

CITY OF DYSART

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2012

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City of Dysart

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------------|-------------------|---------------------|
| (Before January 1, 2012) | | |
| Donald Lyons | Mayor | January 2012 |
| Don Zeien | Council Member | January 2012 |
| Richard Behrens | Council Member | January 2012 |
| Tom Brandt | Council Member | January 2014 |
| Pam Thiele | Council Member | January 2014 |
| Tim Glenn | Council Member | January 2014 |
| (After January 1, 2012) | | |
| Pam Thiele | Mayor | January 2016 |
| Tom Brandt | Council Member | January 2014 |
| Bret Hennessy | Council Member | January 2014 |
| Tim Glenn | Council Member | January 2014 |
| Don Zeien | Council Member | January 2016 |
| Mary Wankowicz | Council Member | January 2016 |
| Roxanne Schneider | City Clerk | |
| Kelli Knoop | Deputy City Clerk | |
| Nancy Burk | City Attorney | |



Alan W. Flick, CPA
Gina E. Trimble, CPA

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2012, 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 Dysart's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart as of June 30, 2012, 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 October 31, 2012 on our consideration of the City of Dysart's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dysart's basic financial statements. . We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements which were prepared in conformity with an

other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dysart's basic financial statements. Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 30 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

October 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dysart provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased significantly from fiscal year 2011 to fiscal year 2012. Total governmental revenues (excluding transfers) were \$935,735 in FY 11, and \$1,251,416 in FY 12. The City received insurance and FEMA funds for expenses related to the July 11, 2011 wind storm, which accounted for the bulk of the increase. Property tax revenues increased approximately \$14,000, while TIF revenues increased from \$65,744 in fiscal year 2011, to \$87,129 in fiscal year 2012.
- Governmental disbursements increased approximately \$375,000 from fiscal year 2011 to fiscal year 2012. Capital project expenses increased by \$248,755, and were incurred as a result of the July '11 storm, and the start of the State Street Water Project. Public Safety disbursements held steady at \$281,277, as compared to \$279,864 last year. Public works expenditures increased approximately \$71,000, Culture & Recreation expense increased approximately \$52,000, and Community & Economic Development expenses decreased by \$4,423. General government expenses showed an increase from \$56,772 to \$71,606. Debt Service expenses decreased slightly from \$256,406 in FY 11 to \$249,189 in FY 12. Business type expenses (excluding transfers) showed an increase from \$1,638,389 to \$1,682,879. Debt Service Expenditures within the Business type Function held steady at \$75,860, as compared to \$73,265 last year.
- The City's total cash basis net assets decreased \$134,557 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities decreased approximately \$4,429; the assets of the business type activities decreased by approximately \$134,557.

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.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the Water Fund, Sanitary Sewer Fund, Electric Fund and Garbage Service Fund. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund,

2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities remained steady, dropping just \$4,429 from \$1,442,224 to \$1,437,795. The analysis that follows focuses on the changes in cash balances for governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities | | |
|---|---------------------|---------------|
| | Year ended June 30, | |
| | 2012 | 2011 |
| Receipts & transfers: | | |
| Program Receipts: | | |
| Charges for service | \$173,686 | \$148,967 |
| Capital grants, contributions and restricted interest | 922 | 2,100 |
| Operating grants, contributions and restricted interest | 281,863 | 161,156 |
| General Receipts: | | |
| Property Tax | 426,879 | 412,527 |
| Local option sales tax | 107,500 | 79,092 |
| TIF Revenues | 87,129 | 65,744 |
| Other city tax | 1,306 | 2,887 |
| Unrestricted investment earnings | 12,778 | 12,866 |
| Bond proceeds | 0 | 0 |
| Other general receipts | 115,468 | 48,265 |
| Special Assessments | 43,885 | 2,131 |
| Net Transfers in (out) | <u>260,000</u> | <u>55,613</u> |
| Total receipts & transfers | 1,511,416 | 991,348 |
| Disbursements: | | |
| Public Safety | 281,277 | 279,864 |
| Public Works | 198,521 | 127,218 |
| Health and social services | 0 | 0 |
| Culture and recreation | 247,952 | 196,179 |

| | | |
|--|--------------------|--------------------|
| Community & economic development | 11,631 | 16,054 |
| General government | 71,606 | 56,772 |
| Debt Service | 249,189 | 256,406 |
| Capital projects | <u>455,669</u> | <u>206,914</u> |
| Total disbursements | 1,515,845 | 1,139,407 |
| Increase (decrease) in cash basis net assets | (4,429) | (148,059) |
| Cash basis assets beginning of year | 1,442,224 | 1,590,283 |
| Cash basis assets end of year | <u>\$1,437,795</u> | <u>\$1,442,224</u> |

The City's total receipts for governmental activities, excluding net transfers in, increased by approximately \$315,000, from \$935,735 to \$1,251,416. The primary reason for the increase was receipt of insurance proceeds and FEMA assistance as a result of the July 11, 2011 wind storm. The total cost of all programs and services increased by approximately 33%, or \$376,438. The increase was attributable to the recovery from the 2011 wind storm, and initial construction on the 2012 State Street Water Project.

Property tax rates for 2012 again held steady, at a rate of \$12.77571, as compared to a rate of \$12.65558/\$1000 valuation in fiscal year 2011. Overall property tax revenues were slightly higher, increasing approximately \$14,000 from \$412,527 to \$426,879. TIF revenues increased, from \$65,744 during fiscal year 2011, to \$87,129 during fiscal year 2011. This was a result of the certification of additional debt for the 2010 Infrastructure Project. Local option sales tax revenues increased significantly, with \$107,500 received during fiscal year 2012, as compared to \$79,092 received in fiscal year 2011. However, we anticipate a reduction in that amount in future years – the Department of Revenue made an error in calculating revenues, and we were receiving funds that should have been remitted to the City of Toledo. Once the error was discovered, the Department began reducing our payments to correct the error. Local option sales tax revenues are used to service the aquatic center debt.

There were several changes in the governmental program expenses also. Public Safety, Community & Economic Development and Debt Service held steady. Public Works expenditures increased by \$71,303 due to street projects. Culture & Recreation expenses increased by approximately \$51,775 due to projects at the City Park. Capital Projects showed a significant increase, from \$206,914 in FY 11, to \$455,669 in FY 12, due to repairs and rebuilding following the 2011 Windstorm and the 2012 State Street Water Project.

| Changes in Cash Basis Net Assets of Business Type Activities | | |
|--|---------------------|------------|
| | Year ended June 30, | |
| | 2012 | 2011 |
| Receipts & transfers: | | |
| Program Receipts: | | |
| Charges for service | | |
| Water | \$ 289,482 | \$ 274,188 |
| Sewer | 86,025 | 84,759 |
| Electric | 1,165,328 | 1,214,806 |
| Garbage | 211,398 | 319,302 |
| Capital grants, contributions and | | |

| | | |
|--|--------------------|--------------------|
| restricted interest | 0 | 0 |
| <i>General Receipts:</i> | | |
| Unrestricted investment earnings | 8,929 | 10,375 |
| Bond proceeds | 0 | 0 |
| Other general receipts | 127,449 | 61,697 |
| Transfers in | 0 | 0 |
| Total receipts & transfers | 1,888,611 | 1,965,127 |
| Disbursements: | | |
| Water | 282,611 | 240,894 |
| Sewer | 69,962 | 64,451 |
| Electric | 1,107,296 | 997,265 |
| Garbage | 223,010 | 335,779 |
| Debt Service | 75,860 | 73,265 |
| Transfers out | <u>260,000</u> | <u>55,613</u> |
| Total disbursements & transfers | 2,018,739 | 1,767,267 |
| Increase (decrease) in cash basis net assets | (130,128) | 197,860 |
| Cash basis assets beginning of year | 1,624,508 | 1,426,648 |
| Cash basis assets end of year | <u>\$1,494,380</u> | <u>\$1,624,508</u> |

Total business type activities receipts and transfers in for the fiscal year decreased approximately \$76,500 from the previous year, coming in at \$1.89 million compared to \$1.97 million last year. Most of the decrease can be attributed to decreased revenues in the garbage fund. Garbage service in the City was privatized on September 1, 2011, after the City of Traer elected not to renew the existing contract. This change in service resulted in a substantial decrease in both revenues and expenses in that department. The water fund showed an increase in revenues and expenses, and the electric fund showed decreased revenue and increased expenses.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Dysart completed the year, its governmental funds reported a combined fund balance of \$1,437,795, a modest decrease of approximately \$4,429 from last year's total of \$1,442,224. 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 \$3,964 from the prior year to \$1,001,784.
- The Road Use Tax Fund cash balance decreased by \$67,536. Cash reserves were used to fund street improvements.
- The Local Option Sales Tax Fund balance increased from \$ \$90,514 to \$127,538 during fiscal year 2012. As was discussed previously, there was an error on the part of the Department of Revenue, resulting in over-payment of Local Option Sales Tax revenues. The error has since been corrected and adjustments were made to subsequent payments. Option tax revenues used to finance the debt payment on

the Aquatic Center debt service. Increased LOST revenues result in a lower property tax burden on the debt.

- A Low-to-Moderate Income (LMI) Housing Fund was established in fiscal year 2006 to meet the LMI requirements of a housing development rebate agreement. Monies in this fund are allocated for future use benefiting low-to-moderate income residents. The city participates in a low & moderate income home ownership and rehabilitation program administered through Region 6 Planning Commission, and uses these funds to pay the 10% match up to \$2,499 per home. No homes were eligible in Dysart during fiscal year 2011, so no funds were expended. The cash balance of this fund at the end of the fiscal year was \$28,920.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by approximately \$230,311 to \$86,782. The City undertook a major water main replacement project on State Street, and cash reserves of \$240,000 were transferred to the project fund to finance the project.
- The Sewer Fund cash balance increased by \$17,000 to \$140,559. Revenues and expenses remained constant from the previous year. Reserve funds will be used for sanitary sewer improvements in the coming years.
- The Electric Fund cash balance decreased by approximately \$17,000 to \$1,033,625. A new bucket truck was purchased during the fiscal year, resulting in the decreased balance. Cash reserves will be used for future capital improvement projects.
- The Garbage Fund cash balance increased by about \$100,673 to \$156,121. The sale of the garbage trucks and related equipment accounted for the increase.

BUDGETARY HIGHLIGHTS

The City amended its budget on October 12, 2011, and again on May 9, 2012. The initial amendment in the amount of \$250,000 was needed due to expenses related to the July 11, 2011 wind storm. The May, 2012 amendment of \$459,727 was related to the 2012 State Street Water Project and the reallocation of budgeted funds between functions following the establishment of the Storm Recovery Project Fund. The State Street Water Project was funded with cash reserves, and the Storm Recovery Project expenditures were funded by insurance funds, FEMA funds, and cash reserves.

DEBT ADMINISTRATION

On June 30, 2012, the City had \$2,085,000 in bonds and other long-term debt, compared to \$2,320,000 last year, as shown below.

| | Outstanding Debt at Year-End | |
|----------------------------------|------------------------------|----------------|
| | Year ended June 30, | |
| | 2012 | 2011 |
| General obligation bonds & notes | 2,015,000 | 2,180,000 |
| Revenues bonds | <u>70,000</u> | <u>140,000</u> |

| | | |
|-------|--------------------|--------------------|
| Total | <u>\$2,085,000</u> | <u>\$2,320,000</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 constitutional debt limit is \$3,267,079. With outstanding general obligation debt of \$2,085,000, the city was using approximately 64% of its constitutional debt limit at fiscal year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Dysart's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities.

Budgets for various departments have remained fairly consistent with past years. The property tax rate for fiscal year 2013 will decrease slightly, to \$12.61254/\$1000 in valuation, compared to \$12.75571/\$1000 for fiscal year 2012.

The City is planning a major street construction for the summer of 2013. Due to the Tama-Benton Co-op Expansion to the northwest corner of the city, Talmage Street will be paved, including the installation of curb and gutter. Engineering of the project is currently underway. No other major projects are anticipated at this time. It is anticipated that the City will issue general obligation debt to finance this project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roxanne L. Schneider, City Clerk, 601 Wilson Street, PO Box 686, Dysart, Iowa. Phone #319-476-5690.

City of Dysart

Basic Financial Statements

City of Dysart

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2012

| Functions / Programs: | Disbursements | Program Receipts | | |
|---------------------------------------|---------------------|---------------------|--|---|
| | | Charges for Service | Operating Grants, Contributions, and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Governmental activities: | | | | |
| Public safety | \$ 281,277 | 80,247 | 27,200 | - |
| Public works | 198,521 | 2,250 | 130,800 | 242 |
| Health and social services | - | - | - | - |
| Culture and recreation | 247,952 | 33,601 | 8,582 | 519 |
| Community and economic development | 11,631 | 46,217 | 144 | - |
| General government | 71,606 | 11,371 | 114,972 | - |
| Debt service | 249,189 | - | - | - |
| Capital projects | 455,669 | - | 165 | 161 |
| Total governmental activities | 1,515,845 | 173,686 | 281,863 | 922 |
| Business type activities: | | | | |
| Water | 282,611 | 289,482 | - | - |
| Electric | 1,107,296 | 1,165,328 | - | - |
| Electric Debt | 75,860 | - | - | - |
| Garbage | 223,010 | 211,398 | - | - |
| Sewer | 69,962 | 86,025 | - | - |
| Total business type activities | 1,758,739 | 1,752,233 | - | - |
| Total | \$ 3,274,584 | 1,925,919 | 281,863 | 922 |

General Receipts:

Property tax levied for:

General purposes

Tax increment financing

Debt service

Local option sales tax

Other city tax

Unrestricted interest on investments

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Expendable:

Debt service

Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements

| Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | |
|--|-----------------------------|--------------------|
| Governmental Activities | Business Type Activities | Total |
| (173,830) | - | (173,830) |
| (65,229) | - | (65,229) |
| - | - | - |
| (205,250) | - | (205,250) |
| 34,730 | - | 34,730 |
| 54,737 | - | 54,737 |
| (249,189) | - | (249,189) |
| (455,343) | - | (455,343) |
| <u>(1,059,374)</u> | <u>-</u> | <u>(1,059,374)</u> |
| - | 6,871 | 6,871 |
| - | 58,032 | 58,032 |
| - | (75,860) | (75,860) |
| - | (11,612) | (11,612) |
| - | 16,063 | 16,063 |
| <u>-</u> | <u>(6,506)</u> | <u>(6,506)</u> |
| <u>(1,059,374)</u> | <u>(6,506)</u> | <u>(1,065,880)</u> |
| 360,194 | - | 360,194 |
| 87,129 | - | 87,129 |
| 66,685 | - | 66,685 |
| 106,976 | - | 106,976 |
| 1,830 | - | 1,830 |
| 5,454 | 8,929 | 14,383 |
| 166,677 | 127,449 | 294,126 |
| 260,000 | (260,000) | - |
| <u>1,054,945</u> | <u>(123,622)</u> | <u>931,323</u> |
| (4,429) | (130,128) | (134,557) |
| <u>1,442,224</u> | <u>1,624,508</u> | <u>3,066,732</u> |
| <u>\$ 1,437,795</u> | <u>1,494,380</u> | <u>2,932,175</u> |
| - | 77,200 | 77,200 |
| 171,368 | 93 | 171,461 |
| <u>1,266,427</u> | <u>1,417,087</u> | <u>2,683,514</u> |
| <u>\$ 1,437,795</u> | <u>1,494,380</u> | <u>2,932,175</u> |

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

As of and for the year ended June 30, 2012

| | <u>Special Revenue</u> | | <u>Capital Project</u> | |
|---|------------------------|-----------------|------------------------|-----------------------|
| | General | Road Use | Storm Recovery | State Street Water |
| Receipts: | | | | |
| Property tax | \$ 301,470 | - | - | - |
| Tax increment financing collections | - | - | - | - |
| Other city tax | 1,306 | - | - | - |
| Licenses and permits | 4,674 | - | - | - |
| Use of money and property | 10,541 | - | 146 | 16 |
| Intergovernmental | 12,928 | 130,799 | 91,063 | - |
| Charges for service | 113,022 | - | - | - |
| Special assessments | - | - | - | - |
| Miscellaneous | 70,377 | - | 145,692 | - |
| Total receipts | 514,318 | 130,799 | 236,901 | 16 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | 281,277 | - | - | - |
| Public works | 185 | 198,336 | - | - |
| Health and social services | - | - | - | - |
| Culture and recreation | 247,952 | - | - | - |
| Community and economic development | 11,631 | - | - | - |
| General government | 71,606 | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | 244,151 | 200,805 |
| Total disbursements | 612,651 | 198,336 | 244,151 | 200,805 |
| Excess (deficiency) of receipts over (under) disbursements | (98,333) | (67,536) | (7,251) | (200,789) |
| Other financing sources (uses): | | | | |
| Miscellaneous | 829 | - | - | - |
| Operating transfers in/(out) | 93,540 | - | 20,000 | 240,000 |
| Total other financing sources (uses) | 94,369 | - | 20,000 | 240,000 |
| Net change in cash balances | (3,964) | (67,536) | 12,749 | 39,211 |
| Cash balances beginning of year | 1,005,748 | 98,166 | - | - |
| Cash balances end of year | \$ 1,001,784 | 30,630 | 12,749 | 39,211 |
| Cash Basis Fund Balances | | | | |
| Restricted for other purposes | - | - | - | - |
| Committed for debt service | - | 30,630 | 12,749 | 39,211 |
| Assigned | - | - | - | - |
| Unassigned | 1,001,784 | - | - | - |
| Total cash basis fund balances | \$ 1,001,784 | 30,630 | 12,749 | 39,211 |

See notes to financial statements

| Other Nonmajor Governmental Funds | Total |
|--|------------------|
| 125,409 | 426,879 |
| 87,129 | 87,129 |
| 107,500 | 108,806 |
| - | 4,674 |
| 2,075 | 12,778 |
| - | 234,790 |
| - | 113,022 |
| 43,885 | 43,885 |
| 2,555 | 218,624 |
| <u>368,553</u> | <u>1,250,587</u> |
| - | 281,277 |
| - | 198,521 |
| - | - |
| - | 247,952 |
| - | 11,631 |
| - | 71,606 |
| 249,189 | 249,189 |
| 10,713 | 455,669 |
| <u>259,902</u> | <u>1,515,845</u> |
| <u>108,651</u> | <u>(265,258)</u> |
| - | 829 |
| <u>(93,540)</u> | <u>260,000</u> |
| <u>(93,540)</u> | <u>260,829</u> |
| 15,111 | (4,429) |
| <u>338,310</u> | <u>1,442,224</u> |
| <u>353,421</u> | <u>1,437,795</u> |
| 171,368 | 171,368 |
| 122,575 | 205,165 |
| 59,478 | 59,478 |
| - | 1,001,784 |
| <u>353,421</u> | <u>1,437,795</u> |

City of Dysart

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2012

| | |
|---|--------------|
| Total governmental funds cash balances (page 18) | \$ 1,437,795 |
|---|--------------|

The city does not have an internal service fund.
Therefore there are no reconciling items.

| |
|---|
| - |
|---|

| | |
|---|---------------------|
| Cash basis net assets of governmental activities (page 16) | <u>\$ 1,437,795</u> |
|---|---------------------|

| | |
|--|------------|
| Net change in cash balances (page 18) | \$ (4,429) |
|--|------------|

The city does not have an internal service fund.
Therefore there are no reconciling items.

| |
|---|
| - |
|---|

| | |
|--|-------------------|
| Change in cash balance of governmental activities (page 16) | <u>\$ (4,429)</u> |
|--|-------------------|

See notes to financial statements

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

As of and for the year ended June 30, 2012

| | Enterprise Funds | | | | Total |
|---|------------------|------------------|----------------|--|------------------|
| | Water | Electric | Garbage | Other Nonmajor Proprietary Funds | |
| Operating receipts: | | | | | |
| Use of money and property | \$ 1,899 | 5,240 | 445 | 1,345 | 8,929 |
| Charges for service | 289,482 | 1,165,328 | 211,398 | 86,025 | 1,752,233 |
| Miscellaneous | 919 | 14,690 | 111,840 | - | 127,449 |
| Total operating receipts | <u>292,300</u> | <u>1,185,258</u> | <u>323,683</u> | <u>87,370</u> | <u>1,888,611</u> |
| Operating disbursements: | | | | | |
| Business type activities | 282,611 | 1,107,296 | 223,010 | 145,822 | 1,758,739 |
| Total operating disbursements | <u>282,611</u> | <u>1,107,296</u> | <u>223,010</u> | <u>145,822</u> | <u>1,758,739</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | <u>9,689</u> | <u>77,962</u> | <u>100,673</u> | <u>(58,452)</u> | <u>129,872</u> |
| Non-operating receipts (disbursements): | | | | | |
| Miscellaneous | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Total non-operating receipts (disbursements) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>9,689</u> | <u>77,962</u> | <u>100,673</u> | <u>(58,452)</u> | <u>129,872</u> |
| Operating transfers in/(out) | <u>(240,000)</u> | <u>(95,238)</u> | <u>-</u> | <u>75,238</u> | <u>(260,000)</u> |
| Net change in cash balances | <u>(230,311)</u> | <u>(17,276)</u> | <u>100,673</u> | <u>16,786</u> | <u>(130,128)</u> |
| Cash balances beginning of year | <u>317,093</u> | <u>1,050,901</u> | <u>55,448</u> | <u>201,066</u> | <u>1,624,508</u> |
| Cash balances end of year | <u>\$ 86,782</u> | <u>1,033,625</u> | <u>156,121</u> | <u>217,852</u> | <u>1,494,380</u> |
| Cash Basis Fund Balances | | | | | |
| Restricted for: | | | | | |
| Debt service | \$ - | - | - | 77,200 | 77,200 |
| Other purposes | - | - | - | 93 | 93 |
| Assigned | - | 500,000 | - | 65,000 | 565,000 |
| Unassigned | <u>86,782</u> | <u>533,625</u> | <u>156,121</u> | <u>75,559</u> | <u>852,087</u> |
| Total cash basis fund balances | <u>\$ 86,782</u> | <u>1,033,625</u> | <u>156,121</u> | <u>217,852</u> | <u>1,494,380</u> |

See notes to financial statements

City of Dysart

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2012

| | |
|---|---------------------|
| Total enterprise funds cash balances (page 20) | \$ 1,494,380 |
| The city does not have an internal service fund. Therefore there are no reconciling items. | - |
| Cash basis net assets of business type activities (page 16) | <u>\$ 1,494,380</u> |
| Net change in cash balances (page 20) | \$ (130,128) |
| The city does not have an internal service fund. Therefore there are no reconciling items. | - |
| Change in cash balance of business type activities (page 16) | <u>\$ (130,128)</u> |

See notes to financial statements

City of Dysart

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Dysart is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, electric, and garbage utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Sheriff's department, Tama County Economic Development Commission, Dysart Rural Fire Agency, Inc., Tama County Solid Waste Disposal Commission, Tama County E911 Board, Tam a County Emergency Communications Network (CodeRED).

B. Basis of Presentation

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

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

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 categories. 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 that are not paid from other funds.

The Special Revenue – Road Use Fund is used for tracking road construction and maintenance.

Capital Project Funds:

The Capital Project Fund – Storm Recovery is used to account for payments and expenses related to a straight line wind storm that came through the City in July 2011 causing damage.

The Capital Project Fund – State Street Water is used to account for the activities of the State Street Water Main extension and street improvement project.

The City reports the following major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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 paid, 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. At June 30, 2012 disbursements did not exceed the amounts budgeted in any function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City maintains funds in a Sweep Manager Account Program with Security State Bank. The Bank transfers funds out of the City's bank account once it meets or exceeds \$52,000 and places them into retail repurchase agreement, or "Repo". The Repos evidence a borrowing to be collateralized by securities, which are held by a third-party custodian. Amounts swept from the bank account into Repos will earn interest rates that are determined by the Bank daily.

The City's investment policy limits the investment of operating funds, those funds which are expected to be expended in the current budget year or within 15 months of receipt, to instruments that mature within 397 days. The maturities shall be consistent with the needs and use of the City.

At June 30, 2012, the City had the following investments:

| Type | Carrying Amount | Fair Value | Maturity |
|-------------------------|-------------------|-------------------|----------|
| Certificates of deposit | <u>\$ 920,345</u> | <u>\$ 920,345</u> | Various |

(3) Bonds and Notes Payable

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

| Year Ending June 30, | Revenue Note | | General Obligation Bonds and Notes | | Total | |
|----------------------|------------------|--------------|------------------------------------|----------------|------------------|----------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2013 | 70,000 | 2,800 | 155,000 | 78,329 | 225,000 | 81,129 |
| 2014 | - | - | 160,000 | 73,219 | 160,000 | 73,219 |
| 2015 | - | - | 170,000 | 67,919 | 170,000 | 67,919 |
| 2016 | - | - | 170,000 | 61,946 | 170,000 | 61,946 |
| 2017 | - | - | 180,000 | 55,679 | 180,000 | 55,679 |
| 2018 - 2021 | - | - | 1,180,000 | 185,311 | 1,360,000 | 185,311 |
| Total | <u>\$ 70,000</u> | <u>2,800</u> | <u>2,015,000</u> | <u>522,403</u> | <u>2,085,000</u> | <u>525,203</u> |

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

Revenue Notes

The City has pledged future electric customer net revenues to repay \$600,000 of electric revenue notes issued in March 2003. Proceeds from the notes provided financing for the construction of electrical improvements. The notes are payable solely from electric customer net revenues and are payable through 2013. The total principal and interest remaining to be paid on the notes is \$72,800. For the current year, principal and interest paid were \$75,460.

The electric revenue bond resolution includes a provision that an amount equal to one-twelfth of the bond principal coming due on the succeeding June 1 plus an amount equal to one-sixth of the interest coming due on the succeeding interest payment date to be deposited in an electric revenue sinking fund in monthly installments. In addition, the resolution requires a balance to be maintained in an electric revenue reserve fund at least equal to the lesser of 1) the maximum amount of principal and interest coming due on the notes in any succeeding year, 2) 125% of the average amount of principal and interest coming due on the notes and any parity obligations in any succeeding year, or 3) 10% of the stated principal amount of the notes and any parity obligations outstanding. As of June 30, 2012, the City was in compliance with these requirements.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$32,227, \$32,909, and \$27,777, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer benefit plan which provides medical/prescription drug benefits for active employees and their families. Retired employees are eligible to participate at their own expense and must be age 55 or older at retirement. There are 6 active and no retired members in the plan.

The medical/prescription drug benefits are provided through a partially self-insured plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the full cost of the premium for the medical/prescription drug benefits. The City's deductibles for the plan are \$3,000 for single and \$6,000 for family and it self funds half of the deductible, or \$1,500 for single and \$3,000 for family, for each participant. A third party administrator, Advantage Administrators, coordinates the self funded portion of the plan.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The most recent active member monthly premiums paid for by the City are \$473.96 for single coverage and \$1,184.87 for family coverage. For the year ended June 30, 2012, the City contributed \$70,908 on behalf of plan members.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2012 was \$12,474. This liability has been computed based on rates of pay in effect at June 30, 2012.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

| Transfer from | Transfer to | Amount |
|---|--|-----------|
| General | Debt Service Library Debt | \$ 20,000 |
| Special Revenue Employee Benefits | General | 59,076 |
| Special Revenue TIF | Debt Service 2006 Infrastructure Debt | 53,132 |
| TIF | Pool Debt | 17,525 |
| TIF | 2010 Infrastructure Debt | 18,500 |
| LOST | Pool Debt | 70,499 |
| Capital Projects Library Project | General | 54,464 |
| Capital Projects 2010 Infra. Project | Debt Service 2010 Infrastructure Debt | 64,856 |
| Debt Service Debt Levy | Debt Service 2010 Infrastructure Debt | 26,990 |
| Debt Service Debt Levy | 2006 Infrastructure Debt | 39,543 |
| Enterprise Electric | Enterprise Electric Debt | 75,238 |
| Electric | Capital Projects Storm Recovery | 20,000 |
| Water | State Street Project | 240,000 |

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

(8) Related Party Transactions

The City had business transactions between the City and City officials during the year ended June 30, 2012 totaling \$287.

(9) Commitments

In March 1994, the City agreed to pay the Medicare and drug supplement for a retired City employee. The cost to the City for the year ended June 30, 2012 was \$3,777.

Under a wholesale power agreement, the City is committed to purchase its electric power and energy requirements from Resale Power Group of Iowa through December 2013. The rates for such purchases are subject to review annually.

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

The City participates in a 28E organization with Tama County and other cities within Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated costs of closure and post closure care as of March 31, 2012, the most recent date for which such information is available, is approximately \$1,699,210. The Commission has accumulated resources to fund these costs and, at June 30, 2012, assets of \$1,835,800 are restricted for these purposes.

(10) Risk Management

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

(11) Litigation

The City is not subject to any pending litigation.

(12) Subsequent Event

There were no subsequent events through October 31, 2012, the date of the audit report.

Other Information

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

Other Information

Year ended June 30, 2012

| | Governmental Funds Actual | Proprietary Funds Actual | Less Funds not Required to be Budgeted |
|---|---------------------------------|--------------------------------|---|
| Receipts: | | | |
| Property tax | \$ 426,879 | - | - |
| Tax increment financing collections | 87,129 | - | - |
| Other city tax | 108,806 | - | - |
| Licenses and permits | 4,674 | - | - |
| Use of money and property | 12,778 | 8,929 | - |
| Intergovernmental | 234,790 | - | - |
| Charges for service | 113,022 | 1,752,233 | - |
| Special assessments | 43,885 | - | - |
| Miscellaneous | 218,624 | 127,449 | - |
| Total receipts | 1,250,587 | 1,888,611 | - |
| Disbursements: | | | |
| Public safety | 281,277 | - | - |
| Public works | 198,521 | - | - |
| Health and social services | - | - | - |
| Culture and recreation | 247,952 | - | - |
| Community and economic development | 11,631 | - | - |
| General government | 71,606 | - | - |
| Debt service | 249,189 | - | - |
| Capital projects | 455,669 | - | - |
| Business type activities | - | 1,758,739 | - |
| Total disbursements | 1,515,845 | 1,758,739 | - |
| Excess (deficiency) of receipts over (under) disbursements | (265,258) | 129,872 | - |
| Other financing sources (uses), net | 260,829 | (260,000) | - |
| Excess of receipts and other financing sources over disbursements and other financing uses | (4,429) | (130,128) | - |
| Balances beginning of year | 1,442,224 | 1,624,508 | - |
| Balances end of year | \$ 1,437,795 | 1,494,380 | - |

See accompanying independent auditor's report.

| Net | Budgeted Amounts | | Final to Net Variance |
|------------------|------------------|------------------|-----------------------|
| | Original | Final | |
| 426,879 | 422,713 | 422,713 | 4,166 |
| 87,129 | 86,157 | 86,157 | 972 |
| 108,806 | 73,440 | 73,440 | 35,366 |
| 4,674 | 2,495 | 2,495 | 2,179 |
| 21,707 | 11,000 | 11,000 | 10,707 |
| 234,790 | 128,570 | 128,570 | 106,220 |
| 1,865,255 | 2,161,928 | 2,161,928 | (296,673) |
| 43,885 | 3,000 | 3,000 | 40,885 |
| 346,073 | 47,400 | 297,400 | 48,673 |
| <u>3,139,198</u> | <u>2,936,703</u> | <u>3,186,703</u> | <u>(47,505)</u> |
| 281,277 | 336,981 | 336,981 | 55,704 |
| 198,521 | 167,732 | 227,063 | 28,542 |
| - | - | - | - |
| 247,952 | 210,123 | 261,861 | 13,909 |
| 11,631 | 11,500 | 28,225 | 16,594 |
| 71,606 | 73,438 | 85,073 | 13,467 |
| 249,189 | 249,189 | 249,189 | - |
| 455,669 | - | 541,411 | 85,742 |
| 1,758,739 | 1,893,195 | 1,968,195 | 209,456 |
| <u>3,274,584</u> | <u>2,942,158</u> | <u>3,697,998</u> | <u>423,414</u> |
| (135,386) | (5,455) | (511,295) | 375,909 |
| 829 | - | - | 829 |
| (134,557) | (5,455) | (511,295) | 376,738 |
| <u>3,066,732</u> | <u>2,569,706</u> | <u>3,066,731</u> | <u>1</u> |
| <u>2,932,175</u> | <u>2,564,251</u> | <u>2,555,436</u> | <u>376,739</u> |

City of Dysart

Notes to Other Information – Budgetary Reporting

June 30, 2012

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and 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, two budget amendments increased budgeted receipts by \$250,000 and increased budgeted disbursements by \$755,840. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted in any program.

Supplementary Information

City of Dysart

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

As of and for the year ended June 30, 2012

| | Special Revenue | Debt Service | Capital Projects | Total |
|---|--------------------|------------------|---------------------|-----------------|
| Receipts: | | | | |
| Property tax | \$ 58,724 | 66,685 | - | 125,409 |
| Tax increment financing | 87,129 | - | - | 87,129 |
| Other city tax | 107,231 | 269 | - | 107,500 |
| Licenses and permits | - | - | - | - |
| Use of money and property | 920 | 229 | 926 | 2,075 |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Special assessments | - | 41,635 | 2,250 | 43,885 |
| Miscellaneous | - | 2,555 | - | 2,555 |
| Total receipts | <u>254,004</u> | <u>111,373</u> | <u>3,176</u> | <u>368,553</u> |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Health and social services | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Community and economic development | - | - | - | - |
| General government | - | - | - | - |
| Debt Service | - | 249,189 | - | 249,189 |
| Capital projects | - | - | 10,713 | 10,713 |
| Total disbursements | <u>-</u> | <u>249,189</u> | <u>10,713</u> | <u>259,902</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>254,004</u> | <u>(137,816)</u> | <u>(7,537)</u> | <u>108,651</u> |
| Other financing sources: | | | | |
| Operating transfers in/(out) | (218,732) | 244,512 | (119,320) | (93,540) |
| Loan proceeds | - | - | - | - |
| | <u>(218,732)</u> | <u>244,512</u> | <u>(119,320)</u> | <u>(93,540)</u> |
| Net change in cash balances | 35,272 | 106,696 | (126,857) | 15,111 |
| Cash balances beginning of year | <u>133,976</u> | <u>17,999</u> | <u>186,335</u> | <u>338,310</u> |
| Cash balances end of year | <u>\$ 169,248</u> | <u>124,695</u> | <u>59,478</u> | <u>353,421</u> |
| Cash Basis Fund Balances | | | | |
| Restricted for other purposes | 169,248 | 2,120 | - | 171,368 |
| Committed for debt service | - | 122,575 | - | 122,575 |
| Assigned for capital purchases | - | - | 59,478 | 59,478 |
| Total cash basis fund balances | <u>\$ 169,248</u> | <u>124,695</u> | <u>59,478</u> | <u>353,421</u> |

See accompanying independent auditor's report

City of Dysart

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

As of and for the year ended June 30, 2012

| | Employee Benefits | Local Option Sales Tax | Low to Moderate Income Housing | Tax Increment Financing | Total |
|---|----------------------|---------------------------------|---|-------------------------------|------------------|
| Receipts: | | | | | |
| Property tax | 58,724 | - | - | - | 58,724 |
| Tax increment financing | - | - | - | 87,129 | 87,129 |
| Other city tax | 255 | 106,976 | - | - | 107,231 |
| Licenses and permits | - | - | - | - | - |
| Use of money and property | 98 | 546 | 73 | 203 | 920 |
| Intergovernmental | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Special assessments | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total receipts | 59,077 | 107,522 | 73 | 87,332 | 254,004 |
| Disbursements: | | | | | |
| Operating: | | | | | |
| Public safety | - | - | - | - | - |
| Public works | - | - | - | - | - |
| Health and social services | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Community and economic developme: | - | - | - | - | - |
| General government | - | - | - | - | - |
| Debt Service | - | - | - | - | - |
| Capital projects | - | - | - | - | - |
| Total disbursements | - | - | - | - | - |
| Excess (deficiency) of receipts over (under) disbursements | 59,077 | 107,522 | 73 | 87,332 | 254,004 |
| Other financing sources: | | | | | |
| Operating transfers in/(out) | (59,077) | (70,498) | - | (89,157) | (218,732) |
| Loan proceeds | - | - | - | - | - |
| | (59,077) | (70,498) | - | (89,157) | (218,732) |
| Net change in cash balances | - | 37,024 | 73 | (1,825) | 35,272 |
| Cash balances beginning of year | - | 90,514 | 28,848 | 14,614 | 133,976 |
| Cash balances end of year | - | 127,538 | 28,921 | 12,789 | 169,248 |
| Cash Basis Fund Balances | | | | | |
| Restricted for other purposes | - | 127,538 | 28,921 | 12,789 | 169,248 |
| Total cash basis fund balances | - | 127,538 | 28,921 | 12,789 | 169,248 |

See accompanying independent auditor's report

City of Dysart

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

As of and for the year ended June 30, 2012

| | Debt Service | | | | | Total |
|--|-------------------|---------------|---------------|--------------------------|--------------------------|----------------|
| | Debt Service Levy | Library Debt | Pool Debt | 2006 Infrastructure Debt | 2010 Infrastructure Debt | |
| Receipts: | | | | | | |
| Property tax | \$ 66,685 | - | - | - | - | 66,685 |
| Tax increment financing | - | - | - | - | - | - |
| Other city tax | 269 | - | - | - | - | 269 |
| Licenses and permits | - | - | - | - | - | - |
| Use of money and property | 85 | - | - | 118 | 26 | 229 |
| Intergovernmental | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - |
| Special assessments | - | - | - | 41,635 | - | 41,635 |
| Miscellaneous | - | - | - | 2,555 | - | 2,555 |
| Total receipts | 67,039 | - | - | 44,308 | 26 | 111,373 |
| Disbursements: | | | | | | |
| Operating: | | | | | | |
| Public safety | - | - | - | - | - | - |
| Public works | - | - | - | - | - | - |
| Health and social services | - | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - | - |
| Community and economic developme | - | - | - | - | - | - |
| General government | - | - | - | - | - | - |
| Debt Service | - | 20,000 | 88,024 | 95,675 | 45,490 | 249,189 |
| Capital projects | - | - | - | - | - | - |
| Total disbursements | - | 20,000 | 88,024 | 95,675 | 45,490 | 249,189 |
| Excess (deficiency) of receipts over (under) disbursements | 67,039 | (20,000) | (88,024) | (51,367) | (45,464) | (137,816) |
| Other financing sources: | | | | | | |
| Operating transfers in/(out) | (66,533) | 20,000 | 88,024 | 92,675 | 110,346 | 244,512 |
| Loan proceeds | - | - | - | - | - | - |
| | (66,533) | 20,000 | 88,024 | 92,675 | 110,346 | 244,512 |
| Net change in cash balances | 506 | - | - | 41,308 | 64,882 | 106,696 |
| Cash balances beginning of year | 1,614 | - | - | 16,385 | - | 17,999 |
| Cash balances end of year | \$ 2,120 | - | - | 57,693 | 64,882 | 124,695 |
| Cash Basis Fund Balances | | | | | | |
| Restricted for debt service | \$ 2,120 | - | - | - | - | 2,120 |
| Committed for debt service | - | - | - | 57,693 | 64,882 | 122,575 |
| Total cash basis fund balances | \$ 2,120 | - | - | 57,693 | 64,882 | 124,695 |

See accompanying independent auditor's report

City of Dysart
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Capital Projects Funds

As of and for the year ended June 30, 2012

| | Capital Projects | | | Total |
|---|---------------------|-----------------------------------|---------------------------------|------------------|
| | Library Project | 2010 Infrastructure Project | Garbage Truck Replacement | |
| Receipts: | | | | |
| Property tax | \$ - | - | - | - |
| Tax increment financing | - | - | - | - |
| Other city tax | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Use of money and property | 519 | 242 | 165 | 926 |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Special assessments | - | 2,250 | - | 2,250 |
| Miscellaneous | - | - | - | - |
| Total receipts | 519 | 2,492 | 165 | 3,176 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Health and social services | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Community and economic developme | - | - | - | - |
| General government | - | - | - | - |
| Debt Service | - | - | - | - |
| Capital projects | - | 10,713 | - | 10,713 |
| Total disbursements | - | 10,713 | - | 10,713 |
| Excess (deficiency) of receipts over (under) disbursements | 519 | (8,221) | 165 | (7,537) |
| Other financing sources: | | | | |
| Operating transfers in/(out) | (54,464) | (64,856) | - | (119,320) |
| Loan proceeds | - | - | - | - |
| | (54,464) | (64,856) | - | (119,320) |
| Net change in cash balances | (53,945) | (73,077) | 165 | (126,857) |
| Cash balances beginning of year | 53,945 | 73,077 | 59,313 | 186,335 |
| Cash balances end of year | \$ - | - | 59,478 | 59,478 |
| Cash Basis Fund Balances | | | | |
| Assigned for capital purchases | \$ - | - | 59,478 | 59,478 |
| Total cash basis fund balances | \$ - | - | 59,478 | 59,478 |

See accompanying independent auditor's report

City of Dysart

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

As of and for the year ended June 30, 2012

| | Enterprise Funds | | | | Total |
|---|------------------|-----------------------------|--------------------------------|------------------|----------|
| | Sewer | Electric Revenue Debt | Electric Revenue Reserve | Project Share | |
| Operating receipts: | | | | | |
| Use of money and property | \$ 704 | 121 | 520 | - | 1,345 |
| Charges for service | 86,025 | - | - | - | 86,025 |
| Miscellaneous | - | - | - | - | - |
| Total operating receipts | 86,729 | 121 | 520 | - | 87,370 |
| Operating disbursements: | | | | | |
| Business type activities | 69,962 | 75,860 | - | - | 145,822 |
| Total operating disbursements | 69,962 | 75,860 | - | - | 145,822 |
| Excess (deficiency) of operating receipts over (under) operating disbursements | 16,767 | (75,739) | 520 | - | (58,452) |
| Non-operating receipts (disbursements): | | | | | |
| Miscellaneous | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Total non-operating receipts (disbursements) | - | - | - | - | - |
| Excess (deficiency) of receipts over (under) disbursements | 16,767 | (75,739) | 520 | - | (58,452) |
| Operating transfers in/(out) | - | 75,238 | - | - | 75,238 |
| Net change in cash balances | 16,767 | (501) | 520 | - | 16,786 |
| Cash balances beginning of year | 123,792 | 6,754 | 70,427 | 93 | 201,066 |
| Cash balances end of year | \$ 140,559 | 6,253 | 70,947 | 93 | 217,852 |
| Cash Basis Fund Balances | | | | | |
| Restricted for: | | | | | |
| Debt service | \$ - | 6,253 | 70,947 | - | 77,200 |
| Other purposes | - | - | - | 93 | 93 |
| Assigned | 65,000 | - | - | - | 65,000 |
| Unassigned | 75,559 | - | - | - | 75,559 |
| Total cash basis fund balances | \$ 140,559 | 6,253 | 70,947 | 93 | 217,852 |

See accompanying independent auditor's report

City of Dysart
 Schedule of Indebtedness
 Year ended June 30, 2012

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|--------------------------------|---------------|----------------|--------------------------|
| General Obligation Notes: | | | |
| Library | May 8, 2002 | 0.00% | 200,000 |
| Aquatic center | July 1, 2003 | 2.10 - 4.125% | 1,200,000 |
| General Obligation Bonds: | | | |
| Infrastructure/Streets | Sept 1, 2006 | 4.00 - 4.50% | 1,200,000 |
| Corporate purpose, Series 2010 | March 2, 2010 | 2.00 - 3.60% | 400,000 |
| Revenue Notes: | | | |
| Electric | March 1, 2003 | 1.50 - 4.00% | 600,000 |

See accompanying independent auditor's report

Schedule 6

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|-------------------------------|
| \$ 20,000 | - | 20,000 | - | - | - |
| 855,000 | - | 55,000 | 800,000 | 32,624 | - |
| 875,000 | - | 75,000 | 800,000 | 32,624 | - |
| 940,000 | - | 55,000 | 885,000 | 40,275 | - |
| 365,000 | - | 35,000 | 330,000 | 10,090 | - |
| 1,305,000 | - | 90,000 | 1,215,000 | 50,365 | - |
| 140,000 | - | 70,000 | 70,000 | 5,460 | - |
| \$ 2,320,000 | - | 235,000 | 2,085,000 | 88,449 | - |

City of Dysart

Bond and Note Maturities

June 30, 2012

| Year Ending June 30, | General Obligation Note | | General Obligation Bond | | General Obligation Bond | | Total |
|----------------------------|-------------------------|----------------|-----------------------------|----------------|-------------------------|----------------|------------------|
| | Aquatic Center | | 2006 Infrastructure/Streets | | 2010 Infrastructure | | |
| | Issued July 1, 2003 | | Issued Sept 1, 2006 | | Issued March 2, 2010 | | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | |
| 2013 | 3.35 | 60,000 | 4.00 | 60,000 | 2.00 | 35,000 | 155,000 |
| 2014 | 3.50 | 60,000 | 4.00 | 60,000 | 2.00 | 40,000 | 160,000 |
| 2015 | 3.60 | 65,000 | 4.05 | 65,000 | 2.50 | 40,000 | 170,000 |
| 2016 | 3.70 | 65,000 | 4.25 | 65,000 | 2.75 | 40,000 | 170,000 |
| 2017 | 3.80 | 70,000 | 4.25 | 70,000 | 3.00 | 40,000 | 180,000 |
| 2018 | 3.90 | 70,000 | 4.25 | 70,000 | 3.20 | 45,000 | 185,000 |
| 2019 | 4.00 | 75,000 | 4.30 | 75,000 | 3.40 | 45,000 | 195,000 |
| 2020 | 4.00 | 80,000 | 4.35 | 75,000 | 3.60 | 45,000 | 200,000 |
| 2021 | 4.00 | 80,000 | 4.45 | 80,000 | - | - | 160,000 |
| 2022 | 4.125 | 85,000 | 4.45 | 85,000 | - | - | 170,000 |
| 2023 | 4.125 | 90,000 | 4.50 | 90,000 | - | - | 180,000 |
| 2024 | | - | 4.50 | 90,000 | - | - | 90,000 |
| Total | | <u>800,000</u> | | <u>885,000</u> | | <u>330,000</u> | <u>2,015,000</u> |

| Year Ending June 30, | Revenue Bonds | |
|----------------------------|-------------------|------------------|
| | Electric | |
| | March 1, 2003 | |
| | Interest Rates | Amount |
| 2013 | 4.00 | <u>70,000</u> |
| | | <u>\$ 70,000</u> |

See accompanying independent auditor's report

City of Dysart

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

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|------------------------------------|---------------------|------------------|----------------|
| Property tax | \$ 426,879 | 412,527 | 410,578 |
| Tax increment financing | 87,129 | 65,744 | 65,870 |
| Other city tax | 108,806 | 81,979 | 80,888 |
| Licenses and permits | 4,674 | 4,955 | 2,476 |
| Use of money and property | 12,778 | 12,866 | 16,874 |
| Intergovernmental | 234,790 | 139,146 | 133,092 |
| Charges for service | 113,022 | 144,012 | 130,468 |
| Special assessments | 43,885 | 2,131 | 18,841 |
| Miscellaneous | 218,624 | 72,333 | 77,464 |
| Total | \$ 1,250,587 | 935,693 | 936,551 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | \$ 281,277 | 279,864 | 206,347 |
| Public works | 198,521 | 127,218 | 89,943 |
| Health and social services | - | - | - |
| Culture and recreation | 247,952 | 196,179 | 185,374 |
| Community and economic development | 11,631 | 16,054 | 17,751 |
| General government | 71,606 | 56,772 | 48,250 |
| Debt service | 249,189 | 256,406 | 236,444 |
| Capital projects | 455,669 | 206,914 | 120,338 |
| Total | \$ 1,515,845 | 1,139,407 | 904,447 |

See accompanying independent auditor's report



Alan W. Flick, CPA
Gina E. Trimble, CPA

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 31, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Dysart is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Dysart's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Dysart's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dysart's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 Dysart's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in

Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-C-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-12 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 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 Dysart's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Dysart's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Dysart and other parties to whom the City of Dysart may report, including federal awarding agencies and pass-through entities, 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 Dysart during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

October 31, 2012

City of Dysart

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Dysart was not granted federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2012.

City of Dysart

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

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

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-12 Preparation of Financial Statements - The City of Dysart, Iowa employs an accounting staff with the ability to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America, but the staff does not have the training or reference materials available to draft the footnotes to the financial statements; therefore, it relies on its auditors to prepare such statements.

Response – Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion – Response acknowledged.

II-C-12 Garbage Utility Rates – The City Council approved a resolution to increase garbage rates effective July 1, 2009. After the rate increase took effect the garbage rate was not increased on commercial accounts having one dumpster.

Recommendation – The City should review their utility billing system after each approved rate increase to ensure the correct rates are being reflected and charged to customers.

City of Dysart

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Response – This was an oversight on the part of management and the utility billing software has been corrected. Rates now correctly reflect the increased garbage rate.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Dysart

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part III: Other Findings Related to Statutory Reporting:

III-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted, however disbursements in the capital project function were over budget before the budget was amended. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – We will do this. There were several large capital projects during the year that caused this function to be overbudget.

Conclusion – Response accepted.

III-B-12 Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-12 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title, and Business Connection | Transaction Description | Amount |
|---|----------------------------|--------|
|---|----------------------------|--------|

| | | |
|---|---------------|--------|
| Bret Hennessy, Council Member, Owner of Shamrock Lawn Service | Lawn spraying | \$ 287 |
|---|---------------|--------|

In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the amount is for less than \$2,500.

III-E-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted

City of Dysart

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- III-H-12 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- III-I-12 Financial Condition – The City did not have any funds that had a deficit balance at June 30, 2012.

City of Dysart

Staff

This audit was performed by:

Gina Trimble, CPA, Manager

Jeremy Lockard, CPA, Staff