

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

CITY OF DYERSVILLE, IOWA

CITY OF DYERSVILLE, IOWA

Table of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 11
Statement of Activities	B 12
Governmental Fund Financial Statements:	
Balance Sheet	C 13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 14
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)	E 15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 16
Proprietary Fund Financial Statements:	
Statement of Net Position	G 17
Statement of Revenues, Expenses, and Changes in Fund Net Position	H 18
Statement of Cash Flows	I 19-20
Notes to the Financial Statements	21-39
REQUIRED SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – Governmental Funds and Proprietary Funds and Budget to GAAP Reconciliation	40-41
Schedule of Funding Progress for the Retiree Health Plan	42
OTHER SUPPLEMENTARY INFORMATION:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)	2 44
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	3 45
Schedule of Expenditures of Federal Awards	4 46
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	47-48
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133	49-50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	51-54

CITY OF DYERSVILLE, IOWA
OFFICIALS
JUNE 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Heavens	Mayor	January 2014
Dan Willenborg	Council Member	January 2014
Robert Platz	Council Member	January 2014
Molly Evers	Council Member	January 2014
Michael English	Council Member	January 2016
Mark Breitbach	Council Member	January 2016
Mick Michel	City Administrator	Appointed
Tricia Maiers	City Clerk/Treasurer	Appointed
Marc Casey	City Attorney	Appointed
C. J. May	Assistant City Attorney	Appointed

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Dyersville, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Dyersville as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 10 and 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dyersville's basic financial statements. The financial statements for the nine years ended June 30, 2012 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unqualified opinions on those financial statements. The supplementary information included on pages 43 through 46, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014 on our consideration of the City of Dyersville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

HOGAN - HANSEN

HOGAN - HANSEN
Waterloo, Iowa
January 10, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dyersville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 2% or approximately \$100,000, from fiscal 2012 to fiscal 2013. Operating grants and contributions decreased by \$36,000 and capital grants and contributions increased approximately \$260,000, while charges for services decreased approximately \$12,000.

Program expenses of the City's governmental activities decreased 9% or approximately \$370,000 in fiscal 2013 from fiscal 2012. Public works decreased \$516,000. Public safety and culture and recreation increased approximately \$62,000 and \$75,000, respectively.

The City's net position increased 14%, or approximately \$2,818,000 from June 30, 2012 to June 30, 2013. Of this amount, the net position of the governmental activities increased approximately \$2,797,000 and the net position of the business-type activities increased approximately \$21,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Debt Service Fund, and Capital Projects Funds.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, “whether the City as a whole is better or worse off as a result of the year's activities?” The Statement of Net position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Government Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 7,812,467	\$ 7,758,856	\$ (2,938,894)	\$ (2,803,090)	\$ 4,873,573	\$ 4,955,766
Capital assets	17,069,583	14,796,930	15,747,414	16,006,222	32,816,997	30,803,152
Total assets	<u>24,882,050</u>	<u>22,555,786</u>	<u>12,808,520</u>	<u>13,203,132</u>	<u>37,690,570</u>	<u>35,758,918</u>
Long-term liabilities	4,397,801	4,746,972	7,119,434	7,531,346	11,517,235	12,278,318
Other liabilities	3,619,345	3,741,185	56,330	59,726	3,675,675	3,800,911
Total liabilities	<u>8,017,146</u>	<u>8,488,157</u>	<u>7,175,764</u>	<u>7,591,072</u>	<u>15,192,910</u>	<u>16,079,229</u>
Net position:						
Net investment in						
capital assets	12,814,564	10,173,710	8,699,376	8,540,782	21,513,940	18,714,492
Restricted	4,360,662	4,531,662	-	-	4,360,662	4,531,662
Unrestricted	<u>(310,322)</u>	<u>(637,743)</u>	<u>(3,066,620)</u>	<u>(2,928,722)</u>	<u>(3,376,942)</u>	<u>(3,566,465)</u>
Total net position	<u>16,864,904</u>	<u>14,067,629</u>	<u>5,632,756</u>	<u>5,612,060</u>	<u>22,497,660</u>	<u>19,679,689</u>

Net Position at Year-end

Net position of governmental activities increased from FY12 by approximately \$2,797,000, or 20%, and net position of business activities increased from FY12 by approximately \$21,000, or 1%. The largest portion of the City's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is a deficit balance of approximately \$3,649,000 at the end of this year.

**Changes in Net Position for
the Year Ended June 30, 2013**

	Government Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 239,890	\$ 251,405	\$ 1,693,717	\$ 1,665,425	\$ 1,933,607	\$ 1,916,830
Operating grants and contributions	437,128	473,327	-	-	437,128	473,327
Capital grants and contributions	2,231,048	1,969,046	-	-	2,231,048	1,969,046
General revenues:						
Property tax levied for:						
General purposes	1,340,229	1,267,075	-	-	1,340,229	1,267,075
Debt service	253,748	281,153	-	-	253,748	281,153
Tax increment financing	1,112,175	1,289,505	-	-	1,112,175	1,289,505
Local option sales tax	546,995	498,814	-	-	546,995	498,814
Hotel/motel tax	59,955	108,187	-	-	59,955	108,187
Unrestricted investment earnings	3,209	14,607	-	-	3,209	14,607
Miscellaneous	194,129	163,417	9,279	8,403	203,408	171,820
Total revenues	6,418,506	6,316,536	1,702,996	1,673,828	8,121,502	7,990,364
Program Expenses:						
Public safety	1,162,447	1,099,850	-	-	1,162,447	1,099,850
Public works	542,415	1,058,582	-	-	542,415	1,058,582
Health and social services	900	800	-	-	900	800
Culture and recreation	1,212,056	1,136,240	-	-	1,212,056	1,136,240
Community and economic development	133,852	113,969	-	-	133,852	113,969
General government	391,138	374,254	-	-	391,138	374,254
Interest on long-term debt	178,423	208,637	-	-	178,423	208,637
Water utility	-	-	680,255	687,582	680,255	687,582
Sewage disposal works	-	-	755,890	784,421	755,890	784,421
Solid waste	-	-	246,155	243,044	246,155	243,044
Total expenses	3,621,231	3,992,332	1,682,300	1,715,047	5,303,531	5,707,379
Transfers	-	-	-	-	-	-
Change In Net Position	2,797,275	2,324,204	20,696	(41,219)	2,817,971	2,282,985
Net Position Beginning Of Year	14,067,629	11,743,425	5,612,060	5,653,279	19,679,689	17,396,704
Net Position End Of Year	\$16,864,904	\$14,067,629	\$ 5,632,756	\$ 5,612,060	\$ 22,497,660	\$19,679,689

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Dyersville completed the year, its governmental funds reported a combined fund balance of \$3,468,377, which is more than the \$3,194,979 total fund balance at June 30, 2012. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

General Fund revenues and expenditures remained consistent when compared to the prior year. The General Fund showed a decrease of \$335,632 from the prior year to a deficit balance of \$373,963, compared to prior year ending deficit fund balance of \$38,331.

The CDBG fund is used to account for federal and state revenues related to flood repairs and future property buy-outs. This fund ended fiscal year 2013 with a fund balance of \$201,720, compared to the prior year ending deficit fund balance of 599,723.

The Dyersville Economic Development TIF Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal 2013 with a \$1,765,441 balance compared to the prior year ending fund balance of \$1,205,597.

The Local Option Sales Tax Funds is used to account for revenues from the local sales and service tax in the amount of one percent and used to pay for twenty-five percent for property relief and seventy-five percent to reduce future borrowing. This fund ended fiscal 2013 with a \$2,037,048 balance compared to the prior year ending fund balance of \$1,627,492.

The Capital Improvements Fund is used to account for the resources and costs related to infrastructure and building construction and major improvements. This fund ended fiscal 2013 with a deficit balance of \$383,002 compared to the prior year ending balance of \$825,143. The deficit will be eliminated through future transfers from other funds.

The Debt service fund is used to account for the payment of interest and principal on the City's general long term debt. The fund ended fiscal year 2013 with a balance of \$99,101, compared to prior year ending fund balance of \$28,582.

Proprietary Fund Highlights

The Water Utility Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2013 with net position of \$2,684,814 compared to the prior year ending net position of \$2,716,332.

The Sewage Disposal Works Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2013 with a \$2,840,429 net position balance compared to the prior year ending net position balance of \$2,797,019.

The Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal 2013 with a \$107,513 net position balance compared to the prior year ending net position balance of \$98,709.

Budgetary Highlights

Over the course of the year, the City of Dyersville amended its budget one time. The amendment was done on May 20, 2013. The amendment was needed to adjust revenue and expenditures for capital projects which were funded partially by grants.

The city's receipts were \$350,061 more than final budgeted receipts. The most significant variances resulted from the City receiving more intergovernmental revenue and less miscellaneous receipts than anticipated in the budget amendment.

Total disbursements were \$884,915 less than budgeted disbursements. Capital projects were \$277,123 less than budgeted and public safety was \$565,465 less than budgeted.

Even with the amendment, the City exceeded its budgetary amount in the public works, health and social services, culture and recreation, and debt service functions during the year ended June 30, 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$17,069,583 (net of accumulated depreciation) at June 30, 2013. Capital assets for business-type activities totaled \$15,747,414 (net of accumulated depreciation) at June 30, 2013. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included building improvements, some vehicles and equipment, and infrastructure improvements.

For business-type activities, major additions included the Highway 136 Utility Project, some equipment and donation of water and sewer improvements.

Long-Term Debt

At June 30, 2013, the City had \$4,255,019 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$7,048,038 at June 30, 2013. The long term debt includes a capital lease purchase agreement for four trucks and one sewer camera system with a remaining balance of \$30,057 at June 30, 2013, of which a portion recorded in governmental activities and a portion is recorded in business-type activities.

The City does not have a general obligation bond rating assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$16 million. Other obligations include accrued vacation pay, sick leave, and net OPEB liability. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City in setting its fiscal 2014 budget. The City of Dyersville will experience a significant increase in General Fund revenues from fiscal 2013 to fiscal 2014.

Property valuations increased approximately 6% for fiscal year 2014, so property tax for the general fund is expected to increase. The levy rate for the debt service levy increased approximately 8%, while the total levy rate increased from 9.03 to 9.11.

The General Fund is projected to end fiscal 2014 with a fund balance of approximately \$72,000.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2014 are provided below:

General levy	\$ 8.07033
Debt Service levy	1.04107
Total	\$ 9.11140

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact Mick J. Michel, City Administrator, 340 1st Avenue East, Dyersville, Iowa 52040.

BASIC FINANCIAL STATEMENTS

CITY OF DYERSVILLE, IOWA

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled cash investments	\$ 52,475	\$ 767,385	\$ 819,860
Receivables			
Property tax			
Delinquent	131,561	-	131,561
Succeeding year	2,607,973	-	2,607,973
Accounts and other	34,650	239,560	274,210
Special assessments	77,998	-	77,998
Due from other governments	800,867	-	800,867
Internal balances	4,042,240	(4,042,240)	-
Inventories	-	34,369	34,369
Prepaid expenses	64,703	24,742	89,445
Restricted assets			
Cash and pooled cash investments	-	25,642	25,642
Deferred charges	-	11,648	11,648
Capital assets			
Land	5,202,554	185,280	5,387,834
Buildings	4,108,876	-	4,108,876
Improvements other than buildings	1,029,044	45,237	1,074,281
Machinery and equipment	2,373,783	1,177,824	3,551,607
Infrastructure	6,095,755	19,168,443	25,264,198
Construction in progress	2,384,403	53,686	2,438,089
Accumulated depreciation	(4,124,832)	(4,883,056)	(9,007,888)
Total Assets	<u>24,882,050</u>	<u>12,808,520</u>	<u>37,690,570</u>

See accompanying notes to the financial statements.

	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 901,123	\$ 31,988	\$ 933,111
Accrued interest payable	14,214	20,079	34,293
Salaries and benefits payable	41,335	4,263	45,598
Unearned revenue			
Succeeding year property tax	2,607,973	-	2,607,973
Other	54,700	-	54,700
Long-term liabilities			
Portion due or payable within one year			
Customer deposits	-	22,518	22,518
Capital lease purchase	4,865	9,730	14,595
Notes payable	290,000	150,000	440,000
General obligation bonds	90,000	50,000	140,000
Revenue bonds payable	-	207,000	207,000
Compensated absences	131,046	44,966	176,012
Portion due or payable after one year			
Capital lease purchase agreements	5,154	10,308	15,462
Notes payable	3,405,000	2,525,000	5,930,000
General obligation bonds	460,000	1,580,000	2,040,000
Revenue bonds payable	-	2,516,000	2,516,000
Net OPEB liability	11,736	3,912	15,648
Total Liabilities	<u>8,017,146</u>	<u>7,175,764</u>	<u>15,192,910</u>
Net Position			
Net investment in capital assets	12,814,564	8,699,376	21,513,940
Restricted for			
Local option sales tax	2,037,048	-	2,037,048
Road use	82,448	-	82,448
Economic development	1,765,441	-	1,765,441
Library	162,679	-	162,679
Debt service	84,887	-	84,887
Capital Improvements	163,389	-	163,389
Prepaid	64,704	-	64,704
Other purpose	66	-	66
Unrestricted	(310,322)	(3,066,620)	(3,376,942)
Total Net Position	<u>\$ 16,864,904</u>	<u>\$ 5,632,756</u>	<u>\$ 22,497,660</u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities				
Public safety	\$ 1,162,447	\$ 47,957	\$ 25,369	\$ -
Public works	542,415	-	393,461	460,908
Health and social services	900	-	-	-
Culture and recreation	1,212,056	191,933	18,298	-
Community and economic development	133,852	-	-	1,770,140
General government	391,138	-	-	-
Debt service	178,423	-	-	-
Total governmental activities	<u>3,621,231</u>	<u>239,890</u>	<u>437,128</u>	<u>2,231,048</u>
Business-type activities				
Water utility	680,255	641,025	-	-
Sewage disposal works	755,890	797,733	-	-
Solid waste	246,155	254,959	-	-
Total business-type activities	<u>1,682,300</u>	<u>1,693,717</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 5,303,531</u>	<u>\$ 1,933,607</u>	<u>\$ 437,128</u>	<u>\$ 2,231,048</u>
General revenues				
Property tax and other City tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Unrestricted investment earnings				
Gain on sale of capital assets				
Other				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

See accompanying notes to the financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,089,121)	\$ -	\$ (1,089,121)
311,954	-	311,954
(900)	-	(900)
(1,001,825)	-	(1,001,825)
1,636,288	-	1,636,288
(391,138)	-	(391,138)
(178,423)	-	(178,423)
(713,165)	-	(713,165)
-	(39,230)	(39,230)
-	41,843	41,843
-	8,804	8,804
-	11,417	11,417
(713,165)	11,417	(701,748)
1,340,229	-	1,340,229
253,748	-	253,748
1,112,175	-	1,112,175
546,995	-	546,995
59,955	-	59,955
3,209	-	3,209
11,000	-	11,000
183,129	9,279	192,408
3,510,440	9,279	3,519,719
2,797,275	20,696	2,817,971
14,067,629	5,612,060	19,679,689
<u>\$ 16,864,904</u>	<u>\$ 5,632,756</u>	<u>\$ 22,497,660</u>

CITY OF DYERSVILLE, IOWA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	CDBG	Special Revenue	
			Dyersville Economic Development TIF	Local Option Sales Tax
Assets				
Cash and pooled cash investments	\$ 183	\$ -	\$ -	\$ -
Receivables				
Property tax				
Delinquent	11,816	-	114,320	-
Succeeding year	1,549,875	-	827,135	-
Accounts and other	34,650	-	-	-
Special assessments	-	-	-	-
Due from other governments	43,048	662,117	-	62,470
Due from other funds	-	349,515	1,756,583	1,974,578
Prepaid expenditures	64,703	-	-	-
Total Assets	\$ 1,704,275	\$ 1,011,632	\$ 2,698,038	\$ 2,037,048
Liabilities And Fund Balances				
Liabilities				
Accounts payable	\$ 41,498	\$ -	\$ 105,462	\$ -
Salaries and benefits payable	37,255	-	-	-
Unavailable revenue				
Succeeding year property tax	1,549,875	-	827,135	-
Other	22,000	646,461	-	-
Due to other funds	427,610	163,451	-	-
Total Liabilities	2,078,238	809,912	932,597	-
Fund Balances (deficits)				
Nonspendable				
Prepaid expenditures	64,704	-	-	-
Restricted for				
Economic development	-	-	1,765,441	-
Local option sales tax	-	-	-	2,037,048
Road use	-	-	-	-
Library	-	-	-	-
Debt service	-	-	-	-
Capital Equipment	-	-	-	-
Capital Improvements	-	201,720	-	-
Committed For				
Library expenses	123,161	-	-	-
Unassigned	(561,828)	-	-	-
Total Fund Balances	(373,963)	201,720	1,765,441	2,037,048
Total Liabilities and Fund Balances	\$ 1,704,275	\$ 1,011,632	\$ 2,698,038	\$ 2,037,048

See accompanying notes to the financial statements.

<u>Capital Projects Capital Improvements</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 12,188	\$ -	\$ 40,104	\$ 52,475
-	5,425	-	131,561
-	230,963	-	2,607,973
-	-	-	34,650
77,998	-	-	77,998
-	-	33,232	800,867
4,306,484	410,117	59,727	8,857,004
-	-	-	64,703
<u>\$ 4,396,670</u>	<u>\$ 646,505</u>	<u>\$ 133,063</u>	<u>\$ 12,627,231</u>
\$ 747,212	\$ -	\$ 6,951	\$ 901,123
-	-	4,080	41,335
-	230,963	-	2,607,973
125,198	-	-	793,659
3,907,262	316,441	-	4,814,764
<u>4,779,672</u>	<u>547,404</u>	<u>11,031</u>	<u>9,158,854</u>
-	-	-	64,704
-	-	-	1,765,441
-	-	-	2,037,048
-	-	82,448	82,448
-	-	39,518	39,518
-	99,101	-	99,101
-	-	66	66
12,188	-	-	213,908
-	-	-	123,161
(395,190)	-	-	(957,018)
<u>(383,002)</u>	<u>99,101</u>	<u>122,032</u>	<u>3,468,377</u>
<u>\$ 4,396,670</u>	<u>\$ 646,505</u>	<u>\$ 133,063</u>	<u>\$ 12,627,231</u>

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit D

Total Fund Balances - Governmental Funds \$ 3,468,377

Amounts reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

Cost of capital assets	\$ 21,194,415	
Accumulated depreciation	(4,124,832)	
	<u>17,069,583</u>	17,069,583

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

Special assessments	70,498	
Other	668,461	
	<u>738,959</u>	738,959

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

General obligation bonds	(550,000)	
Capital lease purchase agreement	(10,019)	
Notes payable	(3,695,000)	
Accrued interest	(14,214)	
Compensated absences	(131,046)	
OPEB	(11,736)	
	<u>(4,412,015)</u>	(4,412,015)

Net position of governmental activities \$ 16,864,904

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICIT) – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

	General	CDBG	Special Revenue	
			Dyersville Economic Development TIF	Local Option Sales Tax
Revenues				
Property tax	\$ 1,351,293	\$ -	\$ -	\$ -
Tax increment financing	-	-	1,112,175	-
Other city tax	289,064	-	-	409,556
Licenses and permits	24,677	-	-	-
Use of money and property	29,898	-	-	-
Intergovernmental	41,476	1,407,950	-	-
Charges for service	185,909	-	-	-
Special assessments	-	-	-	-
Miscellaneous	71,122	47,811	-	-
Total Revenues	<u>1,993,439</u>	<u>1,455,761</u>	<u>1,112,175</u>	<u>409,556</u>
Expenditures				
Operating				
Public safety	745,683	654,318	-	-
Public works	199,256	-	67,953	-
Health and social services	900	-	-	-
Culture and recreation	1,053,223	-	-	-
Community and economic development	11,549	-	122,303	-
General government	318,460	-	-	-
Debt service	-	-	5,462	-
Capital projects	-	-	-	-
Total Expenditures	<u>2,329,071</u>	<u>654,318</u>	<u>195,718</u>	<u>-</u>
Excess (Deficiency) Of Revenues Over (Under) Expenditures	<u>(335,632)</u>	<u>801,443</u>	<u>916,457</u>	<u>409,556</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(356,613)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(356,613)</u>	<u>-</u>
Net Change In Fund Balances	(335,632)	801,443	559,844	409,556
Fund Balances, Beginning Of Year	<u>(38,331)</u>	<u>(599,723)</u>	<u>1,205,597</u>	<u>1,627,492</u>
Fund Balances, End Of Year	<u>\$ (373,963)</u>	<u>\$ 201,720</u>	<u>\$ 1,765,441</u>	<u>\$ 2,037,048</u>

See accompanying notes to the financial statements.

<u>Capital Projects</u> <u>Capital</u> <u>Improvements</u>	<u>Debt</u> <u>Service</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
\$ -	\$ 253,748	\$ -	\$ 1,605,041
-	-	-	1,112,175
-	2,208	-	700,828
-	-	-	24,677
379	-	56	30,333
673,754	-	393,461	2,516,641
-	-	17,844	203,753
128,626	-	-	128,626
26,334	-	-	145,267
<u>829,093</u>	<u>255,956</u>	<u>411,361</u>	<u>6,467,341</u>
-	-	54,665	1,454,666
-	-	294,076	561,285
-	-	-	900
-	-	15,739	1,068,962
-	-	-	133,852
-	-	-	318,460
-	542,050	-	547,512
<u>2,037,238</u>	<u>-</u>	<u>71,068</u>	<u>2,108,306</u>
<u>2,037,238</u>	<u>542,050</u>	<u>435,548</u>	<u>6,193,943</u>
<u>(1,208,145)</u>	<u>(286,094)</u>	<u>(24,187)</u>	<u>273,398</u>
-	356,613	-	356,613
-	-	-	(356,613)
-	356,613	-	-
(1,208,145)	70,519	(24,187)	273,398
<u>825,143</u>	<u>28,582</u>	<u>146,219</u>	<u>3,194,979</u>
<u>\$ (383,002)</u>	<u>\$ 99,101</u>	<u>\$ 122,032</u>	<u>\$ 3,468,377</u>

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

Exhibit F

Net Change In Fund Balances - Total Governmental Funds	\$	273,398
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>		
Net acquisition of capital assets	\$ 2,720,958	
Depreciation expense	<u>(448,305)</u>	2,272,653
<p>Because some revenues will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds, as follows:</p>		
Grants	(28,337)	
Special Assessments	<u>(70,498)</u>	(98,835)
<p>Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these items is as follows:</p>		
Repaid	<u>368,201</u>	368,201
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:</p>		
Compensated absences	(16,294)	
Interest on long-term debt	888	
OPEB	<u>(2,736)</u>	<u>(18,142)</u>
Change in net position of governmental activities	\$	<u><u>2,797,275</u></u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities - Enterprise Funds			Total
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	
Assets				
Current Assets				
Cash and pooled cash investments	\$ 50,154	\$ 656,934	\$ 60,297	\$ 767,385
Accounts receivable	79,980	124,454	35,126	239,560
Inventories	28,431	5,938	-	34,369
Due from other funds	-	207,219	-	207,219
Prepaid items	12,412	12,330	-	24,742
Total current assets	<u>170,977</u>	<u>1,006,875</u>	<u>95,423</u>	<u>1,273,275</u>
Noncurrent Assets				
Restricted assets - cash and pooled cash investments	<u>25,642</u>	<u>-</u>	<u>-</u>	<u>25,642</u>
Deferred charges	<u>2,094</u>	<u>9,554</u>	<u>-</u>	<u>11,648</u>
Capital assets				
Land	75,750	109,530	-	185,280
Improvements other than buildings	-	-	45,237	45,237
Machinery and equipment	303,231	769,920	59,365	1,132,516
Meters	45,308	-	-	45,308
Wells	1,601,665	-	-	1,601,665
Distribution system	6,998,326	-	-	6,998,326
Sewer system	-	10,568,452	-	10,568,452
Construction in progress	3,066	50,620	-	53,686
Accumulated depreciation	<u>(2,354,006)</u>	<u>(2,460,449)</u>	<u>(68,601)</u>	<u>(4,883,056)</u>
Net capital assets	<u>6,673,340</u>	<u>9,038,073</u>	<u>36,001</u>	<u>15,747,414</u>
Total noncurrent assets	<u>6,701,076</u>	<u>9,047,627</u>	<u>36,001</u>	<u>15,784,704</u>
Total assets	<u>6,872,053</u>	<u>10,054,502</u>	<u>131,424</u>	<u>17,057,979</u>

See accompanying notes to the financial statements.

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	Total
	Water Utility	Sewage Disposal Works	Solid Waste	
Liabilities				
Current Liabilities				
Accounts payable	\$ 7,471	\$ 3,985	\$ 20,532	\$ 31,988
Accrued interest payable	7,754	12,325	-	20,079
Salaries and benefits payable	3,528	151	584	4,263
Due to other funds	1,391,245	2,858,214	-	4,249,459
Capital lease purchase agreement	4,865	4,865	-	9,730
Notes payable	105,000	45,000	-	150,000
General obligation bonds payable	15,000	35,000	-	50,000
Revenue bonds payable	43,000	164,000	-	207,000
Compensated absences	18,944	23,619	2,403	44,966
Total current liabilities	<u>1,596,807</u>	<u>3,147,159</u>	<u>23,519</u>	<u>4,767,485</u>
Current Liabilities Payable From Restricted Assets				
Customer deposits payable	22,518	-	-	22,518
Noncurrent Liabilities				
Capital lease purchase agreement	5,154	5,154	-	10,308
Notes payable	1,750,000	775,000	-	2,525,000
General obligation bonds payable	410,000	1,170,000	-	1,580,000
Revenue bonds payable	401,000	2,115,000	-	2,516,000
Net OPEB Liability	1,760	1,760	392	3,912
Total noncurrent liabilities	<u>2,567,914</u>	<u>4,066,914</u>	<u>392</u>	<u>6,635,220</u>
Total liabilities	<u>4,187,239</u>	<u>7,214,073</u>	<u>23,911</u>	<u>11,425,223</u>
Net Position				
Net investment in capital assets	3,939,321	4,724,054	36,001	8,699,376
Unrestricted	(1,254,507)	(1,883,625)	71,512	(3,066,620)
Total net position	<u>\$ 2,684,814</u>	<u>\$ 2,840,429</u>	<u>\$ 107,513</u>	<u>\$ 5,632,756</u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

Exhibit H

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	Total
	Water Utility	Sewage Disposal Works	Solid Waste	
Operating Revenues				
Charges for sales and services	\$ 641,025	\$ 797,733	\$ 254,959	\$ 1,693,717
Other	7,712	1,567	-	9,279
Total operating revenues	<u>648,737</u>	<u>799,300</u>	<u>254,959</u>	<u>1,702,996</u>
Operating Expenses				
Employee expense	154,563	157,810	30,728	343,101
Utilities	55,698	50,007	967	106,672
Repairs and maintenance	76,894	67,533	20,880	165,307
Supplies and services	76,978	82,597	191,318	350,893
Insurance	15,052	17,510	-	32,562
Depreciation	190,448	233,453	2,262	426,163
Total operating expenses	<u>569,633</u>	<u>608,910</u>	<u>246,155</u>	<u>1,424,698</u>
Operating Income	<u>79,104</u>	<u>190,390</u>	<u>8,804</u>	<u>278,298</u>
Nonoperating Expenses				
Interest expense	(110,099)	(145,786)	-	(255,885)
Bond issuance cost	(523)	(1,194)	-	(1,717)
Total nonoperating expenses	<u>(110,622)</u>	<u>(146,980)</u>	<u>-</u>	<u>(257,602)</u>
Change In Net Position	(31,518)	43,410	8,804	20,696
Net Position, Beginning	<u>2,716,332</u>	<u>2,797,019</u>	<u>98,709</u>	<u>5,612,060</u>
Net Position, Ending	<u>\$ 2,684,814</u>	<u>\$ 2,840,429</u>	<u>\$ 107,513</u>	<u>\$ 5,632,756</u>

See accompanying notes to the financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

Exhibit I

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
Cash Flows From Operating Activities				
Cash received from customers	\$ 655,588	\$ 781,194	\$ 251,560	\$ 1,688,342
Cash payments to suppliers for goods and services	(239,851)	(225,635)	(207,477)	(672,963)
Cash payments to employees for services	(151,195)	(154,986)	(30,084)	(336,265)
Other operating receipts	7,712	1,567	-	9,279
Net Cash Provided By (used for) Operating Activities	272,254	402,140	13,999	688,393
Cash Flows From Noncapital Financing Activities				
Proceeds from interfund balances	8,779	531,753	-	540,532
Net Cash Provided By (used for) Noncapital Financing Activities	8,779	531,753	-	540,532
Cash Flows From Capital And Related Financing Activities				
Acquisition and construction of capital assets	(3,066)	(164,289)	-	(167,355)
Proceeds from issuance of debt	-	116,930	-	116,930
Payment of debt	(150,201)	(267,201)	-	(417,402)
Interest paid	(110,513)	(146,550)	-	(257,063)
Net Cash used for Capital and Related Financing Activities	(263,780)	(461,110)	-	(724,890)

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

Exhibit I

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
Net Increase In Cash And Cash Equivalents	\$ 17,253	\$ 472,783	\$ 13,999	\$ 504,035
Cash And Cash Equivalents, Beginning of Year	58,543	184,151	46,298	288,992
Cash And Cash Equivalents, End of Year	<u>\$ 75,796</u>	<u>\$ 656,934</u>	<u>\$ 60,297</u>	<u>\$ 793,027</u>
Reconciliation Of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 79,104	\$ 190,390	\$ 8,804	\$ 278,298
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	190,448	233,453	2,262	426,163
Change in assets and liabilities				
Increase (decrease) in accounts receivable	14,438	(16,539)	(3,399)	(5,500)
Increase (decrease) in inventory and prepaid items	(15,130)	1,290	-	(13,840)
Increase (decrease) in accounts payable	(99)	(9,278)	5,688	(3,689)
Increase in deposits payable	125	-	-	125
Increase in accrued liabilities	2,958	2,414	552	5,924
Increase in OPEB liabilities	410	410	92	912
Total adjustments	<u>193,150</u>	<u>211,750</u>	<u>5,195</u>	<u>410,095</u>
Net Cash Provided By Operating Activities	<u>\$ 272,254</u>	<u>\$ 402,140</u>	<u>\$ 13,999</u>	<u>\$ 688,393</u>
Reconciliation of Cash and Cash Equivalents at Year End to Specific Assets Included on the Statement of Net Position				
Current assets:				
Cash and pooled investments	\$ 50,154	\$ 656,934	\$ 60,297	\$ 767,385
Restricted assets:				
Cash and pooled investments	<u>25,642</u>	<u>-</u>	<u>-</u>	<u>25,642</u>
Cash and Cash Equivalents at Year End	<u>\$ 75,796</u>	<u>\$ 656,934</u>	<u>\$ 60,297</u>	<u>\$ 793,027</u>

See accompanying notes to the financial statements.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Jointly Governed Organization

The City also participates in a jointly governed organization that provides goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following board: Bi-County Ambulance, Dubuque County Assessor's Board, Dubuque County Emergency Management Commission and the Dubuque County E911 Board.

Basis of Presentation

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The statement of net position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

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

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

Unrestricted net position – consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue Funds

The CDBG Fund is used to account for federal and state revenues related to flood repairs and property buy-outs.

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Capital Projects Funds – The Capital Improvements Fund is used to account for the resources and costs related to infrastructure and building construction and major improvements.

Debt Service Fund – The Debt Service Fund is utilized 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:

Enterprise Funds

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Assets, Liabilities, and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2013, and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is unavailable in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011, assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013, and reflects tax asking contained in the budget certified by the County Board of Supervisors in March, 2012.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 – 50
Building improvements	20 – 50
Infrastructure	30 – 50
Equipment	2 – 20
Vehicles	3 – 10
Intangibles	5 – 20

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column in the Statement of Net Position and the proprietary fund Statement of Net Position. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and budgetary accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amount budgeted in the public safety, health and social services, general government, debt service, and business-type activities functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

Deposits. The City's deposits in banks at June 30, 2013, 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.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,152,554	\$ 50,000	\$ -	\$ 5,202,554
Construction in progress	105,819	2,298,584	20,000	2,384,403
Total capital assets, not being depreciated	<u>5,258,373</u>	<u>2,348,584</u>	<u>20,000</u>	<u>7,586,957</u>
Capital assets, being depreciated				
Buildings	4,025,426	83,450	-	4,108,876
Improvements other than buildings	791,035	238,009	-	1,029,044
Machinery and equipment	2,316,659	57,124	-	2,373,783
Infrastructure	6,081,964	13,791	-	6,095,755
Total capital assets, being depreciated	<u>13,215,084</u>	<u>392,374</u>	<u>-</u>	<u>13,607,458</u>
Less accumulated depreciation for:				
Buildings	1,426,426	111,432	-	1,537,858
Improvements other than buildings	284,209	56,219	-	340,428
Machinery and equipment	1,462,398	148,019	-	1,610,417
Infrastructure	503,494	132,635	-	636,129
Total accumulated depreciation	<u>3,676,527</u>	<u>448,305</u>	<u>-</u>	<u>4,124,832</u>
Total capital assets being depreciated, net	<u>9,538,557</u>	<u>(55,931)</u>	<u>-</u>	<u>9,482,626</u>
Governmental activities capital assets, net	<u>\$ 14,796,930</u>	<u>\$ 2,292,653</u>	<u>\$ 20,000</u>	<u>\$ 17,069,583</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

	Balance End of Year	Increases	Decreases	Balance End of Year
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 160,280	\$ 25,000	\$ -	\$ 185,280
Construction in progress	1,773,709	53,686	1,773,709	53,686
Total capital assets, not being depreciated	<u>1,933,989</u>	<u>78,686</u>	<u>1,773,709</u>	<u>238,966</u>
Capital assets, being depreciated				
Improvements other than buildings	45,237	-	-	45,237
Equipment and vehicles	1,177,824	-	-	1,177,824
Infrastructure, water and sewer network	17,306,065	1,862,378	-	19,168,443
Total capital assets, being depreciated	<u>18,529,126</u>	<u>1,862,378</u>	<u>-</u>	<u>20,391,504</u>
Less accumulated depreciation for:				
Improvements other than buildings	6,974	2,262	-	9,236
Equipment and vehicles	463,904	66,900	-	530,804
Infrastructure, water and sewer network	3,986,015	357,001	-	4,343,016
Total accumulated depreciation	<u>4,456,893</u>	<u>426,163</u>	<u>-</u>	<u>4,883,056</u>
Total capital assets being depreciated, net	<u>14,072,233</u>	<u>1,436,215</u>	<u>-</u>	<u>15,508,448</u>
Business-type activities capital assets, net	<u>\$ 16,006,222</u>	<u>\$ 1,514,901</u>	<u>\$ 1,773,709</u>	<u>\$ 15,747,414</u>

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

Governmental activities:	
Public safety	\$ 74,394
Public works	142,308
Culture and recreation	157,976
General government	<u>73,627</u>
Total depreciation expense - governmental activities	<u>\$ 448,305</u>
Business-type activities:	
Water	\$ 190,448
Sewage disposal works	233,453
Solid waste	<u>2,262</u>
Total depreciation expense - business-type activities	<u>\$ 426,163</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013, is as follows:

<u>Governmental Activities</u>	<u>Capital Lease Purchase Agreement</u>	<u>General Obligation Bonds/Notes</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 18,220	\$ 4,605,000	\$ 114,752	\$ 9,000	\$ 4,746,972
Increases	-	-	131,046	2,736	133,782
Decreases	8,201	360,000	114,752	-	482,953
Balance end of year	<u>\$ 10,019</u>	<u>\$ 4,245,000</u>	<u>\$ 131,046</u>	<u>\$ 11,736</u>	<u>\$ 4,397,801</u>
Due within one year	<u>\$ 4,865</u>	<u>\$ 380,000</u>	<u>\$ 131,046</u>	<u>\$ -</u>	<u>\$ 515,911</u>

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

<u>Business-type Activities</u>	<u>Capital Lease Purchase Agreement</u>	<u>Revenue Bonds</u>	<u>General Obligation Bonds/Notes</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 36,440	\$ 2,944,000	\$ 4,485,000	\$ 40,513	\$ 3,000	\$ 7,508,953
Increases	-	-	-	44,966	912	45,878
Decreases	16,402	221,000	180,000	40,513	-	457,915
Balance end of year	<u>\$ 20,038</u>	<u>\$ 2,723,000</u>	<u>\$ 4,305,000</u>	<u>\$ 44,966</u>	<u>\$ 3,912</u>	<u>\$ 7,096,916</u>
Due within one year	<u>\$ 9,730</u>	<u>\$ 207,000</u>	<u>\$ 200,000</u>	<u>\$ 44,966</u>	<u>\$ -</u>	<u>\$ 461,696</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Capital Lease Purchase Agreement

The City has entered into capital lease purchase agreements to lease four trucks with historical costs of \$306,167, accumulated depreciation of \$109,251, and a net book value of \$196,916. The following is a schedule of the future minimum lease payments, including interest ranging from 5.16% to 5.48% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2013:

<u>Governmental Activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2014	\$ 5,290
	2015	<u>5,324</u>
	Total minimum lease payments	10,614
	Less amount representing interest	<u>(595)</u>
	Present value of net minimum lease payments	<u>\$ 10,019</u>
<u>Business-type Activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2014	\$ 10,581
	2015	<u>10,648</u>
	Total minimum lease payments	21,229
	Less amount representing interest	<u>(1,191)</u>
	Present value of net minimum lease payments	<u>\$ 20,038</u>

General Obligation Bonds/Notes

Governmental activities:

Two issues of unmatured general obligation bonds/notes, totaling \$4,245,000, are outstanding at June 30, 2013. General obligation bonds/notes bear interest at rates ranging from 0.80% to 4.90% per annum and mature in varying annual amounts, ranging from \$30,000 to \$325,000, with the final maturities due in the year ending June 30, 2027.

Business-type activities:

Two issues of unmatured general obligation bonds/notes, totaling \$4,305,000, are outstanding at June 30, 2013. General obligation bonds/notes bear interest at rates ranging from 0.80% to 4.90% per annum and mature in varying annual amounts, ranging from \$15,000 to \$165,000, with the final maturities due in the year ending June 30, 2027.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Details of general obligation bonds/notes payable at June 30, 2013, are as follows:

Governmental activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
General obligation bonds/notes:						
Refunding & economic development	03/18/08	2.74 - 4.90%	06/01/27	205,000 - 325,000	4,930,000	3,695,000
Refunding & economic development	08/11/11	0.80 - 3.60%	06/01/26	30,000 - 95,000	735,000	550,000
Total general obligation notes						<u>\$ 4,245,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2014	380,000	172,040	552,040
2015	340,000	161,045	501,045
2016	245,000	149,610	394,610
2017	255,000	141,283	396,283
2018	250,000	132,098	382,098
2019-2023	1,425,000	502,710	1,927,710
2024-2027	1,350,000	159,735	1,509,735
Total	<u>\$ 4,245,000</u>	<u>\$ 1,418,521</u>	<u>\$ 5,663,521</u>

Business-type activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
General obligation bonds/notes:						
Sewer improvements	03/18/08	2.74 - 4.90%	06/01/27	40,000 - 75,000	\$ 1,015,000	\$ 820,000
Well improvements	03/18/08	2.74 - 4.90%	06/01/27	80,000 - 165,000	2,235,000	1,855,000
Sewer improvements	08/11/11	0.80 - 3.60%	06/01/26	35,000 - 120,000	1,275,000	1,205,000
Water improvements	08/11/11	0.80 - 3.60%	06/01/26	15,000 - 40,000	455,000	425,000
Total general obligation bonds/notes						<u>\$ 4,305,000</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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

Year Ending June 30,	Principal	Interest	Total
2014	200,000	160,240	360,240
2015	255,000	154,515	409,515
2016	265,000	147,750	412,750
2017	270,000	140,070	410,070
2018	295,000	131,630	426,630
2019-2023	1,640,000	496,618	2,136,618
2024-2027	1,380,000	145,705	1,525,705
Total	\$ 4,305,000	\$ 1,376,528	\$ 5,681,528

Revenue bonds

On February 10, 2010, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources (DNR) for the issuance of a sewer revenue bond of up to \$1,192,000 with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bond was issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa and the American Recovery and Reinvestment Act of 2009 to pay the cost of constructing improvements and extensions to the sewer treatment facilities. At June 30, 2013, the City had drawn down \$1,104,000 of the authorized amount, including an initiation fee of \$11,920 (1% of the authorized borrowing for the sewer revenue bond) charged by the Iowa Finance Authority, which was withheld from the first proceeds of the sewer revenue bond.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$3,461,000 in sewer revenue bonds issued in August 2001 and February 2010. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2030. The total principal and interest remaining to be paid on the bonds is \$2,868,122. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$251,283 and \$423,843, respectively. Annual principal and interest payments on the above sewer revenue bonds are expected to require 71 percent of net revenues plus depreciation expense.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$849,000 in water revenue bonds issued in February 2002 and April 2003. Proceeds from the bonds provided financing for the construction of improvements to the sewer well. The bonds are payable solely from water customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$513,300. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$56,580 and \$269,552, respectively. Annual principal and interest payments on the above water revenue bonds are expected to require 24 percent of net revenues plus depreciation expense.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Seven issues of unmatured Iowa Finance Authority revenue bonds, totaling \$2,723,000, are outstanding at June 30, 2013. These bonds bear interest at rates ranging from 1.75% to 3.00% and mature in varying annual amounts, ranging from \$3,000 to \$78,000, with the final maturity due in the year ending June 30, 2030.

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

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

During the year ended June 30, 2013, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2013, are as follows:

Business-type activities:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Amount Outstanding End of Year
Revenue bonds:						
Sewer improvements	08/01/01	1.75%	06/01/22	\$45,000 - 61,000	\$ 862,751	\$ 471,000
Sewer improvements	08/01/01	1.75%	06/01/22	32,000 - 44,000	627,500	342,000
Sewer improvements	08/01/01	1.75%	06/01/22	23,000 - 31,000	444,749	243,000
Sewer improvements	08/01/01	1.75%	06/01/22	12,000 - 24,000	334,000	185,000
Well improvements	02/08/02	1.75%	06/01/22	40,000 - 51,000	785,000	411,000
Well improvements	04/16/03	1.75%	06/01/22	3,000 - 4,000	64,000	33,000
Sewer improvements	02/10/10	3.00%	06/01/30	43,000 - 78,000	1,192,000	1,038,000
Total revenue bonds						<u>\$ 2,723,000</u>

A summary of the annual revenue bonds principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2014	207,000	65,475	272,475
2015	215,000	60,936	275,936
2016	223,000	56,227	279,227
2017	231,000	51,338	282,338
2018	241,000	46,280	287,280
2019-2023	1,109,000	148,821	1,257,821
2024-2027	343,000	59,215	402,215
2028-2030	154,000	7,540	161,540
Total	<u>\$ 2,723,000</u>	<u>\$ 495,832</u>	<u>\$ 3,218,832</u>

Total interest expense for the year ended June 30, 2013 was approximately \$350,000 in governmental funds and \$256,000 in proprietary funds.

(continued on next page)

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2013, is as follows:

Receivable Fund	Payable Fund	Amount
CDBG	Capital Improvements	\$ 349,515
Dyersville Economic Development - TIF	General	17,493
	Capital Improvements	1,316,222
	Debt Service	316,441
	Water Utility	29,213
	Sewer Utility	77,214
		<u>1,756,583</u>
LOST	Capital Improvements	<u>1,974,578</u>
Capital Improvements	CDBG	163,451
	Water Utility	1,362,032
	Sewer Utility	2,781,001
		<u>4,306,484</u>
Debt Service	General	<u>410,117</u>
Nonmajor Governmental Funds	Capital Improvements	<u>59,727</u>
Sewer Utility	Capital Improvements	<u>207,219</u>
Total		<u>\$ 9,064,223</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. Amounts due to/from the Capital Improvements fund from/to the Water and Sewage Disposal funds represent construction projects that will be transferred to the respective funds upon completion. Some amounts due to the Dyersville Economic Development TIF fund represent debt service payments made on behalf of other funds.

NOTE 6 – TRANSFERS

Transfers totaling \$356,613 were made from the Special Revenue, Dyersville Economic Development TIF Fund to the Debt Service Fund for debt service payments for the year ended June 30, 2013.

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

(continued on next page)

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 – PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 5.78% of their annual covered salary, and the City is required to contribute 8.67% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. The City's contributions to IPERS for the three years ended June 30, 2013, 2012, 2011 were \$90,571, \$83,413, and \$83,666, respectively, equal to the required contributions for each year.

NOTE 8 – OTHER POSTEMPLOYMENT 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 22 active and no retired members in the plan. Retired 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 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 3,845
Interest on net OPEB obligation	540
Adjustment to annual required contribution	<u>(737)</u>
Annual OPEB cost	3,648
Contributions made	<u>-</u>
Increase in net OPEB obligation	3,648
Net OPEB obligation beginning of year	<u>12,000</u>
Net OPEB obligation end of year	<u>\$ 15,648</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

For the year ended June 30, 2013, there were no contributions to the medical plan by the City or from plan members eligible for benefits.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 4,000	0%	\$ 8,000
2012	4,000	0%	12,000
2013	4,000	0%	15,648

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$25,256, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$25,256. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$917,716 and the ratio of the UAAL to covered payroll was 2.8%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. Annual retirement was based on historical patterns for the covered group and termination was based on non-group specific age based turnover data.

Projected claim costs of the medical plan are \$1,179 per month for retirees less than age 65 and \$1,297 per month for spouses of retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$5,500,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$2,807,495 is outstanding at June 30, 2013. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The bond principal and interest do not constitute liabilities of the City.

NOTE 10 – DEFICIT BALANCES

At June 30, 2013, the General Fund and the Capital Improvements Fund had deficit balances of \$373,963 and \$383,002, respectively. The City anticipates future bonding will eliminate these deficits.

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 – CONSTRUCTION COMMITMENTS

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2013. The City has additional commitments for signed construction contracts of approximately \$400,000 as of June 30, 2013, to be paid as work progresses.

NOTE 13 – PROSPECTIVE ACCOUNTING CHANGES

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

Statement No. 65, Items Previously Reported as Assets and Liabilities, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25, issued June 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Statement No. 69, Government Combinations and Disposals of Government Operations, issued January 2013, will be effective for the fiscal year ending June 30, 2015. The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this Statement to refer to a variety of arrangements including mergers and acquisitions.

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, issued April 2013, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions.

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

NOTE 14 – REBATE AGREEMENTS

The City has entered into tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental taxes paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The City has agreed to provide tax increment payments in a total amount not exceeding \$2,654,960.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 15 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 10, 2014, the date which the financial statements were available to be issued.

The City has been in ongoing litigation with a contractor for a project completed in a prior year, in which the city contended the balance claimed on the contract by the contractor. Subsequent to June 30, 2013, but prior to issuance of this report, the courts ruled in favor of the contractor. A liability for this ruling has been recorded in the amount of \$259,998.

Subsequent to June 30, 2013, the City issued general obligation bonds totaling \$2.7 million and entered into a capital lease agreement for snow plow equipment requiring 84 monthly payments of \$7,873. In addition, the City entered into construction contracts and purchased other capital assets totaling approximately \$760,000.

NOTE 16 – POTENTIAL GRANT DISALLOWANCE

The City acquired certain real estate in a prior year after a flood event, using grant funds from the Federal Emergency Management Agency (FEMA) totaling \$592,572 and the Iowa Homeland Security and Emergency Management Division totaling \$146,856. FEMA has subsequently informed the City that the property was not eligible for funding and has requested that the City return the grant funds. The State of Iowa, upon learning FEMA's decision, made the same request with respect to the \$146,856 of state funding. The City disagrees and has made timely appeals challenging the factual and legal bases of the claims. The City believes it will prevail in its appeal of this claim by FEMA. However, the ultimate outcome remains unknown.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DYERSVILLE, IOWA

CITY OF DYERSVILLE, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS AND BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Variance with Final Budget-Positive (Negative)
Receipts:						
Property tax	\$ 1,596,568	\$ -	\$ 1,596,568	\$ 1,629,665	\$ 1,629,665	\$ (33,097)
Tax increment financing	1,008,472	-	1,008,472	1,165,407	1,165,407	(156,935)
Other city tax	694,535	-	694,535	770,919	770,919	(76,384)
Licenses and permits	24,552	-	24,552	16,950	16,950	7,602
Use of money and property	30,026	-	30,026	50,675	50,675	(20,649)
Intergovernmental	2,875,615	-	2,875,615	446,052	1,856,052	1,019,563
Charges for service	204,483	1,688,217	1,892,700	1,917,290	1,917,290	(24,590)
Special assessments	121,409	-	121,409	-	-	121,409
Miscellaneous	147,538	9,404	156,942	43,800	643,800	(486,858)
Total receipts	<u>6,703,198</u>	<u>1,697,621</u>	<u>8,400,819</u>	<u>6,040,758</u>	<u>8,050,758</u>	<u>350,061</u>
Disbursements:						
Public safety	1,475,251	-	1,475,251	825,646	2,040,716	565,465
Public works	590,011	-	590,011	516,946	550,946	(39,065)
Health and social services	900	-	900	1,550	800	(100)
Culture and recreation	1,088,440	-	1,088,440	900,015	944,715	(143,725)
Community and economic development	22,890	-	22,890	223,271	223,271	200,381
General government	321,470	-	321,470	283,011	322,311	841
Debt service	570,189	-	570,189	562,144	562,144	(8,045)
Capital projects	2,322,877	-	2,322,877	200,000	2,600,000	277,123
Business-type activities	-	1,640,267	1,640,267	1,645,529	1,687,529	47,262
Total disbursements	<u>6,392,028</u>	<u>1,640,267</u>	<u>8,032,295</u>	<u>5,158,112</u>	<u>8,932,432</u>	<u>900,137</u>
Deficiency of Receipts Under						
Disbursements	311,170	57,354	368,524	882,646	(881,674)	1,250,198
Other Financing Sources (Uses), Net	<u>54,700</u>	<u>95,930</u>	<u>150,630</u>	<u>1,000</u>	<u>3,586,000</u>	<u>(3,435,370)</u>
Deficiency Of Receipts And Other Financing Sources Under Disbursements and Other Financing Uses						
Balances Beginning of Year	<u>(520,613)</u>	<u>846,962</u>	<u>326,349</u>	<u>1,607,997</u>	<u>1,607,997</u>	<u>(1,281,648)</u>
Balances End of Year	<u>\$ (154,743)</u>	<u>\$ 1,000,246</u>	<u>\$ 845,503</u>	<u>\$ 2,491,643</u>	<u>\$ 4,312,323</u>	<u>\$ (3,466,820)</u>

CITY OF DYERSVILLE, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS AND BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013

Budget To Gaap Reconciliation	Governmental Funds			Proprietary Funds		
			Modified	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 6,703,198	\$ (235,857)	\$ 6,467,341	\$ 1,697,621	\$ 5,375	\$ 1,702,996
Expenditures/Expenses	6,392,028	(198,085)	6,193,943	1,640,267	42,033	1,682,300
Net	311,170	(37,772)	273,398	57,354	(36,658)	20,696
Other Financing Sources, Net	54,700	(54,700)	-	95,930	(95,930)	-
Beginning Fund Balances/Net Position	(520,613)	3,715,592	3,194,979	846,962	5,676,786	5,612,060

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$3,774,320. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements in the public works, health and social services, culture and recreation, and debt service functions exceeded the amount budgeted.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(Amounts in Thousands)
YEAR ENDED JUNE 30, 2013

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2010	July 1, 2009	-	\$ 26	\$ 26	0.00%	\$ 861	3.00%
2011	July 1, 2009	-	26	26	0.00%	861	3.00%
2012	July 1, 2009	-	26	26	0.00%	861	3.00%
2013	July 1, 2012	-	26	26	0.00%	918	2.83%

See Note 7 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CITY OF DYERSVILLE, IOWA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Road Use Tax – This fund is used to account for road use tax revenues and the expenditures allowed by statute to be paid from the funds received.

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

CAPITAL PROJECTS FUND

Capital Equipment - This fund is used to account for the resources and costs related to the acquisition of significant equipment items.

CITY OF DYERSVILLE, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

Schedule 1

	Special Revenue		Capital Projects	Total
	Road Use Tax	Library Trust	Capital Equipment	Nonmajor Governmental Funds
Assets				
Cash and pooled cash				
investments	\$ -	\$ 40,104	\$ -	\$ 40,104
Due from other governments	33,232	-	-	33,232
Due from other funds	59,661	-	66	59,727
Total Assets	\$ 92,893	\$ 40,104	\$ 66	\$ 133,063
Liabilities And Fund Balances				
Liabilities				
Accounts payable	\$ 6,365	\$ 586	\$ -	\$ 6,951
Salaries and benefits payable	4,080	-	-	4,080
Total Liabilities	10,445	586	-	11,031
Fund Balances				
Restricted for				
Road use	82,448	-	-	82,448
Library	-	39,518	-	39,518
Capital equipment			66	66
Total Fund Balances	82,448	39,518	66	122,032
Total Liabilities and Fund Balances	\$ 92,893	\$ 40,104	\$ 66	\$ 133,063

CITY OF DYERSVILLE, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013

Schedule 2

	Special Revenue		Capital Projects	Total Nonmajor Governmental Funds
	Road Use Tax	Library Trust	Capital Equipment	
Revenues				
Use of money and property	\$ -	\$ 56	\$ -	\$ 56
Intergovernmental	393,461	-	-	393,461
Charges for service	-	17,844	-	17,844
Total Revenues	<u>393,461</u>	<u>17,900</u>	<u>-</u>	<u>411,361</u>
Expenditures				
Operating				
Public safety	54,665	-	-	54,665
Public works	294,076	-	-	294,076
Culture and recreation	-	15,739	-	15,739
Capital projects	<u>71,068</u>	<u>-</u>	<u>-</u>	<u>71,068</u>
Total Expenditures	<u>419,809</u>	<u>15,739</u>	<u>-</u>	<u>435,548</u>
Deficiency of Revenues				
Under Expenditures	<u>(26,348)</u>	<u>2,161</u>	<u>-</u>	<u>(24,187)</u>
Fund Balances, Beginning of Year	<u>108,796</u>	<u>37,357</u>	<u>66</u>	<u>146,219</u>
Fund Balances, End of Year	<u>\$ 82,448</u>	<u>\$ 39,518</u>	<u>\$ 66</u>	<u>\$ 122,032</u>

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

Schedule 3

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Property tax	\$ 1,605,041	\$ 1,548,543	\$ 1,610,731	\$ 1,499,214	\$ 1,447,583	\$ 1,385,570	\$ 1,334,936	\$ 1,340,550	\$ 1,347,005	\$ 1,276,337
Tax increment financing	1,112,175	1,289,505	709,582	623,742	362,399	257,506	339,688	410,153	300,510	288,945
Other city tax	700,828	658,198	640,674	620,724	616,627	641,441	633,612	549,499	535,448	541,492
Licenses and permits	24,677	19,988	15,908	19,875	17,808	17,279	16,604	19,721	20,015	13,168
Use of money and property	30,333	35,790	50,070	103,081	200,559	124,712	92,909	67,584	52,846	62,981
Intergovernmental	2,516,641	1,747,062	1,884,647	2,142,239	605,322	381,761	368,337	664,079	454,263	1,231,635
Charges for service	203,753	210,754	276,185	308,616	250,551	239,593	250,071	201,149	176,035	176,066
Special assessments	128,626	1,186	3,444	6,536	7,993	7,873	7,605	14,897	19,082	133,889
Miscellaneous	145,267	610,642	30,332	48,962	60,903	69,055	56,003	141,476	159,605	225,237
Total Revenues	\$ 6,467,341	\$ 6,121,668	\$ 5,221,573	\$ 5,372,989	\$ 3,569,745	\$ 3,124,790	\$ 3,099,765	\$ 3,409,108	\$ 3,064,809	\$ 3,949,750
Expenditures:										
Operating:										
Public safety	\$ 1,454,666	\$ 2,136,818	\$ 2,077,083	\$ 1,232,499	\$ 1,180,029	\$ 865,895	\$ 895,784	\$ 764,856	\$ 822,616	\$ 1,281,597
Public works	561,285	576,256	653,289	487,664	498,396	426,909	468,335	474,980	461,363	689,997
Health and social services	900	800	800	1,512,275	800	1,000	800	1,300	1,800	1,950
Culture and recreation	1,068,962	1,034,830	832,260	784,875	813,427	703,071	695,435	725,205	599,303	571,754
Community and economic development	133,852	113,970	127,477	139,035	117,228	1,118,013	16,790	19,963	94,770	25,188
General government	318,460	322,999	293,061	289,658	303,319	301,154	326,609	265,260	240,516	207,899
Debt service	547,512	793,679	515,827	988,064	669,562	1,040,106	453,805	483,459	598,694	1,312,560
Capital projects	2,108,306	2,339,545	667,448	1,532,747	59,057	471,918	221,687	133,028	1,553,254	1,415,084
Total Expenditures	\$ 6,193,943	\$ 7,318,897	\$ 5,167,245	\$ 6,966,817	\$ 3,641,818	\$ 4,928,066	\$ 3,079,245	\$ 2,868,051	\$ 4,372,316	\$ 5,506,029

CITY OF DYERSVILLE, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Schedule 4

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Indirect			
Pass-Through Iowa Department of Economic Development			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-218	<u>\$ 145,798</u>
U.S. Department of Transportation			
Indirect			
Iowa Department of Transportation Highway Planning and Construction	20.205	STP-E-2160(612)--8V-31	<u>163,451</u>
Iowa Department of Public Safety Governor's Traffic Safety Bureau			
Alcohol Impaired Driving Counter- measures Incentive Grants I	20.601	PAP 10-410, TASK 26	6,996
Alcohol Impaired Driving Counter- measures Incentive Grants I	20.601	PAP 13-410, TASK 18	<u>4,667</u>
			<u>11,663</u>
Total U.S. Department of Transportation			<u>175,114</u>
U.S. Department of Homeland Security			
Indirect			
Iowa Department of Public Defense Iowa Homeland Security and Emergency Management Division			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-1763	1,892,957
Hazard Mitigation Grant (HMGP)	97.039	DR-1763-31-01	<u>1,275</u>
Total U.S. Department of Homeland Security			<u>1,894,232</u>
Total Expenditures of Federal Awards			<u>\$ 2,215,144</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Dyersville and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipients

There were no amounts provided to subrecipients from the City's federal award programs.

HOGAN • HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Dyersville, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dyersville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Dyersville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dyersville's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that 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 Dyersville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying schedule of findings and questioned costs as item 13-II-R-1 to be a material weakness.

Compliance and Other Matters

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

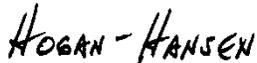
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Dyersville's Response to Findings

The City of Dyersville'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 Dyersville's responses and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HOGAN - HANSEN

Waterloo, Iowa
January 10, 2014

HOGAN • HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Dyersville, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The City of Dyersville's major federal program is identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Dyersville's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dyersville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Dyersville's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the City of Dyersville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of the City of Dyersville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dyersville's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program for each major program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dyersville's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City of Dyersville as of and for the year ended June 30, 2013, and have issued our report thereon dated January 10, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
January 10, 2014

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness identified? X yes ___ no
 Significant deficiency identified not considered to be
 material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:
 Material weakness identified? ___ yes X no
 Significant deficiency identified not considered to be
 material weakness? ___ yes X none reported

Type of auditor's report issued on compliance for major
 programs: Unqualified

Any audit findings disclosed that are required to be
 reported in accordance with Section .510(a) of
 Circular A-133? ___ yes X no

Identification of major program:

CFDA Numbers	Name of Federal Program or Cluster
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish
 between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ___ yes X no

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

13-II-R-1 Bank Account Reconciliations

Finding - During our audit, we found two older dated checks that were listed as outstanding on the bank reconciliation which did not clear the bank subsequent to June 30, 2013. Upon inquiring about this with City staff, we learned that those checks were not cashed by the vendor and replacement checks were issued during the year. The original checks were not voided at the time the replacement checks were issued and this resulted in an overstatement of expenses and understatement of cash balances as of June 30, 2013.

Auditor's Recommendation - The City should review its internal controls over processing of cash disbursements to ensure that when a check needs to be reissued, the original check is first voided before issuing the new one. In addition, we recommend that a second person review the bank reconciliations each month to search for old, outstanding items and follow up on those in a timely manner.

City's Response - We will review our internal controls and make changes where necessary.

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

There were no matters reported.

Part IV: Findings Related to Statutory Reporting:

13-IV-A Certified Budget - Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public works, health and social services, culture and recreation, and debt service functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Auditor's 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.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

City's Response - The City has been making efforts to review the receipts and disbursements over the previous years. Furthermore, the City processed a budget amendment this fiscal year and has made significant efforts to comply with Chapter 384.18 of the Code of Iowa.

Auditor's Conclusion - Response accepted.

13-IV-B Questionable Disbursements - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

13-IV-C Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

13-IV-D Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Angela English, Library Secretary, husband owns Ross English Insurance	Insurance	\$ 121,349
Mary Klostermann, Board of Adjustment, and Kevin Klostermann, Parks and Recreation, owners of Computer Doctors	Maintenance	15,834
Jeff Jacque, Board of Adjustment, owner of Jacque's Home Furnishings	Supplies for social club	4,862

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions above may represent a conflict of interest since the transactions exceeded \$1,500 during the fiscal year and were not entered into through competitive bidding.

Auditor's Recommendation - The City should consult legal counsel to determine the disposition of this matter.

City's Response - The City has consulted with legal counsel regarding this matter and believes we are compliant under Chapter 362.5(3)(j) of the Code of Iowa.

Auditor's Conclusion - Response accepted.

13-IV-E 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.

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

13-IV-G Revenue Bonds - No instances of noncompliance with the resolutions providing for the issuance of the water and sewer revenue bonds were noted.

13-IV-H 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.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

13-IV-I Financial Condition - As of June 30, 2013, the General and Capital Projects Funds had deficit balances of \$373,963 and \$383,002, respectively.

Auditor's Recommendation - The City should investigate alternatives to eliminate the deficits to return the funds to a sound financial position.

City's Response - The City anticipates future bonding and grant reimbursements will eliminate these deficits.

Auditor's Conclusion - Response accepted.

13-IV-J Payment of General Obligation Notes - Certain general obligation notes were paid from the Special Revenue, Dyersville Economic Development TIF Fund and the Enterprise, Water Utility and Sewage Disposal Works Funds. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the debt service fund."

Auditor's Recommendation - The City should transfer funds from the Special Revenue, Dyersville Economic Development TIF Fund and the Enterprise, Water Utility and Sewage Disposal Works Funds to the Debt Service Fund for future funding contributions. Payments of the notes should then be disbursed from the Debt Service Fund.

City's Response - The City will make these corrections moving forward.

Auditor's Conclusion - Response accepted.

13-IV-K Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.