash Receipts, Disbursements and<br>Changes in Cash Balances  | C               | 18          |
| Notes to Financial Statements  |                 | 19-23       |
| Required Supplementary Information:  |                 |             |
| Budgetary Comparison Schedule of Receipts, Disbursements and<br>Changes in Balances - Budget and Actual (Cash Basis) – All<br>Governmental Funds and Proprietary Funds   |                 | 26-27       |
| Notes to Required Supplementary Information – Budgetary Reporting  |                 | 28          |
| Other Supplementary Information:   | <u>Schedule</u> |             |
| Schedule of Cash Receipts, Disbursements and Changes in<br>Cash Balances - Nonmajor Governmental Funds   | 1               | 30-31       |
| Schedule of Indebtedness   | 2               | 32-33       |
| Note Maturities  | 3               | 34-35       |
| Independent Auditor’s Report on Internal Control over Financial<br>Reporting and on Compliance and Other Matters Based on an<br>Audit of Financial Statements Performed in Accordance with<br><u>Government Auditing Standards</u> |                 | 36-37       |
| Schedule of Findings   |                 | 39-41       |
| Staff  |                 | 42          |

**City of Dallas Center**

**Officials**

| <u>Name</u>                  | <u>Title</u>                 | <u>Term Expires</u> |
|------------------------------|------------------------------|---------------------|
| <b>(Before January 2010)</b> |                              |                     |
| Mitchell Hambleton           | Mayor                        | Jan 2010            |
| Kim Cross                    | Mayor Pro tem/Council Member | Jan 2010            |
| Dan Willrich                 | Council Member               | Jan 2010            |
| William Ellerman             | Council Member               | Jan 2012            |
| Alex MacConnell              | Council Member               | Jan 2012            |
| Gary Stevens                 | Council Member               | Jan 2012            |
| Cindy Riesselman             | City Clerk                   | Indefinite          |
| Ralph R. Brown               | City Attorney                | Indefinite          |
| <b>(After January 2010)</b>  |                              |                     |
| Mitchell Hambleton           | Mayor                        | Jan 2014            |
| Dan Willrich                 | Mayor Pro tem/Council Member | Jan 2014            |
| William Ellerman             | Council Member               | Jan 2012            |
| Alex MacConnell              | Council Member               | Jan 2012            |
| Gary Stevens                 | Council Member               | Jan 2012            |
| Mike Kidd                    | Council Member               | Jan 2014            |
| Cindy Riesselman             | City Clerk                   | Indefinite          |
| Ralph R. Brown               | City Attorney                | Indefinite          |

**City of Dallas Center**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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 Dallas Center, Iowa, as of and for the year ended June 30, 2010, 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 Dallas Center'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.

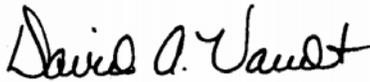
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the preceding paragraph, 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 the City of Dallas Center as of June 30, 2010, 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 November 8, 2010 on our consideration of the City of Dallas Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 26 through 28 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 Dallas Center'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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 8, 2010

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The City of Dallas Center 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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

### 2010 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased approximately \$95,000 due to the completion of the recreational trail project in fiscal year 2010 (FY2010) and increased personnel costs for the public safety and public works departments.
- The cash basis net assets of the City's business type activities decreased approximately \$51,000 due to a decrease in note proceeds for the water tower project and a decrease in charges for service.

### 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 governmental funds and the City's debt.

## **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 U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers 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 that 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, health and social services, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water and sewer systems and the storm district. These activities are financed primarily by user fees and related 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 the Fire Truck Fund, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. 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 statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

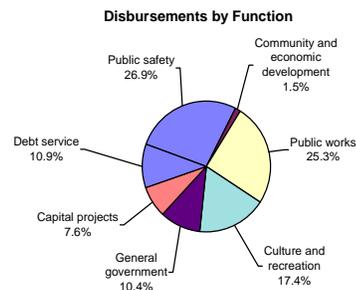
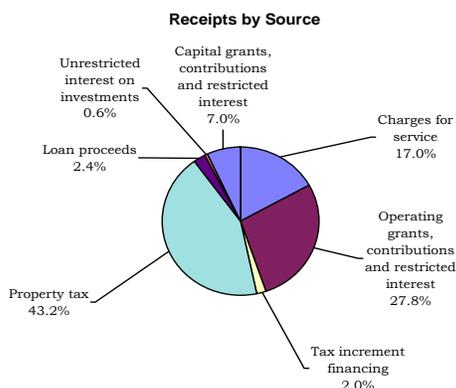
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and storm district operations. The Water and Sewer Funds are considered to be major funds of the City.

The required financial statement for proprietary funds is 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, decreasing from \$1,401,284 to \$1,306,618. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities |                                |
|---|--------------------------------|
|   | Year ended<br>June 30,<br>2010 |
| Receipts:   |                                |
| Program receipts:   |                                |
| Charges for service   | \$ 256,746                     |
| Operating grants, contributions and restricted interest     | 421,424                        |
| Capital grants, contributions and restricted interest       | 104,726                        |
| General receipts:   |                                |
| Property tax  | 654,516                        |
| Tax increment financing                                     | 29,828                         |
| Unrestricted interest on investments                        | 10,409                         |
| Loan proceeds   | 35,000                         |
| Total receipts  | <u>1,512,649</u>               |
| Disbursements:  |                                |
| Public safety   | 434,282                        |
| Public works  | 408,250                        |
| Culture and recreation                                      | 281,374                        |
| Community and economic development                          | 24,651                         |
| General government  | 167,987                        |
| Debt service  | 176,921                        |
| Capital projects  | 122,850                        |
| Total disbursements   | <u>1,616,315</u>               |
| Change in cash basis net assets, before transfers           | (103,666)                      |
| Transfers, net  | <u>9,000</u>                   |
| Change in cash basis net assets                             | (94,666)                       |
| Cash basis net assets beginning of year                     | <u>1,401,284</u>               |
| Cash basis net assets end of year                           | <u><u>\$ 1,306,618</u></u>     |



The cash basis net assets of the City's governmental funds decreased primarily due to the purchase of a new fire truck and increased personnel costs.

| <u>Changes in Cash Basis Net Assets of Business Type Activities</u> |   |
|---|---|
|   | <u>Year ended<br/>June 30,<br/>2010</u> |
| Receipts:   |   |
| Program receipts:   |   |
| Charges for service:  |   |
| Water   | \$ 281,210                              |
| Sewer   | 225,353                                 |
| Storm district  | 24,004                                  |
| Unrestricted interest on investments                                | 6,477                                   |
| Note proceeds   | 68,277                                  |
| Total receipts  | <u>605,321</u>                          |
| Disbursements:  |   |
| Water   | 399,817                                 |
| Sewer   | 239,431                                 |
| Storm district  | 8,074                                   |
| Total disbursements   | <u>647,322</u>                          |
| Change in cash basis net assets before transfers                    | (42,001)                                |
| Transfers, net  | <u>(9,000)</u>                          |
| Change in cash balance  | (51,001)                                |
| Cash basis net assets beginning of year                             | <u>502,310</u>                          |
| Cash basis net assets end of year                                   | <u><u>\$ 451,309</u></u>                |

The total business type activities net assets decreased from a year ago, decreasing from \$502,310 to \$451,309, primarily due to utility projects.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Dallas Center completed the year, its governmental funds reported a combined fund balance of \$1,306,618, a decrease of approximately \$95,000 from last year's total of \$1,401,284. 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 \$101,156 from the prior year to a year-end balance of \$817,420, mainly due to increased costs for public safety and public works personnel costs.
- The Special Revenue, Fire Truck Fund cash balance decreased \$31,541 from the previous year to a year-end balance of \$111,540. The decrease was primarily due to the purchase of a fire truck during the year.
- The Debt Service Fund cash balance decreased \$680 from the previous year to a year-end balance of \$4,417. The decrease was mainly due to increased debt service disbursements in fiscal year 2010.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$51,561 to a year-end balance of \$261,372. This decrease was due primarily to the City completing the water tower project which began in fiscal year 2009.
- The Sewer Fund cash balance decreased \$15,472 to a year-end balance of \$155,727. There were no significant changes in sewer receipts and disbursements from the prior year. The decrease is due to the City's payment of sewer revenue debt.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 11, 2010 to provide for additional disbursements in the public safety function for police department operations and for new fire equipment, the public works function for snow removal, the capital projects function for the completion of the recreational trail and other City departments for increased costs associated with insurance premiums and unemployment benefits and the business type activities function for the completion of the water tower project.

The City's receipts were \$107,071 less than budgeted. This was primarily due to the City receiving less money than anticipated in the miscellaneous and the charges for service functions.

Total disbursements were \$233,637 less than budgeted, due primarily to disbursements for the water tower project and public safety disbursements being less than anticipated.

## DEBT ADMINISTRATION

At June 30, 2010, the City had \$2,450,000 in long-term notes and other long-term debt, as follows:

|                                       | Outstanding Debt at Year-End |                  |
|---------------------------------------|------------------------------|------------------|
|                                       | June 30,                     |                  |
|                                       | 2010                         | 2009             |
| General obligation capital loan notes | \$ 876,000                   | 1,008,000        |
| Revenue capital loan notes            | 1,539,000                    | 1,628,723        |
| Burnett loan                          | 35,000                       | -                |
| Total                                 | <u>\$2,450,000</u>           | <u>2,636,723</u> |

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$911,000 is below its constitutional debt limit of approximately \$3,400,000.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Dallas Center's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. The City's fiscal year 2011 assessed value has increased approximately \$3,100,000 over the fiscal year 2010 level.

The fiscal year 2011 budget contains total receipts of \$1,927,213 and disbursements of \$2,095,933. This budget is lower than the final fiscal year 2010 budget, which contained total receipts of \$2,121,764 and disbursements of \$2,497,274.

The fiscal year 2011 levy is \$11.98390 per \$1,000 of taxable valuation, a decrease from \$12.15673 per \$1,000 of taxable valuation for fiscal year 2010. The employee benefits levy increased from \$2.18749 per \$1,000 of taxable valuation in fiscal year 2010 to \$2.28646 per \$1,000 of taxable valuation for fiscal year 2011 and the debt service levy decreased from \$1.86924 per \$1,000 of taxable valuation in fiscal year 2010 to \$1.59744 per \$1,000 of taxable valuation for fiscal year 2011. These parameters were taken into account when adopting the budget for fiscal year 2011.

#### **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 Cindy Riesselman, City Clerk, PO Box 109, Dallas Center, Iowa 50063-0396.

## **Basic Financial Statements**

City of Dallas Center

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

|   | Disbursements | Program Receipts    |   |   |
|---|---------------|---------------------|---|---|
|   |               | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Functions/Programs:</b>              |               |                     |   |   |
| Governmental activities:                |               |                     |   |   |
| Public safety                           | \$ 434,282    | 16,206              | 151,150   | -   |
| Public works                            | 408,250       | 192,197             | 147,414   | 6,966   |
| Culture and recreation                  | 281,374       | 42,058              | 107,523   | -   |
| Community and economic development      | 24,651        | 850                 | -   | -   |
| General government                      | 167,987       | 5,435               | 15,337  | -   |
| Debt service                            | 176,921       | -                   | -   | -   |
| Capital projects                        | 122,850       | -                   | -   | 97,760  |
| Total governmental activities           | 1,616,315     | 256,746             | 421,424   | 104,726   |
| Business type activities:               |               |                     |   |   |
| Water                                   | 399,817       | 281,210             | -   | -   |
| Sewer                                   | 239,431       | 225,353             | -   | -   |
| Storm district                          | 8,074         | 24,004              | -   | -   |
| Total business type activities          | 647,322       | 530,567             | -   | -   |
| Total                                   | \$ 2,263,637  | 787,313             | 421,424   | 104,726   |
| <b>General Receipts and Transfers:</b>  |               |                     |   |   |
| Property tax levied for:                |               |                     |   |   |
| General purposes                        |               |                     |   |   |
| Debt service                            |               |                     |   |   |
| Tax increment financing                 |               |                     |   |   |
| Unrestricted interest on investments    |               |                     |   |   |
| Note proceeds                           |               |                     |   |   |
| Loan proceeds                           |               |                     |   |   |
| 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       |               |                     |   |   |
| <b>Cash Basis Net Assets</b>            |               |                     |   |   |
| Restricted:                             |               |                     |   |   |
| Nonexpendable:                          |               |                     |   |   |
| Permanent funds:                        |               |                     |   |   |
| Burnett Charitable Books                |               |                     |   |   |
| Burnett Charitable Youth                |               |                     |   |   |
| Expendable:                             |               |                     |   |   |
| Fire truck                              |               |                     |   |   |
| Debt service                            |               |                     |   |   |
| Other purposes                          |               |                     |   |   |
| Unrestricted                            |               |                     |   |   |
| <b>Total cash basis net assets</b>      |               |                     |   |   |

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

| Governmental<br>Activities | Business Type<br>Activities | Total            |
|----------------------------|-----------------------------|------------------|
| (266,926)                  | -                           | (266,926)        |
| (61,673)                   | -                           | (61,673)         |
| (131,793)                  | -                           | (131,793)        |
| (23,801)                   | -                           | (23,801)         |
| (147,215)                  | -                           | (147,215)        |
| (176,921)                  | -                           | (176,921)        |
| (25,090)                   | -                           | (25,090)         |
| <u>(833,419)</u>           | <u>-</u>                    | <u>(833,419)</u> |
| -                          | (118,607)                   | (118,607)        |
| -                          | (14,078)                    | (14,078)         |
| -                          | 15,930                      | 15,930           |
| <u>-</u>                   | <u>(116,755)</u>            | <u>(116,755)</u> |
| <u>(833,419)</u>           | <u>(116,755)</u>            | <u>(950,174)</u> |
| <br>                       |                             |                  |
| \$ 554,687                 | -                           | 554,687          |
| 99,829                     | -                           | 99,829           |
| 29,828                     | -                           | 29,828           |
| 10,409                     | 6,477                       | 16,886           |
| -                          | 68,277                      | 68,277           |
| 35,000                     | -                           | 35,000           |
| 9,000                      | (9,000)                     | -                |
| <u>738,753</u>             | <u>65,754</u>               | <u>804,507</u>   |
| (94,666)                   | (51,001)                    | (145,667)        |
| <u>1,401,284</u>           | <u>502,310</u>              | <u>1,903,594</u> |
| <u>\$ 1,306,618</u>        | <u>451,309</u>              | <u>1,757,927</u> |
| <br>                       |                             |                  |
| \$ 14,251                  | -                           | 14,251           |
| 14,910                     | -                           | 14,910           |
| 111,540                    | -                           | 111,540          |
| 4,417                      | 238,893                     | 243,310          |
| 344,080                    | -                           | 344,080          |
| <u>817,420</u>             | <u>212,416</u>              | <u>1,029,836</u> |
| <u>\$ 1,306,618</u>        | <u>451,309</u>              | <u>1,757,927</u> |

**Exhibit B**

## City of Dallas Center

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

As of and for the year ended June 30, 2010

|  | Special Revenue |               |                 |          | Total     |
|--|-----------------|---------------|-----------------|----------|-----------|
|  | General         | Fire<br>Truck | Debt<br>Service | Nonmajor |           |
| Receipts:  |                 |               |                 |          |           |
| Property tax and other city tax                            | \$ 440,962      | -             | 99,829          | 113,725  | 654,516   |
| Tax increment financing                                    | -               | -             | -               | 29,828   | 29,828    |
| Licenses and permits                                       | 15,096          | -             | -               | 1,000    | 16,096    |
| Use of money and property                                  | 10,602          | 421           | 212             | 1,723    | 12,958    |
| Intergovernmental  | 33,170          | 147,250       | -               | 255,507  | 435,927   |
| Charges for service  | 231,055         | -             | -               | -        | 231,055   |
| Miscellaneous  | 27,283          | -             | -               | 69,986   | 97,269    |
| Total receipts   | 758,168         | 147,671       | 100,041         | 471,769  | 1,477,649 |
| Disbursements:   |                 |               |                 |          |           |
| Operating:   |                 |               |                 |          |           |
| Public safety  | 186,677         | 194,812       | -               | 52,793   | 434,282   |
| Public works   | 274,754         | -             | -               | 133,496  | 408,250   |
| Culture and recreation                                     | 201,439         | -             | -               | 79,935   | 281,374   |
| Community and economic development                         | 12,499          | -             | -               | 12,152   | 24,651    |
| General government   | 145,355         | -             | -               | 22,632   | 167,987   |
| Debt service   | -               | -             | 176,921         | -        | 176,921   |
| Capital projects   | -               | -             | -               | 122,850  | 122,850   |
| Total disbursements  | 820,724         | 194,812       | 176,921         | 423,858  | 1,616,315 |
| Excess (deficiency) of receipts over (under) disbursements | (62,556)        | (47,141)      | (76,880)        | 47,911   | (138,666) |
| Other financing sources (uses):                            |                 |               |                 |          |           |
| Loan proceeds  | -               | -             | -               | 35,000   | 35,000    |
| Operating transfers in                                     | 9,000           | 15,600        | 76,200          | 42,000   | 142,800   |
| Operating transfers out                                    | (47,600)        | -             | -               | (86,200) | (133,800) |
| Total other financing sources (uses)                       | (38,600)        | 15,600        | 76,200          | (9,200)  | 44,000    |
| Net change in cash balances                                | (101,156)       | (31,541)      | (680)           | 38,711   | (94,666)  |
| Cash balances beginning of year                            | 918,576         | 143,081       | 5,097           | 334,530  | 1,401,284 |
| Cash balances end of year                                  | \$ 817,420      | 111,540       | 4,417           | 373,241  | 1,306,618 |
| <b>Cash Basis Fund Balances</b>                            |                 |               |                 |          |           |
| Reserved for debt service                                  | \$ -            | -             | 4,417           | -        | 4,417     |
| Unreserved:  |                 |               |                 |          |           |
| General fund   | 817,420         | -             | -               | -        | 817,420   |
| Special revenue funds                                      | -               | 111,540       | -               | 307,198  | 418,738   |
| Capital projects fund                                      | -               | -             | -               | 36,882   | 36,882    |
| Permanent funds  | -               | -             | -               | 29,161   | 29,161    |
| Total cash basis fund balances                             | \$ 817,420      | 111,540       | 4,417           | 373,241  | 1,306,618 |

See notes to financial statements.

**City of Dallas Center**

**Exhibit C**

## City of Dallas Center

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

As of and for the year ended June 30, 2010

|  | Enterprise Funds |           |                            | Total     |
|--|------------------|-----------|----------------------------|-----------|
|  | Water            | Sewer     | Nonmajor<br>Storm District |           |
| Operating receipts:  |                  |           |                            |           |
| Charges for service  | \$ 275,555       | 225,353   | 24,004                     | 524,912   |
| Miscellaneous  | 5,655            | -         | -                          | 5,655     |
| Total operating receipts                                   | 281,210          | 225,353   | 24,004                     | 530,567   |
| Operating disbursements:                                   |                  |           |                            |           |
| Business type activities                                   | 230,791          | 116,376   | 8,074                      | 355,241   |
| Excess of operating receipts over operating disbursements  | 50,419           | 108,977   | 15,930                     | 175,326   |
| Non-operating receipts (disbursements):                    |                  |           |                            |           |
| Note proceeds  | 68,277           | -         | -                          | 68,277    |
| Interest on investments                                    | 3,769            | 2,606     | 102                        | 6,477     |
| Debt service   | (99,950)         | (123,055) | -                          | (223,005) |
| Capital projects   | (69,076)         | -         | -                          | (69,076)  |
| Total non-operating receipts (disbursements)               | (96,980)         | (120,449) | 102                        | (217,327) |
| Excess (deficiency) of receipts over (under) disbursements | (46,561)         | (11,472)  | 16,032                     | (42,001)  |
| Operating transfers out                                    | (5,000)          | (4,000)   | -                          | (9,000)   |
| Net change in cash balances                                | (51,561)         | (15,472)  | 16,032                     | (51,001)  |
| Cash balances beginning of year                            | 312,933          | 171,199   | 18,178                     | 502,310   |
| Cash balances end of year                                  | \$ 261,372       | 155,727   | 34,210                     | 451,309   |
| <b>Cash Basis Fund Balances</b>                            |                  |           |                            |           |
| Reserved for debt service                                  | \$ 106,443       | 132,450   | -                          | 238,893   |
| Unreserved   | 154,929          | 23,277    | 34,210                     | 212,416   |
| Total cash basis fund balances                             | \$ 261,372       | 155,727   | 34,210                     | 451,309   |

See notes to financial statements.

City of Dallas Center

Notes to Financial Statements

June 30, 2010

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

The City of Dallas Center is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1869 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, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Dallas Center 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: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission and Dallas County Joint E911 Service 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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

Expendable 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 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 program 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 funds are aggregated and reported as nonmajor governmental 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.

The Special Revenue, Fire Truck Fund is used to account for funding intended for the future replacement of fire equipment.

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

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

#### C. Measurement Focus and 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 U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are incurred, there are both restricted and unrestricted cash basis 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 receipts.

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.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2010 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.

**(3) Notes Payable**

Annual debt service requirements to maturity for general obligation capital loan notes and water and sewer revenue capital loan notes are as follows:

| Years<br>Ending<br>June 30, | General Obligation<br>Capital Loan<br>Notes |            | Revenue<br>Capital Loan<br>Notes |          | Total     |          |
|-----------------------------|---|------------|----------------------------------|----------|-----------|----------|
|                             | Principal                                   | Interest   | Principal                        | Interest | Principal | Interest |
|                             | 2011  | \$ 137,000 | 38,083                           | 115,000  | 56,604    | 252,000  |
| 2012                        | 148,000                                     | 32,257     | 128,000                          | 51,900   | 276,000   | 84,157   |
| 2013                        | 164,000                                     | 25,848     | 131,000                          | 46,535   | 295,000   | 72,383   |
| 2014                        | 174,000                                     | 18,911     | 118,000                          | 41,002   | 292,000   | 59,913   |
| 2015                        | 125,000                                     | 11,444     | 96,000                           | 36,125   | 221,000   | 47,569   |
| 2016-2020                   | 128,000                                     | 13,258     | 480,000                          | 123,663  | 608,000   | 136,921  |
| 2021-2026                   | -   | -          | 246,000                          | 56,340   | 246,000   | 56,340   |
| 2027-2031                   | -   | -          | 225,000                          | 17,130   | 225,000   | 17,130   |
| Total                       | \$ 876,000                                  | 139,801    | 1,539,000                        | 429,299  | 2,415,000 | 569,100  |

### Water Revenue Capital Loan Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,250,000 of water revenue capital loan notes issued February 1, 1999 and August 12, 2008. Proceeds from the notes provided financing for the construction of water main improvements. The notes are payable solely from water customer net receipts and are payable through 2029. Annual principal and interest payments on the notes are expected to require 194 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,302,100. For the current year, principal and interest paid on the notes was \$97,700 and total customer net receipts were \$50,419.

### Sewer Revenue Capital Loan Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$867,000 of sewer revenue notes issued May 21, 2001 and October 1, 2003. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2020. Annual principal and interest payments on the notes are expected to require more than 113 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$666,199. For the current year, principal and interest paid on the notes was \$70,651 and total customer net receipts were \$108,977.

The resolutions providing for the issuance of the water and sewer revenue capital loan notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers of 25 percent of the amount required to be deposited in the water and sewer revenue note sinking accounts shall be made to separate water and sewer note reserve accounts until \$125,000 and \$86,700, respectively, is accumulated in the note reserve accounts. At June 30, 2010, the balances in the water and sewer note reserve accounts were \$53,243 and \$123,449, respectively.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to retire any subordinate obligations and then can be used for any lawful purpose.

The City's Water and Sewer Fund net revenues for the year ended June 30, 2010 were less than the required 125% of bond principal and interest falling due during the year.

#### **(4) Burnett Loan**

On August 11, 2009, the City entered into a loan agreement with the Burnett Community Development Association for the purpose of making improvements to the Raccoon River Valley Trail and associated facilities. The loan bears interest of 2.78% per annum and is payable in full on May 4, 2014.

**(5) 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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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 contribution to IPERS for the year ended June 30, 2010 was \$25,810, equal to the required contribution for the year.

**(6) Other Post Employment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 8 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent member premiums for the city and plan members are \$408 for single coverage and \$1,252 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$92,477 and plan members eligible for benefits contributed \$4,379 to the plan.

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u>    |
|------------------------|------------------|
| Vacation               | \$ 13,000        |
| Comp Time              | <u>4,000</u>     |
| Total                  | <u>\$ 17,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2010.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

| <u>Transfer to</u>   | <u>Transfer from</u>    | <u>Amount</u>     |
|----------------------|-------------------------|-------------------|
| General              | Enterprise:             |                   |
|                      | Water                   | \$ 5,000          |
|                      | Sewer                   | 4,000             |
| Special Revenue:     |                         |                   |
| Fire Truck           | General                 | 15,600            |
| Employee Benefits    | General                 | 22,000            |
| Playground Equipment | Special Revenue:        |                   |
|                      | Burnett Project         | 10,000            |
| Debt Service         | Special Revenue:        |                   |
|                      | Road Use Tax            | 42,566            |
|                      | Tax Increment Financing | 33,634            |
| Capital Projects     | General                 | <u>10,000</u>     |
| Total                |                         | <u>\$ 142,800</u> |

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

**(9) 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.

**Required Supplementary Information**

City of Dallas Center  
 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, 2010

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual |
|---|---------------------------------|--------------------------------|
| Receipts:   |                                 |                                |
| Property tax and other city tax   | \$ 654,516                      | -                              |
| Tax increment financing   | 29,828                          | -                              |
| Licenses and permits  | 16,096                          |                                |
| Use of money and property   | 12,958                          | 6,477                          |
| Intergovernmental   | 435,927                         | -                              |
| Charges for service   | 231,055                         | 524,912                        |
| Miscellaneous   | 97,269                          | 5,655                          |
| Total receipts  | 1,477,649                       | 537,044                        |
| Disbursements:  |                                 |                                |
| Public safety   | 434,282                         | -                              |
| Public works  | 408,250                         | -                              |
| Health and social services  | -                               | -                              |
| Culture and recreation  | 281,374                         | -                              |
| Community and economic development  | 24,651                          | -                              |
| General government  | 167,987                         | -                              |
| Debt service  | 176,921                         | -                              |
| Capital projects  | 122,850                         | -                              |
| Business type activities  | -                               | 647,322                        |
| Total disbursements   | 1,616,315                       | 647,322                        |
| Excess (deficiency) of receipts over (under) disbursements  | (138,666)                       | (110,278)                      |
| Other financing sources, net  | 44,000                          | 59,277                         |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (94,666)                        | (51,001)                       |
| Balances beginning of year  | 1,401,284                       | 502,310                        |
| Balances end of year  | \$ 1,306,618                    | 451,309                        |

See accompanying independent auditor's report.

| Total            | Budgeted Amounts |                  | Final to<br>Total<br>Variance |
|------------------|------------------|------------------|-------------------------------|
|                  | Original         | Final            |                               |
| 654,516          | 662,389          | 662,389          | (7,873)                       |
| 29,828           | 30,000           | 30,000           | (172)                         |
| 16,096           | 14,060           | 14,060           | 2,036                         |
| 19,435           | 29,540           | 29,540           | (10,105)                      |
| 435,927          | 276,963          | 305,393          | 130,534                       |
| 755,967          | 774,964          | 774,964          | (18,997)                      |
| 102,924          | 261,650          | 305,418          | (202,494)                     |
| <u>2,014,693</u> | <u>2,049,566</u> | <u>2,121,764</u> | <u>(107,071)</u>              |
| 434,282          | 403,281          | 472,215          | 37,933                        |
| 408,250          | 376,791          | 409,203          | 953                           |
| -                | 3,000            | 3,000            | 3,000                         |
| 281,374          | 289,408          | 298,610          | 17,236                        |
| 24,651           | 32,585           | 33,085           | 8,434                         |
| 167,987          | 173,233          | 187,459          | 19,472                        |
| 176,921          | 176,840          | 177,240          | 319                           |
| 122,850          | 153,232          | 200,422          | 77,572                        |
| 647,322          | 644,125          | 716,040          | 68,718                        |
| <u>2,263,637</u> | <u>2,252,495</u> | <u>2,497,274</u> | <u>233,637</u>                |
| (248,944)        | (202,929)        | (375,510)        | 126,566                       |
| 103,277          | -                | 87,277           | 16,000                        |
| (145,667)        | (202,929)        | (288,233)        | 142,566                       |
| 1,903,594        | 1,792,315        | 1,792,315        | 111,279                       |
| <u>1,757,927</u> | <u>1,589,386</u> | <u>1,504,082</u> | <u>253,845</u>                |

---

City of Dallas Center

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$244,779. The budget amendment is reflected in the final budgeted amounts.

Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

**Other Supplementary Information**

City of Dallas Center

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

|  | Road Use<br>Tax | I-JOBS | Employee<br>Benefits | Tax<br>Increment<br>Financing | Special<br>Burnett<br>Project |
|--|-----------------|--------|----------------------|-------------------------------|-------------------------------|
| <b>Receipts:</b>   |                 |        |                      |                               |                               |
| Property tax   | \$ -            | -      | 113,725              | -                             | -                             |
| Tax increment financing                                    | -               | -      | -                    | 29,828                        | -                             |
| Licenses and permits                                       | -               | -      | -                    | -                             | -                             |
| Use of money and property                                  | 763             | 7      | 25                   | 286                           | 123                           |
| Intergovernmental  | 143,531         | 6,966  | -                    | -                             | -                             |
| Miscellaneous  | -               | -      | -                    | -                             | 26,883                        |
| Total receipts   | 144,294         | 6,973  | 113,750              | 30,114                        | 27,006                        |
| <b>Disbursements:</b>                                      |                 |        |                      |                               |                               |
| Operating:   |                 |        |                      |                               |                               |
| Public safety  | -               | -      | 52,601               | -                             | -                             |
| Public works   | 91,262          | 6,973  | 34,261               | -                             | -                             |
| Culture and recreation                                     | -               | -      | 33,461               | -                             | 10,374                        |
| Community and economic development                         | -               | -      | -                    | 12,152                        | -                             |
| General government   | -               | -      | 22,632               | -                             | -                             |
| Capital projects   | -               | -      | -                    | -                             | -                             |
| Total disbursements  | 91,262          | 6,973  | 142,955              | 12,152                        | 10,374                        |
| Excess (deficiency) of receipts over (under) disbursements | 53,032          | -      | (29,205)             | 17,962                        | 16,632                        |
| <b>Other financing uses</b>                                |                 |        |                      |                               |                               |
| Loan proceeds  | -               | -      | -                    | -                             | -                             |
| Operating transfers in                                     | -               | -      | 22,000               | -                             | -                             |
| Operating transfers out                                    | (42,566)        | -      | -                    | (33,634)                      | (10,000)                      |
| Total other financing sources (uses)                       | (42,566)        | -      | 22,000               | (33,634)                      | (10,000)                      |
| Net change in cash balances                                | 10,466          | -      | (7,205)              | (15,672)                      | 6,632                         |
| Cash balances beginning of year                            | 111,734         | -      | 10,088               | 82,418                        | 28,721                        |
| Cash balances end of year                                  | \$ 122,200      | -      | 2,883                | 66,746                        | 35,353                        |
| <b>Cash Basis Fund Balances</b>                            |                 |        |                      |                               |                               |
| Unreserved:  |                 |        |                      |                               |                               |
| Special revenue funds                                      | \$ 122,200      | -      | 2,883                | 66,746                        | 35,353                        |
| Capital projects fund                                      | -               | -      | -                    | -                             | -                             |
| Permanent funds  | -               | -      | -                    | -                             | -                             |
| Total cash basis fund balance                              | \$ 122,200      | -      | 2,883                | 66,746                        | 35,353                        |

See accompanying independent auditor's report.

| Revenue |                 |            |                   |                      |                   |                  | Permanent                 |                           | Total    |
|---------|-----------------|------------|-------------------|----------------------|-------------------|------------------|---------------------------|---------------------------|----------|
| Books   | Special Library | Street Cut | Police Department | Playground Equipment | Police Forfeiture | Capital Projects | Burnette Charitable Books | Burnette Charitable Youth |          |
| -       | -               | -          | -                 | -                    | -                 | -                | -                         | -                         | 113,725  |
| -       | -               | -          | -                 | -                    | -                 | -                | -                         | -                         | 29,828   |
| -       | -               | 1,000      | -                 | -                    | -                 | -                | -                         | -                         | 1,000    |
| 152     | 50              | 6          | 1                 | 33                   | 34                | 134              | 54                        | 55                        | 1,723    |
| -       | -               | -          | -                 | 7,500                | -                 | 97,510           | -                         | -                         | 255,507  |
| 26,884  | 5,051           | -          | 630               | 10,288               | -                 | 250              | -                         | -                         | 69,986   |
| 27,036  | 5,101           | 1,006      | 631               | 17,821               | 34                | 97,894           | 54                        | 55                        | 471,769  |
| -       | -               | -          | 192               | -                    | -                 | -                | -                         | -                         | 52,793   |
| -       | -               | 1,000      | -                 | -                    | -                 | -                | -                         | -                         | 133,496  |
| 8,096   | 7,213           | -          | -                 | 20,366               | -                 | -                | 425                       | -                         | 79,935   |
| -       | -               | -          | -                 | -                    | -                 | -                | -                         | -                         | 12,152   |
| -       | -               | -          | -                 | -                    | -                 | -                | -                         | -                         | 22,632   |
| -       | -               | -          | -                 | -                    | -                 | 122,850          | -                         | -                         | 122,850  |
| 8,096   | 7,213           | 1,000      | 192               | 20,366               | -                 | 122,850          | 425                       | -                         | 423,858  |
| 18,940  | (2,112)         | 6          | 439               | (2,545)              | 34                | (24,956)         | (371)                     | 55                        | 47,911   |
| -       | -               | -          | -                 | -                    | -                 | 35,000           | -                         | -                         | 35,000   |
| -       | -               | -          | -                 | 10,000               | -                 | 10,000           | -                         | -                         | 42,000   |
| -       | -               | -          | -                 | -                    | -                 | -                | -                         | -                         | (86,200) |
| -       | -               | -          | -                 | 10,000               | -                 | 45,000           | -                         | -                         | (9,200)  |
| 18,940  | (2,112)         | 6          | 439               | 7,455                | 34                | 20,044           | (371)                     | 55                        | 38,711   |
| 30,991  | 12,863          | 1,518      | -                 | 695                  | 9,187             | 16,838           | 14,622                    | 14,855                    | 334,530  |
| 49,931  | 10,751          | 1,524      | 439               | 8,150                | 9,221             | 36,882           | 14,251                    | 14,910                    | 373,241  |
| 49,931  | 10,751          | 1,524      | 439               | 8,150                | 9,221             | -                | -                         | -                         | 307,198  |
| -       | -               | -          | -                 | -                    | -                 | 36,882           | -                         | -                         | 36,882   |
| -       | -               | -          | -                 | -                    | -                 | -                | 14,251                    | 14,910                    | 29,161   |
| 49,931  | 10,751          | 1,524      | 439               | 8,150                | 9,221             | 36,882           | 14,251                    | 14,910                    | 373,241  |

City of Dallas Center  
Schedule of Indebtedness  
Year ended June 30, 2010

| Obligation                             | Date<br>of Issue | Interest<br>Rates | Amount<br>Originally<br>Issued |
|--|------------------|-------------------|--------------------------------|
| General obligation capital loan notes: |                  |                   |                                |
| Sewer system                           | Mar 1, 2001      | 4.30%             | \$ 250,000                     |
| Sewer system                           | Mar 1, 2001      | 4.00-5.00         | 500,000                        |
| Essential corporate purpose            | Oct 1, 2005      | 3.20-4.20         | 500,000                        |
| Essential corporate purpose            | June 15, 2007    | 3.95-4.50         | 295,000                        |
| Total                                  |                  |                   |                                |
| Revenue capital loan notes:            |                  |                   |                                |
| Water improvements                     | Feb 1, 1999      | 5.00-5.25%        | \$ 350,000                     |
| Water improvements                     | Aug. 12, 2008    | 3.00              | 900,000                        |
| Sewer improvements                     | Mar 1, 1999      | 4.40-5.80         | 500,000                        |
| Sewer improvements                     | May 21, 2001     | 4.30              | 607,000                        |
| Sewer improvements                     | Oct 1, 2003      | 5.00-6.00         | 260,000                        |
| Total                                  |                  |                   |                                |
| Burnett loan                           | Aug 20, 2009     | 2.78%             | \$ 35,000                      |

See accompanying independent auditor's report.

| Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End<br>of Year | Interest<br>Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 163,000                         | -                        | 12,000                     | 151,000                   | 7,009            |
| 275,000                         | -                        | 35,000                     | 240,000                   | 13,326           |
| 340,000                         | -                        | 45,000                     | 295,000                   | 13,505           |
| 230,000                         | -                        | 40,000                     | 190,000                   | 9,800            |
| <u>\$1,008,000</u>              | <u>-</u>                 | <u>132,000</u>             | <u>876,000</u>            | <u>43,640</u>    |
| 165,000                         | -                        | 30,000                     | 135,000                   | 8,498            |
| 831,723                         | 68,277                   | 33,000                     | 867,000                   | 26,202           |
| 50,000                          | -                        | 50,000                     | -                         | 2,200            |
| 407,000                         | -                        | 30,000                     | 377,000                   | 17,501           |
| 175,000                         | -                        | 15,000                     | 160,000                   | 8,150            |
| <u>\$1,628,723</u>              | <u>68,277</u>            | <u>158,000</u>             | <u>1,539,000</u>          | <u>62,551</u>    |
| <u>-</u>                        | <u>35,000</u>            | <u>-</u>                   | <u>35,000</u>             | <u>760</u>       |

City of Dallas Center

Note Maturities

June 30, 2010

| Year<br>Ending<br>June 30, | General Obligation Notes |                   |                    |                   |                             |                   |
|----------------------------|--------------------------|-------------------|--------------------|-------------------|-----------------------------|-------------------|
|                            | Sewer System             |                   | Sewer System       |                   | Essential Corporate Purpose |                   |
|                            | Issued Mar 1, 2001       |                   | Issued Mar 1, 2001 |                   | Issued Oct 1, 2005          |                   |
|                            | Interest                 | Amount            | Interest           | Amount            | Interest                    | Amount            |
| 2011                       | 4.30%                    | \$ 12,000         | 4.60%              | \$ 35,000         | 3.80%                       | \$ 50,000         |
| 2012                       | 4.30                     | 13,000            | 4.80               | 35,000            | 3.90                        | 55,000            |
| 2013                       | 4.30                     | 14,000            | 4.90               | 40,000            | 4.00                        | 60,000            |
| 2014                       | 4.30                     | 14,000            | 5.00               | 40,000            | 4.10                        | 65,000            |
| 2015                       | 4.30                     | 15,000            | 5.00               | 45,000            | 4.20                        | 65,000            |
| 2016                       | 4.30                     | 15,000            | 5.00               | 45,000            |                             | -                 |
| 2017                       | 4.30                     | 16,000            |                    | -                 |                             | -                 |
| 2018                       | 4.30                     | 17,000            |                    | -                 |                             | -                 |
| 2019                       | 4.30                     | 17,000            |                    | -                 |                             | -                 |
| 2020                       | 4.30                     | 18,000            |                    | -                 |                             | -                 |
| Total                      |                          | <u>\$ 151,000</u> |                    | <u>\$ 240,000</u> |                             | <u>\$ 295,000</u> |

| Year<br>Ending<br>June 30, | Revenue Capital Loan Notes |                   |                      |                   |                     |                   |
|----------------------------|----------------------------|-------------------|----------------------|-------------------|---------------------|-------------------|
|                            | Water Improvements         |                   | Water Improvements   |                   | Sewer Improvements  |                   |
|                            | Issued Feb 1, 1999         |                   | Issued Aug. 12, 2008 |                   | Issued May 21, 2001 |                   |
|                            | Interest                   | Amount            | Interest             | Amount            | Interest            | Amount            |
| 2011                       | 5.10%                      | \$ 30,000         | 3.00%                | \$ 34,000         | 4.30%               | \$ 31,000         |
| 2012                       | 5.15                       | 40,000            | 3.00                 | 36,000            | 4.30                | 32,000            |
| 2013                       | 5.20                       | 40,000            | 3.00                 | 37,000            | 4.30                | 34,000            |
| 2014                       | 5.25                       | 25,000            | 3.00                 | 38,000            | 4.30                | 35,000            |
| 2015                       |                            | -                 | 3.00                 | 39,000            | 4.30                | 37,000            |
| 2016                       |                            | -                 | 3.00                 | 40,000            | 4.30                | 38,000            |
| 2017                       |                            | -                 | 3.00                 | 41,000            | 4.30                | 40,000            |
| 2018                       |                            | -                 | 3.00                 | 42,000            | 4.30                | 42,000            |
| 2019                       |                            | -                 | 3.00                 | 44,000            | 4.30                | 43,000            |
| 2020                       |                            | -                 | 3.00                 | 45,000            | 4.30                | 45,000            |
| 2021                       |                            | -                 | 3.00                 | 46,000            |                     | -                 |
| 2022                       |                            | -                 | 3.00                 | 48,000            |                     | -                 |
| 2023                       |                            | -                 | 3.00                 | 49,000            |                     | -                 |
| 2024                       |                            | -                 | 3.00                 | 51,000            |                     | -                 |
| 2025                       |                            | -                 | 3.00                 | 52,000            |                     | -                 |
| 2026                       |                            | -                 | 3.00                 | 54,000            |                     | -                 |
| 2027                       |                            | -                 | 3.00                 | 55,000            |                     | -                 |
| 2028                       |                            | -                 | 3.00                 | 57,000            |                     | -                 |
| 2029                       |                            | -                 | 3.00                 | 59,000            |                     | -                 |
| Total                      |                            | <u>\$ 135,000</u> |                      | <u>\$ 867,000</u> |                     | <u>\$ 377,000</u> |

See accompanying independent auditor's report.

| Essential Corporate Purpose |                   |                |
|-----------------------------|-------------------|----------------|
| Issued June 15, 2007        |                   |                |
| Interest                    | Amount            | Total          |
| 4.50%                       | \$ 40,000         | 137,000        |
| 4.50                        | 45,000            | 148,000        |
| 3.95                        | 50,000            | 164,000        |
| 4.00                        | 55,000            | 174,000        |
|                             | -                 | 125,000        |
|                             | -                 | 60,000         |
|                             | -                 | 16,000         |
|                             | -                 | 17,000         |
|                             | -                 | 17,000         |
|                             | -                 | 18,000         |
|                             | <u>\$ 190,000</u> | <u>876,000</u> |

| Sewer Improvements |                   |                  |
|--------------------|-------------------|------------------|
| Issued Oct 1, 2003 |                   |                  |
| Interest           | Amount            | Total            |
| 4.10%              | \$ 20,000         | 115,000          |
| 4.25               | 20,000            | 128,000          |
| 4.40               | 20,000            | 131,000          |
| 4.60               | 20,000            | 118,000          |
| 4.75               | 20,000            | 96,000           |
| 4.90               | 20,000            | 98,000           |
| 5.00               | 20,000            | 101,000          |
| 5.00               | 20,000            | 104,000          |
|                    | -                 | 87,000           |
|                    | -                 | 90,000           |
|                    | -                 | 46,000           |
|                    | -                 | 48,000           |
|                    | -                 | 49,000           |
|                    | -                 | 51,000           |
|                    | -                 | 52,000           |
|                    | -                 | 54,000           |
|                    | -                 | 55,000           |
|                    | -                 | 57,000           |
|                    | -                 | 59,000           |
|                    | <u>\$ 160,000</u> | <u>1,539,000</u> |

**City of Dallas Center**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA  
Auditor of State

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dallas Center, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 8, 2010. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009. 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 Dallas Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dallas Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dallas Center's internal control over financial reporting.

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

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

## Compliance and Other Matters

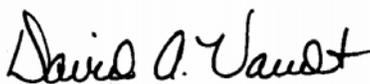
As part of obtaining reasonable assurance about whether the City of Dallas Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct 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, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

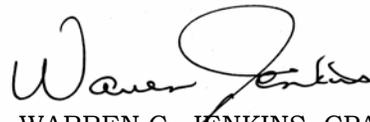
The City of Dallas Center's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Dallas Center's responses and, accordingly, we express no opinion on them.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dallas Center 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 8, 2010

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the City's financial statements.

One individual had control over the following areas:

- (1) Accounting system – performance of all general accounting functions and control over assets, accounts receivable and purchasing.
- (2) Receipts - collecting, depositing and posting.

In addition, a list of incoming receipts is not prepared by the mail opener and an independent reconciliation of recorded receipts to the initial listing is not performed.

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 review its operating procedures to obtain the maximum internal control possible. In an effort to implement compensating controls, we do have a member of our City Council monthly review our reconciliations as well as review of payroll information by the Mayor each payroll period.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Dallas Center

Schedule of Findings

Year ended June 30, 2010

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- (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:

| <u>Name, Title and<br/>Business Connection</u>                     | <u>Transaction<br/>Description</u> | <u>Amount</u> |
|--|------------------------------------|---------------|
| Gary Stevens, Council Member,<br>wife owns Sweatshirts by LJS      | Clothing                           | \$ 538        |
| Alex MacConnell, Council Member,<br>Owner of Digital Stew Services | Computer services                  | 6,507         |

In accordance with Section 362.5(11) of the Code of Iowa, the transaction with the wife of Council Member Stevens does not appear to represent a conflict of interest since the total transaction is less than \$2,500. The transaction with Council Member MacConnell may represent a conflict of interest since the total was greater than \$2,500 during the fiscal year.

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

Response – The Council and City personnel were unaware of the annual limit of \$2,500 under Section 362.5(11) of the Code of Iowa on business transactions between the City and a City official or employee. The Council Member abstained on all votes approving payments, but the City now understands such abstentions still do not allow payments in excess of \$2,500. The Council Member provided information technology services (at a cost of \$1,794) and computer hardware and software (at a cost of \$4,713). He is the only provider of information technology services in our community, at a reasonable cost and with immediate response times. In the future the City will adhere to the requirement limiting annual payments to \$2,500 unless the services are provided under one of the other exceptions listed in Section 362.5 of the Code of Iowa. While we have paid amounts to Digital Stew Services in excess of \$2,500 since July 1, 2010, we will advertise and seek bids for such future services at our next City Council meeting.

Conclusion – Response accepted.

City of Dallas Center

Schedule of Findings

Year ended June 30, 2010

- (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 noncompliance 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 Notes – Section 19(b) of the water revenue capital loan notes, Series 2008 note resolution requires the city “to adopt and continue in effect rates for all services rendered by the System determined to be sufficient to produce net revenues for the next succeeding fiscal year which are (i) adequate to pay the principal and interest requirements thereof and to create or maintain the reserves provided in this resolution, and (ii) not less than 110 percent of the principal and interest requirements of the next succeeding fiscal year.” The water revenue capital loan notes, Series 1999 and the sewer revenue capital loan notes, Series 2003 resolutions require the City to adopt and continue in effect rates for all services rendered by the system to produce net revenues to pay principal and interest requirements of not less than 125 percent of the principal and interest requirements of the fiscal year. The City's fiscal year 2010 operating receipts over operating disbursements (net operating revenue) of \$50,419 for the Enterprise, Water Fund and \$108,977 for the Enterprise, Sewer Fund are less than the required debt service payments for the Water and Sewer Funds of \$97,700 and \$122,851, respectively.

In addition, the City has not complied with Section 18(d) of the \$350,000 water revenue capital loan notes, Series 1999 note provisions which state the City will cause the books and accounts to be audited annually.

Recommendation – The City should ensure net operating revenues of the Enterprise, Water and Sewer Funds are sufficient to make required debt service payments and comply with the water and sewer revenue note resolutions. In addition, the City should discuss required annual audits with the lender and bond counsel.

Response – The City instituted a water rate increase in May 2010 which will provide additional revenue for the fund. During fiscal year 2010 the City paid off one of the sewer revenue capital loan notes. Future net revenues of the Enterprise, Sewer Fund should be sufficient to meet the note resolution requirements. The City will also discuss with bond counsel the possibility of waiving the annual audit requirement.

Conclusion – Response accepted.

---

City of Dallas Center

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Michael J. Hackett, Senior Auditor  
Jessica P. V. Green, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State