

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

CITY OF DYERSVILLE, IOWA

CITY OF DYERSVILLE, IOWA
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CITY OF DYERSVILLE, IOWA
OFFICIALS
JUNE 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Elected Officials (Before January, 2014)		
James Heavens	Mayor	December 31, 2013
Dan Willenborg	Council Member	December 31, 2013
Robert Platz	Council Member	December 31, 2013
Molly Evers	Council Member	December 31, 2013
Michael English	Council Member	December 31, 2015
Mark Breitbach	Council Member	December 31, 2015
(After January, 2014)		
Alvin Haas	Mayor	December 31, 2015
Mark Wagner	Council Member	December 31, 2017
Teresa Bockenstedt	Council Member	December 31, 2017
Ray Sauser	Council Member	December 31, 2017
Michael English	Council Member	December 31, 2015
Mark Breitbach	Council Member	December 31, 2015
Appointed Officials		
Mick Michel	City Administrator	Indefinite
Tricia Maiers	City Clerk/Treasurer	Indefinite
Carter Stevens	City Attorney	Indefinite
C. J. May	Assistant City Attorney	Indefinite

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, 2014, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Dyersville as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance 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 5 through 11 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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the eight years ended June 30, 2012 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information included on pages 45 through 47 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 basic 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 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Honorable Mayor and
Members of the City Council
City of Dyersville, Iowa
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 12, 2015 on our consideration of the City of Dyersville's internal control over financial reporting and on 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* in considering the City of Dyersville's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
March 12, 2015

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 34%, or approximately \$2,200,000, from fiscal year 2013 to fiscal year 2014. Capital grants and contributions decreased approximately \$2,082,000, while operating grants and contributions decreased by approximately \$4,000 and charges for services decreased approximately \$5,000.

Program expenses of the City's governmental activities increased 23%, or approximately \$816,000, in fiscal year 2014 from fiscal year 2013. Public works increased approximately \$227,000. Community and economic development increased approximately \$312,000. General government increased approximately \$89,000.

The City's net position decreased 1%, or approximately \$106,000, from June 30, 2013 to June 30, 2014. Of this amount, the net position of the governmental activities decreased approximately \$800,000 and the net position of the business-type activities increased approximately \$694,000.

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 the 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, as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds 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, liabilities and deferred inflows of resources, with the difference 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	
	2014	2013 (As Restated)	2014	2013 (As Restated)	2014	2013 (As Restated)
Current and other assets	\$ 5,813,178	\$ 7,812,467	\$ (332,343)	\$ (2,938,894)	\$ 5,480,835	\$ 4,873,573
Capital assets	16,829,322	15,105,587	16,802,607	17,711,410	33,631,929	32,816,997
Total assets	<u>22,642,500</u>	<u>22,918,054</u>	<u>16,470,264</u>	<u>14,772,516</u>	<u>39,112,764</u>	<u>37,690,570</u>
Long-term liabilities	5,423,693	4,397,801	8,117,261	7,119,434	13,540,954	11,517,235
Other liabilities	462,814	1,011,372	61,894	56,330	524,708	1,067,702
Total liabilities	<u>5,886,507</u>	<u>5,409,173</u>	<u>8,179,155</u>	<u>7,175,764</u>	<u>14,065,662</u>	<u>12,584,937</u>
Deferred Inflows of Resources						
Succeeding year property tax	<u>2,655,204</u>	<u>2,607,973</u>	<u>-</u>	<u>-</u>	<u>2,655,204</u>	<u>2,607,973</u>
Net position:						
Net investment in capital assets	11,552,999	10,850,568	9,296,693	10,663,372	20,849,692	21,513,940
Restricted	2,766,596	4,360,662	-	-	2,766,596	4,360,662
Unrestricted	<u>(218,806)</u>	<u>(310,322)</u>	<u>(1,005,584)</u>	<u>(3,066,620)</u>	<u>(1,224,390)</u>	<u>(3,376,942)</u>
Total net position	<u>\$ 14,100,789</u>	<u>\$ 14,900,908</u>	<u>\$ 8,291,109</u>	<u>\$ 7,596,752</u>	<u>\$ 22,391,898</u>	<u>\$ 22,497,660</u>

Net Position at Year End

Net position of governmental activities decreased from fiscal year 2013 by approximately \$800,000, or 5%, and net position of business activities increased from fiscal year 2013 by approximately \$694,000, or 9%. 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 \$1,224,390 at the end of this year.

**Changes in Net Position for
the Year Ended June 30, 2014**

	Government Activities		Business-Type Activities		Total	
	2014	2013 (As Restated)	2014	2013 (As Restated)	2014	2013 (As Restated)
Revenues						
Program revenues:						
Charges for services	\$ 235,195	\$ 239,890	\$ 1,893,838	\$ 1,693,717	\$ 2,129,033	\$ 1,933,607
Operating grants and contributions	433,154	437,128	-	-	433,154	437,128
Capital grants and contributions	70,916	2,152,521	99,618	-	170,534	2,152,521
General revenues:						
Property tax levied for:						
General purposes	1,549,712	1,340,229	-	-	1,549,712	1,340,229
Debt service	231,104	253,748	-	-	231,104	253,748
Tax increment financing	828,249	1,112,175	-	-	828,249	1,112,175
Utility Franchise Fees	146,119	78,527	-	-	146,119	78,527
Local option sales tax	513,407	546,995	-	-	513,407	546,995
Hotel/motel tax	80,909	59,955	-	-	80,909	59,955
Unrestricted investment earnings	11,621	3,209	-	-	11,621	3,209
Miscellaneous	124,151	194,129	9,697	9,279	133,848	203,408
Total revenues	<u>4,224,537</u>	<u>6,418,506</u>	<u>2,003,153</u>	<u>1,702,996</u>	<u>6,227,690</u>	<u>8,121,502</u>
Program Expenses:						
Public safety	1,235,491	1,162,447	-	-	1,235,491	1,162,447
Public works	769,246	542,415	-	-	769,246	542,415
Health and social services	1,300	900	-	-	1,300	900
Culture and recreation	1,295,874	1,212,056	-	-	1,295,874	1,212,056
Community and economic development	445,659	133,852	-	-	445,659	133,852
General government	479,992	391,138	-	-	479,992	391,138
Interest on long-term debt	209,648	178,423	-	-	209,648	178,423
Water utility	-	-	822,712	680,255	822,712	680,255
Sewage disposal works	-	-	785,784	755,890	785,784	755,890
Solid waste	-	-	287,746	246,155	287,746	246,155
Total expenses	<u>4,437,210</u>	<u>3,621,231</u>	<u>1,896,242</u>	<u>1,682,300</u>	<u>6,333,452</u>	<u>5,303,531</u>
Transfers	<u>(587,446)</u>	<u>-</u>	<u>587,446</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change In Net Position	(800,119)	2,797,275	694,357	20,696	(105,762)	2,817,971
Net Position Beginning Of Year	<u>14,900,908</u>	<u>12,103,633</u>	<u>7,596,752</u>	<u>7,576,056</u>	<u>22,497,660</u>	<u>19,679,689</u>
Net Position End Of Year	<u>\$ 14,100,789</u>	<u>\$ 14,900,908</u>	<u>\$ 8,291,109</u>	<u>\$ 7,596,752</u>	<u>\$ 22,391,898</u>	<u>\$ 22,497,660</u>

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Dyersville completed the year, its governmental funds reported a combined fund balance of \$2,590,940, which is more than the \$1,504,382 total fund balance at June 30, 2013 (as restated). The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

General Fund revenues increased approximately \$286,000 which was mostly due to increased property tax valuations. Expenditures remained consistent when compared to the prior year. The General Fund showed an increase of \$556,376 from the prior year to a fund balance of \$182,413, compared to prior year ending deficit fund balance of \$373,963.

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 year 2014 with a \$1,514,130 fund balance compared to the prior year ending fund balance of \$1,765,441.

The Capital Improvements Fund is used to account for the resources and costs related to infrastructure and building construction and major improvements. This fund started fiscal year 2014 with a deficit fund balance of \$2,346,998 (as restated). However, proceeds of issuance of debt of \$1,350,000 were used to fund past and current capital projects along with Local Option Sales Tax transfers. The Capital Improvements Fund ended with a positive fund balance of \$647,870.

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 2014 with a balance of \$387,636, compared to the prior year ending fund balance of \$99,101.

Proprietary Fund Highlights

The Water Utility Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2014 with net position of \$4,193,602 compared to the prior year ending net position of \$4,076,059.

The Sewage Disposal Works Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2014 with a \$4,007,663 net position balance compared to the prior year ending net position balance of \$3,413,180.

The Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal year 2014 with a \$89,844 net position balance compared to the prior year ending net position balance of \$107,513.

Budgetary Highlights

Over the course of the year, the City of Dyersville amended its budget one time. The amendment was done on May 19, 2014.

The City's receipts were \$1,978,165 less than final budgeted receipts. The most significant variances resulted from the City receiving less intergovernmental and special assessment receipts than anticipated in the budget amendment.

Total disbursements were \$265,626 more than budgeted disbursements. Capital projects was \$102,434 less than budgeted, culture and recreation was \$14,849 less than budgeted and debt service was \$11,335 less than budgeted.

Even with the amendment, the City exceeded its budgetary amount in the public safety, public works, community and economic development, general government and business-type activities functions during the year ended June 30, 2014.

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 \$16,829,322 (net of accumulated depreciation) at June 30, 2014. Capital assets for business-type activities totaled \$16,802,607 (net of accumulated depreciation) at June 30, 2014. 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 Dyersville East Sanitary Sewer, some equipment and donation of water and sewer improvements.

Long-Term Debt

At June 30, 2014, the City had \$5,276,323 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$8,041,646 at June 30, 2014. The long-term debt includes a capital lease purchase agreement for four trucks with a remaining balance of \$183,969 at June 30, 2014, of which a portion is recorded in governmental activities and a portion is recorded in business-type activities.

The City does not have a general obligation bond rating assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% 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 \$18 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 year 2015 budget. The City of Dyersville will experience a significant increase in General Fund revenues from fiscal year 2014 to fiscal year 2015.

Property valuations increased approximately 10% for fiscal year 2015, so property tax for the General Fund is expected to increase. The rate for the debt service levy increased approximately 70%, while the total levy rate increased from 9.11 to 9.85.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2015 are provided below:

General levy	\$ 8.07033
Debt Service levy	1.78688
Total	\$ 9.85721

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, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled cash investments	\$ 978,168	\$ 42,414	\$ 1,020,582
Receivables			
Property tax			
Delinquent	9,511	-	9,511
Succeeding year	2,655,204	-	2,655,204
Accounts and other	36,099	247,843	283,942
Special assessments	46,305	-	46,305
Due from other governments	809,694	-	809,694
Internal balances	1,206,309	(1,206,309)	-
Inventories	-	21,994	21,994
Prepaid expenses	71,888	25,983	97,871
Restricted assets			
Cash and pooled cash investments	-	535,732	535,732
Capital assets			
Land	5,202,554	185,280	5,387,834
Buildings	4,108,876	-	4,108,876
Improvements other than buildings	1,035,866	45,237	1,081,103
Machinery and equipment	2,478,337	1,213,192	3,691,529
Infrastructure	8,545,941	20,361,781	28,907,722
Construction in progress	30,691	264,538	295,229
Accumulated depreciation	(4,572,943)	(5,267,421)	(9,840,364)
Total Assets	<u>22,642,500</u>	<u>16,470,264</u>	<u>39,112,764</u>

See notes to the financial statements.

	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 397,537	\$ 33,613	\$ 431,150
Accrued interest payable	15,424	20,080	35,504
Salaries and benefits payable	49,853	8,201	58,054
Long-term liabilities			
Portion due or payable within one year			
Customer deposits	-	22,808	22,808
Capital lease purchase agreements	11,507	23,014	34,521
General obligation notes	305,000	150,000	455,000
General obligation bonds	225,000	185,000	410,000
Revenue bonds	-	213,000	213,000
Compensated absences	132,898	47,983	180,881
Portion due or payable after one year			
Capital lease purchase agreements	49,816	99,632	149,448
General obligation notes	3,100,000	2,375,000	5,475,000
General obligation bonds	1,585,000	2,695,000	4,280,000
Revenue bonds	-	2,301,000	2,301,000
Net OPEB liability	14,472	4,824	19,296
Total Liabilities	<u>5,886,507</u>	<u>8,179,155</u>	<u>14,065,662</u>
Deferred Inflows of Resources			
Unavailable revenues succeeding year property tax	2,655,204	-	2,655,204
Total Liabilities and Deferred Inflows	<u>8,541,711</u>	<u>8,179,155</u>	<u>16,720,866</u>
Net Position			
Net investment in capital assets	11,552,999	9,296,693	20,849,692
Restricted for			
Local option sales tax	78,043	-	78,043
Economic development	1,514,130	-	1,514,130
Library	42,549	-	42,549
Debt service	387,636	-	387,636
Capital Improvements	744,172	-	744,172
Other purpose	66	-	66
Unrestricted	(218,806)	(1,005,584)	(1,224,390)
Total Net Position	<u>\$ 14,100,789</u>	<u>\$ 8,291,109</u>	<u>\$ 22,391,898</u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities				
Public safety	\$ 1,235,491	\$ 48,051	\$ 4,909	\$ 52,889
Public works	769,246	-	403,283	18,027
Health and social services	1,300	-	-	-
Culture and recreation	1,295,874	187,144	24,962	-
Community and economic development	445,659	-	-	-
General government	479,992	-	-	-
Debt service	209,648	-	-	-
Total governmental activities	<u>4,437,210</u>	<u>235,195</u>	<u>433,154</u>	<u>70,916</u>
Business-type activities				
Water utility	822,712	658,104	-	39,847
Sewage disposal works	785,784	965,917	-	59,771
Solid waste	287,746	269,817	-	-
Total business-type activities	<u>1,896,242</u>	<u>1,893,838</u>	<u>-</u>	<u>99,618</u>
Total primary government	<u>\$ 6,333,452</u>	<u>\$ 2,129,033</u>	<u>\$ 433,154</u>	<u>\$ 170,534</u>
General revenues				
Property tax and other City tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Utility franchise fees				
Local option sales tax				
Hotel/motel tax				
Unrestricted investment earnings				
Other				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year, as restated (Note 15)				
Net position, end of year				

See notes to the financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,129,642)	\$ -	\$ (1,129,642)
(347,936)	-	(347,936)
(1,300)	-	(1,300)
(1,083,768)	-	(1,083,768)
(445,659)	-	(445,659)
(479,992)	-	(479,992)
(209,648)	-	(209,648)
<u>(3,697,945)</u>	<u>-</u>	<u>(3,697,945)</u>
-	(124,761)	(124,761)
-	239,904	239,904
-	(17,929)	(17,929)
<u>-</u>	<u>97,214</u>	<u>97,214</u>
<u>(3,697,945)</u>	<u>97,214</u>	<u>(3,600,731)</u>
1,549,712	-	1,549,712
231,104	-	231,104
828,249	-	828,249
146,119	-	146,119
513,407	-	513,407
80,909	-	80,909
11,621	-	11,621
124,151	9,697	133,848
(587,446)	587,446	-
<u>2,897,826</u>	<u>597,143</u>	<u>3,494,969</u>
(800,119)	694,357	(105,762)
<u>14,900,908</u>	<u>7,596,752</u>	<u>22,497,660</u>
<u>\$ 14,100,789</u>	<u>\$ 8,291,109</u>	<u>\$ 22,391,898</u>

CITY OF DYERSVILLE, IOWA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue					Total
	General	Dyersville Economic Development TIF	Capital Projects Capital Improvements	Debt Service	Nonmajor Governmental Funds	
Assets						
Cash and pooled cash investments	\$ 107,495	\$ 422,445	\$ -	\$ 386,466	\$ 61,736	\$ 978,142
Receivables						
Property tax						
Delinquent	8,341	-	-	1,170	-	9,511
Succeeding year	1,729,064	510,779	-	415,361	-	2,655,204
Accounts and other	36,099	-	-	-	-	36,099
Special assessments	-	-	46,305	-	-	46,305
Due from other governments	46,005	-	670,646	-	93,043	809,694
Due from other funds	36,902	1,097,155	687,913	-	-	1,821,970
Prepaid expenditures	71,888	-	-	-	-	71,888
Total Assets	<u>\$ 2,035,794</u>	<u>\$ 2,030,379</u>	<u>\$ 1,404,864</u>	<u>\$ 802,997</u>	<u>\$ 154,779</u>	<u>\$ 6,428,813</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 57,607	\$ 5,470	\$ 81,933	\$ -	\$ 252,527	\$ 397,537
Salaries and benefits payable	43,368	-	-	-	6,459	49,827
Due to other funds	-	-	578,759	-	36,902	615,661
Total Liabilities	<u>100,975</u>	<u>5,470</u>	<u>660,692</u>	<u>-</u>	<u>295,888</u>	<u>1,063,025</u>
Deferred Inflows of Resources						
Unavailable Revenues						
Succeeding year property tax	1,729,064	510,779	-	415,361	-	2,655,204
Other	23,342	-	96,302	-	-	119,644
Total Deferred Inflows of Resources	<u>1,752,406</u>	<u>510,779</u>	<u>96,302</u>	<u>415,361</u>	<u>-</u>	<u>2,774,848</u>
Fund Balances (Deficits)						
Nonspendable						
Prepaid expenditures	71,888	-	-	-	-	71,888
Restricted for						
Economic development	-	1,514,130	-	-	-	1,514,130
Local option sales tax	-	-	-	-	78,043	78,043
Library	-	-	-	-	42,549	42,549
Debt service	-	-	-	387,636	-	387,636
Capital equipment	-	-	-	-	66	66
Capital improvements	-	-	647,870	-	-	647,870
Committed for						
Library expenses	123,161	-	-	-	-	123,161
Unassigned	(12,636)	-	-	-	(261,767)	(274,403)
Total Fund Balances	<u>182,413</u>	<u>1,514,130</u>	<u>647,870</u>	<u>387,636</u>	<u>(141,109)</u>	<u>2,590,940</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,035,794</u>	<u>\$ 2,030,379</u>	<u>\$ 1,404,864</u>	<u>\$ 802,997</u>	<u>\$ 154,779</u>	<u>\$ 6,428,813</u>

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit D

Total Fund Balances - Governmental Funds		\$ 2,590,940
<p>Amounts reported for governmental activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.</p>		
Cost of capital assets	21,402,265	
Accumulated depreciation	<u>(4,572,943)</u>	
		16,829,322
<p>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 unavailable in the funds. Those revenues consist of:</p>		
Special assessments	46,305	
Other	<u>73,339</u>	
		119,644
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>		
General obligation bonds	(1,810,000)	
Capital lease purchase agreement	(61,323)	
General obligation notes	(3,405,000)	
Accrued interest	(15,424)	
Compensated absences	(132,898)	
OPEB	<u>(14,472)</u>	
		<u>(5,439,117)</u>
Net Position of Governmental Activities		<u><u>\$ 14,100,789</u></u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICIT) – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Special Revenue		Debt Service	Nonmajor Governmental Funds	Total
		Dyersville Economic Development TIF	Capital Projects Capital Improvements			
Revenues						
Property tax	\$ 1,549,712	\$ -	\$ -	\$ 231,104	\$ -	\$ 1,780,816
Tax increment financing	-	828,249	-	-	-	828,249
Other city tax	361,531	-	-	746	384,698	746,975
Licenses and permits	17,917	-	-	-	-	17,917
Use of money and property	37,433	-	6,395	-	45	43,873
Intergovernmental	29,871	-	620,649	-	456,172	1,106,692
Charges for service	193,161	-	-	-	20,069	213,230
Special assessments	-	-	16,693	-	-	16,693
Miscellaneous	89,407	-	-	-	-	89,407
Total Revenues	2,279,032	828,249	643,737	231,850	860,984	4,843,852
Expenditures						
Operating						
Public safety	801,256	-	-	-	324,909	1,126,165
Public works	192,080	-	-	-	352,555	544,635
Health and social services	1,300	-	-	-	-	1,300
Culture and recreation	913,155	-	-	-	17,083	930,238
Community and economic development	8,498	437,161	-	-	-	445,659
General government	375,424	-	-	-	-	375,424
Debt service	15,787	11,028	-	574,686	-	601,501
Capital projects	64,367	-	952,848	-	110,378	1,127,593
Total Expenditures	2,371,867	448,189	952,848	574,686	804,925	5,152,515
Revenues Over (Under) Expenditures	(92,835)	380,060	(309,111)	(342,836)	56,059	(308,663)
Other Financing Sources (Uses)						
Proceeds from issuance of debt	-	-	1,350,000	-	-	1,350,000
Discount on bonds issued	-	-	(19,145)	-	-	(19,145)
Proceeds from capital lease	64,367	-	-	-	-	64,367
Transfers in	584,844	-	1,973,124	631,371	-	3,189,339
Transfers out	-	(631,371)	-	-	(2,557,968)	(3,189,339)
Total Other Financing Sources (Uses)	649,211	(631,371)	3,303,979	631,371	(2,557,968)	1,395,222
Net Change In Fund Balances	556,376	(251,311)	2,994,868	288,535	(2,501,909)	1,086,559
Fund Balances, Beginning of Year, as Restated (Note 15)	(373,963)	1,765,441	(2,346,998)	99,101	2,360,800	1,504,381
Fund Balances, End of Year	\$ 182,413	\$ 1,514,130	\$ 647,870	\$ 387,636	\$ (141,109)	\$ 2,590,940

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, 2014

Exhibit F

Net Change in Fund Balances - Total Governmental Funds		\$ 1,086,559
<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	\$ 861,329	
Transfers of capital assets to enterprise funds	(587,446)	
Depreciation expense	<u>(491,119)</u>	(217,236)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position</p>		
		(23,025)
<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 unavailable in the governmental funds, as follows:</p>		
Grants	(595,122)	
Special assessments	<u>(24,193)</u>	(619,315)
<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 premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The effect of these items is as follows:</p>		
Issued	(1,414,367)	
Repaid	<u>393,063</u>	(1,021,304)
<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	(1,852)	
Interest on long-term debt	(1,210)	
OPEB	<u>(2,736)</u>	<u>(5,798)</u>
Change in Net Position of Governmental Activities		<u><u>\$ (800,119)</u></u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activities - Enterprise Funds			Total
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	
Assets				
Current Assets				
Cash and pooled cash investments	\$ -	\$ -	\$ 42,414	\$ 42,414
Accounts receivable	84,673	128,350	34,820	247,843
Inventories	15,884	6,110	-	21,994
Prepaid items	18,809	7,174	-	25,983
Total Current Assets	119,366	141,634	77,234	338,234
Noncurrent Assets				
Restricted assets - cash and pooled cash investments	535,732	-	-	535,732
Capital Assets				
Land	75,750	109,530	-	185,280
Improvements other than buildings	-	-	45,237	45,237
Machinery and equipment	343,569	810,258	59,365	1,213,192
Wells	1,601,665	-	-	1,601,665
Distribution system	7,355,230	-	-	7,355,230
Sewer system	-	11,404,886	-	11,404,886
Construction in progress	74,289	190,249	-	264,538
Accumulated depreciation	(2,487,618)	(2,708,940)	(70,863)	(5,267,421)
Net Capital Assets	6,962,885	9,805,983	33,739	16,802,607
Total Noncurrent Assets	7,498,617	9,805,983	33,739	17,338,339
Total Assets	7,617,983	9,947,617	110,973	17,676,573

See 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	\$ 9,194	\$ 7,701	\$ 16,718	\$ 33,613
Accrued interest payable	8,757	11,323	-	20,080
Salaries and benefits payable	6,198	1,060	943	8,201
Due to other funds	254,046	952,263	-	1,206,309
Capital lease purchase agreement	11,507	11,507	-	23,014
General obligation notes	105,000	45,000	-	150,000
General obligation bonds	65,000	120,000	-	185,000
Revenue bonds	43,000	170,000	-	213,000
Compensated absences	18,885	26,114	2,984	47,983
Total Current Liabilities	521,587	1,344,968	20,645	1,887,200
Current Liabilities Payable				
From Restricted Assets				
Customer deposits payable	22,808	-	-	22,808
Noncurrent Liabilities				
Capital lease purchase agreement	49,816	49,816	-	99,632
General obligation notes	1,645,000	730,000	-	2,375,000
General obligation bonds	825,000	1,870,000	-	2,695,000
Revenue bonds	358,000	1,943,000	-	2,301,000
Net OPEB liability	2,170	2,170	484	4,824
Total Noncurrent Liabilities	2,879,986	4,594,986	484	7,475,456
Total Liabilities	3,424,381	5,939,954	21,129	9,385,464
Net Position				
Net investment in capital assets	4,396,294	4,866,660	33,739	9,296,693
Unrestricted	(202,692)	(858,997)	56,105	(1,005,584)
Total Net Position	\$ 4,193,602	\$ 4,007,663	\$ 89,844	\$ 8,291,109

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET
POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

Exhibit H

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	Total
	Water Utility	Sewage Disposal Works	Solid Waste	
Operating Revenues				
Charges for sales and services	\$ 658,104	\$ 965,917	\$ 269,817	\$ 1,893,838
Other	7,325	2,112	260	9,697
Total operating revenues	<u>665,429</u>	<u>968,029</u>	<u>270,077</u>	<u>1,903,535</u>
Operating Expenses				
Employee expense	156,088	164,192	30,635	350,915
Utilities	59,923	56,677	934	117,534
Repairs and maintenance	186,289	60,617	48,967	295,873
Supplies and services	80,371	60,825	204,948	346,144
Insurance	24,024	22,753	-	46,777
Depreciation	202,949	272,520	2,262	477,731
Total operating expenses	<u>709,644</u>	<u>637,584</u>	<u>287,746</u>	<u>1,634,974</u>
Operating Income (Loss)	<u>(44,215)</u>	<u>330,445</u>	<u>(17,669)</u>	<u>268,561</u>
Nonoperating Expenses				
Interest expense	(110,886)	(139,908)	-	(250,794)
Bond issuance cost	(2,182)	(8,292)	-	(10,474)
Total nonoperating expenses	<u>(113,068)</u>	<u>(148,200)</u>	<u>-</u>	<u>(261,268)</u>
Income (Loss) Before Contributions	<u>(157,283)</u>	<u>182,245</u>	<u>(17,669)</u>	<u>7,293</u>
Capital Contributions	<u>274,826</u>	<u>412,238</u>	<u>-</u>	<u>687,064</u>
Change In Net Position	117,543	594,483	(17,669)	694,357
Net Position, Beginning, as restated (Note 15)	<u>4,076,059</u>	<u>3,413,180</u>	<u>107,513</u>	<u>7,596,752</u>
Net Position, Ending	<u>\$ 4,193,602</u>	<u>\$ 4,007,663</u>	<u>\$ 89,844</u>	<u>\$ 8,291,109</u>

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

Exhibit I

	Business-type Activities - Enterprise Funds			Total
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	
Cash Flows From Operating Activities				
Cash received from customers	\$ 653,701	\$ 962,021	\$ 270,123	\$ 1,885,845
Cash payments to suppliers for goods and services	(342,734)	(192,172)	(258,663)	(793,569)
Cash payments to employees for services	(153,067)	(160,378)	(29,603)	(343,048)
Other operating receipts	7,325	2,112	260	9,697
Net Cash Provided by (Used for) Operating Activities	165,225	611,583	(17,883)	758,925
Cash Flows From Noncapital Financing Activities				
Used for interfund balances	(1,137,199)	(1,698,732)	-	(2,835,931)
Cash Flows From Capital and Related Financing Activities				
Acquisition and construction of capital assets	(217,668)	(628,192)	-	(845,860)
Proceeds from issuance of debt	510,000	875,000	-	1,385,000
Payment of debt	(141,696)	(249,696)	-	(391,392)
Interest paid	(109,971)	(139,648)	-	(249,619)
Net Cash Provided by (Used for) Capital and Related Financing Activities	40,665	(142,536)	-	(101,871)

(Continued)

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

Exhibit I

	Business-type Activities - Enterprise Funds			Total
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	
Net Decrease in Cash and Cash Equivalents	\$ (931,309)	\$ (1,229,685)	\$ (17,883)	\$ (2,178,877)
Cash and Cash Equivalents, Beginning of Year, as Restated (Note 15)	1,467,041	1,229,685	60,297	2,757,023
Cash and Cash Equivalents, End of Year	\$ 535,732	\$ -	\$ 42,414	\$ 578,146
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities				
Operating income	\$ (44,215)	\$ 330,445	\$ (17,669)	\$ 268,561
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities				
Depreciation	202,949	272,520	2,262	477,731
Change in Assets and Liabilities				
Increase (decrease) in accounts receivable	(4,693)	(3,896)	306	(8,283)
Increase in inventory and prepaid items	6,150	4,984	-	11,134
Increase (decrease) in accounts payable	1,723	3,716	(3,814)	1,625
Increase in deposits payable	290	-	-	290
Increase in accrued liabilities	2,611	3,404	940	6,955
Increase in OPEB liabilities	410	410	92	912
Total Adjustments	209,440	281,138	(214)	490,364
Net Cash Provided by (Used for) Operating Activities	\$ 165,225	\$ 611,583	\$ (17,883)	\$ 758,925
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	\$ -	\$ -	\$ 42,414	\$ 42,414
Restricted Assets				
Cash and pooled investments	535,732	-	-	535,732
Cash and Cash Equivalents at Year End	\$ 535,732	\$ -	\$ 42,414	\$ 578,146
Noncash Capital and Related Financing Activities				
Contributions of capital assets from outside sources	\$ 274,826	\$ 412,238	\$ -	\$ 687,064

See notes to the financial statements.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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. These financial statements present the City of Dyersville (the primary government) excluding the component unit discussed below.

Excluded Component Units

The Friends of the Library (Iowa nonprofit corporation) is legally separate from the City. Friends of the Library is governed by a separate board but was formed for the direct benefit of the City. Economic resources received by Friends of the Library are used for the direct benefit of the James Kennedy Public Library. Friends of the Library does not prepare financial statements; therefore, audited financial statements are not available. Management has elected to exclude the transactions of Friends of the Library from the City's financial statements as they are not material.

Jointly Governed Organization

The City also participates in jointly governed organizations that provide 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 boards: 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, 2014

The statement of net position presents the City's nonfiduciary assets, liabilities and deferred inflows of resources, 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 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.

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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.

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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, Deferred Inflows of Resources 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 nonnegotiable 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, 2014, 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, 2012, assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014; and reflects tax asking contained in the budget certified by the County Board of Supervisors in March, 2013.

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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, 2014, 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

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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 60 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, 2014. 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.

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, 2014, disbursements exceeded the amount budgeted in the public safety, public works, community and economic development, general government and business-type activities functions.

Classification Changes – Certain items in the 2013 financial statements have been reclassified to conform with the current year presentation. These reclassifications had no net effects on the financial statements.

NOTE 2 – CASH AND POOLED INVESTMENTS

Deposits. The City's deposits in banks at June 30, 2014, 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.

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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, 2014, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,202,554	\$ -	\$ -	\$ 5,202,554
Construction in progress	2,384,403	30,690	2,384,402	30,691
Total capital assets, not being depreciated	<u>7,586,957</u>	<u>30,690</u>	<u>2,384,402</u>	<u>5,233,245</u>
Capital assets, being depreciated				
Buildings	4,108,876	-	-	4,108,876
Improvements other than buildings	1,029,044	6,822	-	1,035,866
Machinery and equipment	2,373,783	170,587	66,033	2,478,337
Infrastructure	6,095,755	2,450,186	-	8,545,941
Total capital assets, being depreciated	<u>13,607,458</u>	<u>2,627,595</u>	<u>66,033</u>	<u>16,169,020</u>
Less accumulated depreciation for:				
Buildings	1,537,858	112,963	-	1,650,821
Improvements other than buildings	340,428	67,699	-	408,127
Machinery and equipment	1,610,417	147,385	43,008	1,714,794
Infrastructure	636,129	163,072	-	799,201
Total accumulated depreciation	<u>4,124,832</u>	<u>491,119</u>	<u>43,008</u>	<u>4,572,943</u>
Total capital assets being depreciated, net	<u>9,482,626</u>	<u>2,136,476</u>	<u>23,025</u>	<u>11,596,077</u>
Governmental activities capital assets, net	<u>\$ 17,069,583</u>	<u>\$ 2,167,166</u>	<u>\$ 2,407,427</u>	<u>\$ 16,829,322</u>

CITY OF DYERSVILLE, IOWA
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	Balance End of Year	Increases	Decreases	Balance End of Year
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 185,280	\$ -	\$ -	\$ 185,280
Construction in progress	53,686	237,738	26,886	264,538
Total capital assets, not being depreciated	<u>238,966</u>	<u>237,738</u>	<u>26,886</u>	<u>449,818</u>
Capital assets, being depreciated				
Improvements other than buildings	45,237	-	-	45,237
Equipment and vehicles	1,177,824	168,942	133,574	1,213,192
Infrastructure, water and sewer network	19,168,443	1,193,338	-	20,361,781
Total capital assets, being depreciated	<u>20,391,504</u>	<u>1,362,280</u>	<u>133,574</u>	<u>21,620,210</u>
Less accumulated depreciation for:				
Improvements other than buildings	9,236	2,262	-	11,498
Equipment and vehicles	530,804	82,405	93,364	519,845
Infrastructure, water and sewer network	4,343,016	393,064	2	4,736,078
Total accumulated depreciation	<u>4,883,056</u>	<u>477,731</u>	<u>93,366</u>	<u>5,267,421</u>
Total capital assets being depreciated, net	<u>15,508,448</u>	<u>884,549</u>	<u>40,208</u>	<u>16,352,789</u>
Business-type activities capital assets, net	<u>\$ 15,747,414</u>	<u>\$ 1,122,287</u>	<u>\$ 67,094</u>	<u>\$ 16,802,607</u>

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

Governmental activities:	
Public safety	\$ 62,914
Public works	172,470
Culture and recreation	175,124
General government	<u>80,611</u>
Total depreciation expense - governmental activities	<u>\$ 491,119</u>
Business-type activities:	
Water	\$ 202,949
Sewage disposal works	272,520
Solid waste	<u>2,262</u>
Total depreciation expense - business-type activities	<u>\$ 477,731</u>

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2014, 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	\$ 10,019	\$ 4,245,000	\$ 131,046	\$ 11,736	\$ 4,397,801
Increases	64,367	1,350,000	132,898	2,736	1,550,001
Decreases	<u>13,063</u>	<u>380,000</u>	<u>131,046</u>	<u>-</u>	<u>524,109</u>
Balance end of year	<u>\$ 61,323</u>	<u>\$ 5,215,000</u>	<u>\$ 132,898</u>	<u>\$ 14,472</u>	<u>\$ 5,423,693</u>
Due within one year	<u>\$ 11,507</u>	<u>\$ 530,000</u>	<u>\$ 132,898</u>	<u>\$ -</u>	<u>\$ 674,405</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	\$ 20,038	\$ 2,721,000	\$ 4,305,000	\$ 44,966	\$ 3,912	\$ 7,094,916
Increases	128,734	-	1,385,000	47,983	912	1,562,629
Decreases	<u>26,126</u>	<u>207,000</u>	<u>285,000</u>	<u>44,966</u>	<u>-</u>	<u>563,092</u>
Balance end of year	<u>\$ 122,646</u>	<u>\$ 2,514,000</u>	<u>\$ 5,405,000</u>	<u>\$ 47,983</u>	<u>\$ 4,824</u>	<u>\$ 8,094,453</u>
Due within one year	<u>\$ 23,014</u>	<u>\$ 213,000</u>	<u>\$ 335,000</u>	<u>\$ 47,983</u>	<u>\$ -</u>	<u>\$ 618,997</u>

CITY OF DYERSVILLE, IOWA
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Capital Lease Purchase Agreement

The City has entered into capital lease purchase agreements to lease four trucks with historical costs of \$421,413, accumulated depreciation of \$186,699 and a net book value of \$234,714. The following is a schedule of the future minimum lease payments, including interest ranging from 3.75% to 5.16% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2014:

<u>Governmental Activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2015	\$ 13,197
	2016	10,498
	2017	10,498
	2018	10,498
	2019	10,498
	2020-2021	<u>13,122</u>
	Total minimum lease payments	68,311
	Less amount representing interest	<u>(6,988)</u>
	Present value of net minimum lease payments	<u>\$ 61,323</u>
<u>Business-type Activities</u>	<u>Year Ending June 30,</u>	<u>Trucks</u>
	2015	\$ 26,394
	2016	20,996
	2017	20,996
	2018	20,996
	2019	20,996
	2020-2021	<u>26,244</u>
	Total minimum lease payments	136,622
	Less amount representing interest	<u>(13,976)</u>
	Present value of net minimum lease payments	<u>\$ 122,646</u>

General Obligation Bonds/Notes

Governmental activities:

Three issues of unmatured general obligation bonds/notes, totaling \$5,215,000, are outstanding at June 30, 2014. General obligation bonds/notes bear interest at rates ranging from 0.50% 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, 2029.

Business-type activities:

Three issues of unmatured general obligation bonds/notes, totaling \$5,405,000, are outstanding at June 30, 2014. General obligation bonds/notes bear interest at rates ranging from 0.50% 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, 2029.

CITY OF DYERSVILLE, IOWA
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Details of general obligation bonds/notes payable at June 30, 2014 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	3,405,000
Refunding & economic development	08/11/11	0.80 - 3.60%	06/01/26	30,000 - 95,000	735,000	460,000
General obligation coporate purpose	01/28/14	0.50 - 3.40%	06/01/29	70,000 - 190,000	1,350,000	1,350,000
Total general obligation notes						<u>\$ 5,215,000</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
2015	530,000	185,092	715,092
2016	440,000	172,708	612,708
2017	360,000	162,918	522,918
2018	355,000	152,683	507,683
2019	365,000	141,895	506,895
2020-2024	1,805,000	519,145	2,324,145
2025-2029	<u>1,360,000</u>	<u>130,578</u>	<u>1,490,578</u>
Total	<u>\$ 5,215,000</u>	<u>\$ 1,465,019</u>	<u>\$ 6,680,019</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	\$ 775,000
Well improvements	03/18/08	2.74 - 4.90%	06/01/27	80,000 - 165,000	2,235,000	1,750,000
Sewer improvements	08/11/11	0.80 - 3.60%	06/01/26	35,000 - 120,000	1,275,000	1,170,000
Water improvements	08/11/11	0.80 - 3.60%	06/01/26	15,000 - 40,000	455,000	410,000
Sewer improvements	01/28/14	0.50 - 3.40%	06/01/29	50,000 - 70,000	875,000	820,000
Water improvements	01/28/14	0.50 - 3.40%	06/01/29	30,000 - 40,000	510,000	480,000
Total general obligation bonds/notes						<u>\$ 5,405,000</u>

CITY OF DYERSVILLE, IOWA
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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
2015	335,000	182,098	517,098
2016	350,000	174,933	524,933
2017	355,000	166,615	521,615
2018	380,000	157,325	537,325
2019	395,000	146,650	541,650
2020-2024	2,155,000	533,218	2,688,218
2025-2027	1,435,000	119,415	1,554,415
Total	<u>\$ 5,405,000</u>	<u>\$ 1,480,254</u>	<u>\$ 6,885,254</u>

Revenue bonds

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 \$2,501,027. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$219,418 and \$602,965, respectively. Annual principal and interest payments on the above sewer revenue bonds are expected to require 71% 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 \$433,655. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$50,770 and \$158,734, respectively. Annual principal and interest payments on the above water revenue bonds are expected to require 24% of net revenues plus depreciation expense.

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Seven issues of unmatured Iowa Finance Authority revenue bonds, totaling \$2,514,000, are outstanding at June 30, 2014. 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, 2014, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2014, are as follows:

A summary of the annual revenue bonds principal and interest requirements to maturity by year is 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	\$ 426,000
Sewer improvements	08/01/01	1.75%	06/01/22	32,000 - 44,000	627,500	310,000
Sewer improvements	08/01/01	1.75%	06/01/22	23,000 - 31,000	444,749	220,000
Sewer improvements	08/01/01	1.75%	06/01/22	12,000 - 24,000	334,000	166,000
Well improvements	02/08/02	1.75%	06/01/22	40,000 - 51,000	785,000	371,000
Well improvements	04/16/03	1.75%	06/01/22	3,000 - 4,000	64,000	30,000
Sewer improvements	02/10/10	3.00%	06/01/30	43,000 - 78,000	1,192,000	991,000
Total revenue bonds						<u>\$ 2,514,000</u>

Year Ending June 30,	Principal	Interest	Total
2015	215,000	58,861	273,861
2016	223,000	54,377	277,377
2017	231,000	49,726	280,726
2018	241,000	44,918	285,918
2019	248,000	39,906	287,906
2020-2024	923,000	122,293	1,045,293
2025-2029	355,000	48,068	403,068
2030	78,000	2,535	80,535
Total	<u>\$ 2,514,000</u>	<u>\$ 420,684</u>	<u>\$ 2,934,684</u>

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NOTE 5 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	\$ 36,902
Dyersville Economic Development - TIF	Capital Improvements	578,759
	Water Utility	129,958
	Sewer Utility	388,438
		<u>1,097,155</u>
Capital Improvements	Water Utility	124,088
	Sewer Utility	563,825
		<u>687,913</u>
Total		<u>\$ 1,821,970</u>

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. Amounts due to the Dyersville Economic Development TIF Fund represent negative cash borrowings.

NOTE 6 – TRANSFERS

Transfer To	Transfer From	Amount
General	Non-major governmental	\$ 584,844
Capital Improvements	Non-major governmental	1,973,124
Debt Service	Dyersville Economic Development TIF	631,371
Total		<u>\$ 3,189,339</u>

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 5.95% of their annual covered salary, and the City is required to contribute 8.93% 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, 2014, 2013, 2012 were \$93,029, \$90,571 and \$83,413, 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 20 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, 2014, 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>15,648</u>
Net OPEB obligation end of year	<u>\$ 19,296</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, 2014.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

For the year ended June 30, 2014, 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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 4,000	0%	\$ 12,000
2013	4,000	0%	15,648
2014	4,000	0%	19,296

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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, 2014, 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 nongroup 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, 2014

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 \$2,654,456 is outstanding at June 30, 2014. 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, 2014, the Special Revenue, CDBG Fund, had a deficit balance of \$233,275. The City anticipates future transfers will eliminate this deficit.

At June 30, 2014, the Special Revenue, Road Use Tax Fund, had a deficit balance of \$28,492. The City anticipates future road use tax proceeds will eliminate this deficit.

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 – COMMITMENTS AND SUBSEQUENT EVENTS

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2014. The City has additional commitments for signed construction contracts of approximately \$517,000 as of June 30, 2014, to be paid as work progresses.

The City has entered into an agreement subsequent to June 30, 2014 to purchase a vehicle for \$26,500. Subsequent to June 30, 2014, the City purchased In-Car Camera Systems and body cameras for approximately \$42,000.

NOTE 13 – PROSPECTIVE ACCOUNTING CHANGES

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

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.

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, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Variance with Final Budget-Positive (Negative)
Receipts:						
Property tax	\$ 1,788,546	\$ -	\$ 1,788,546	\$ 1,755,952	\$ 1,755,952	\$ 32,594
Tax increment financing	942,569	-	942,569	827,135	827,135	115,434
Other city tax	744,273	-	744,273	774,886	774,886	(30,613)
Licenses and permits	18,270	-	18,270	18,850	18,850	(580)
Use of money and property	43,700	-	43,700	43,095	43,095	605
Intergovernmental	503,622	-	503,622	457,291	2,357,291	(1,853,669)
Charges for service	213,878	1,885,555	2,099,433	2,213,703	2,213,703	(114,270)
Special assessments	24,193	-	24,193	194,000	194,000	(169,807)
Miscellaneous	88,954	9,987	98,941	56,800	56,800	42,141
Total Receipts	4,368,005	1,895,542	6,263,547	6,341,712	8,241,712	(1,978,165)
Disbursements:						
Public safety	882,672	-	882,672	847,382	881,882	(790)
Public works	563,403	-	563,403	521,723	541,723	(21,680)
Health and social services	1,300	-	1,300	1,300	1,300	-
Culture and recreation	930,494	-	930,494	912,343	945,343	14,849
Community and economic development	550,660	-	550,660	227,146	227,146	(323,514)
General government	362,729	-	362,729	298,099	351,099	(11,630)
Debt service	585,706	-	585,706	597,041	597,041	11,335
Capital projects	2,430,566	-	2,430,566	933,000	2,533,000	102,434
Business-type activities	-	1,906,361	1,906,361	1,749,731	1,869,731	(36,630)
Total Disbursements	6,307,530	1,906,361	8,213,891	6,087,765	7,948,265	(265,626)
Excess (Deficiency) of Receipts						
Over (Under) Disbursements	(1,939,525)	(10,819)	(1,950,344)	253,947	293,447	(2,243,791)
Other Financing Sources (Uses), Net	3,590,832	(929,677)	2,661,155	1,000	1,801,000	860,155
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses						
Balances Beginning of Year	(154,743)	1,000,246	845,503	1,199,958	1,199,958	(354,455)
Balances End of Year	\$ 1,496,564	\$ 59,750	\$ 1,556,314	\$ 1,454,905	\$ 3,294,405	\$ (1,738,091)

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, 2014

Budget To GAAP Reconciliation	Governmental Funds			Proprietary Funds		
			Modified	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 4,368,005	\$ 475,847	\$ 4,843,852	\$ 1,895,542	\$ 7,993	\$ 1,903,535
Expenditures/Expenses	6,307,530	(1,155,014)	5,152,516	1,906,361	(10,119)	1,896,242
Net	(1,939,525)	1,630,861	(308,664)	(10,819)	18,112	7,293
Other Financing Sources, Net	3,590,832	(2,195,610)	1,395,222	(929,677)	1,616,741	687,064
Beginning Fund Balances/Net Position, as Restated	(154,743)	1,659,125	1,504,382	1,000,246	6,596,506	7,596,752
Ending Fund Balances/Net Position	\$ 1,496,564	\$ 1,094,376	\$ 2,590,940	\$ 59,750	\$ 8,231,359	\$ 8,291,109

CITY OF DYERSVILLE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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, one budget amendment increased budgeted disbursements by \$1,860,500. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements in the public safety, public works, community and economic development, general government and business-type activity 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, 2014

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%
2014	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.

CDBG – This fund is used to account for all revenues and expenses funded by Community Development Block Grants.

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.

Local Option Sales Tax – This fund is used to account for proceeds from the City’s 1% local option sales tax. Funds are used to reduce future borrowings and for general property tax relief.

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, 2014

	Special Revenue				Capital Projects	Total
	Road Use	CDBG	Library	Local Option	Capital	Nonmajor
	Tax		Trust	Sales Tax	Equipment	Governmental
						Funds
Assets						
Cash and pooled cash investments	\$ -	\$ 2,810	\$ 42,551	\$ 16,309	\$ 66	\$ 61,736
Due from other governments	31,309	-	-	61,734	-	93,043
Total Assets	<u>\$ 31,309</u>	<u>\$ 2,810</u>	<u>\$ 42,551</u>	<u>\$ 78,043</u>	<u>\$ 66</u>	<u>\$ 154,779</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 16,440	\$ 236,085	\$ 2	\$ -	\$ -	\$ 252,527
Salaries and benefits payable	6,459	-	-	-	-	6,459
Due to other funds	36,902	-	-	-	-	36,902
Total Liabilities	<u>59,801</u>	<u>236,085</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>295,888</u>
Fund Balances						
Restricted for						
Local option sales tax	-	-	-	78,043	-	78,043
Library	-	-	42,549	-	-	42,549
Capital equipment	-	-	-	-	66	66
Unassigned	(28,492)	(233,275)	-	-	-	(261,767)
Total Fund Balances	<u>(28,492)</u>	<u>(233,275)</u>	<u>42,549</u>	<u>78,043</u>	<u>66</u>	<u>(141,109)</u>
Total Liabilities and Fund Balances	<u>\$ 31,309</u>	<u>\$ 2,810</u>	<u>\$ 42,551</u>	<u>\$ 78,043</u>	<u>\$ 66</u>	<u>\$ 154,779</u>

CITY OF DYERSVILLE, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue			Capital Projects	Total	
	Road Use Tax	CDBG	Library Trust	Local Option Sales Tax	Capital Equipment	Nonmajor Governmental Funds
Revenues						
Other city tax	\$ -	\$ -	\$ -	\$ 384,698	\$ -	\$ 384,698
Use of money and property	-	-	45	-	-	45
Intergovernmental	403,283	52,889	-	-	-	456,172
Charges for service	-	-	20,069	-	-	20,069
Total Revenues	403,283	52,889	20,114	384,698	-	860,984
Expenditures						
Operating						
Public safety	51,290	273,619	-	-	-	324,909
Public works	352,555	-	-	-	-	352,555
Culture and recreation	-	-	17,083	-	-	17,083
Capital projects	110,378	-	-	-	-	110,378
Total Expenditures	514,223	273,619	17,083	-	-	804,925
Revenues Over (Under) Expenditures	(110,940)	(220,730)	3,031	384,698	-	56,059
Other Financing Uses						
Transfers out	-	(214,265)	-	(2,343,703)	-	(2,557,968)
Net Change in Fund Balances	(110,940)	(434,995)	3,031	(1,959,005)	-	(2,501,909)
Fund Balances, Beginning of Year	82,448	201,720	39,518	2,037,048	66	2,360,800
Fund Balances, End of Year	\$ (28,492)	\$ (233,275)	\$ 42,549	\$ 78,043	\$ 66	\$ (141,109)

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

Schedule 3

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Property tax	\$ 1,780,816	\$ 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
Tax increment financing	828,249	1,112,175	1,289,505	709,582	623,742	362,399	257,506	339,688	410,153	300,510
Other city tax	746,975	700,828	658,198	640,674	620,724	616,627	641,441	633,612	549,499	535,448
Licenses and permits	17,917	24,677	19,988	15,908	19,875	17,808	17,279	16,604	19,721	20,015
Use of money and property	43,873	30,333	35,790	50,070	103,081	200,559	124,712	92,909	67,584	52,846
Intergovernmental	1,106,692	2,516,641	1,747,062	1,884,647	2,142,239	605,322	381,761	368,337	664,079	454,263
Charges for service	213,230	203,753	210,754	276,185	308,616	250,551	239,593	250,071	201,149	176,035
Special assessments	16,693	128,626	1,186	3,444	6,536	7,993	7,873	7,605	14,897	19,082
Miscellaneous	89,407	145,267	610,642	30,332	48,962	60,903	69,055	56,003	141,476	159,605
Total Revenues	\$ 4,843,852	\$ 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
Expenditures:										
Operating:										
Public safety	\$ 1,126,165	\$ 1,454,666	\$ 2,136,818	\$ 2,077,083	\$ 1,232,499	\$ 1,180,029	\$ 865,895	\$ 895,784	\$ 764,856	\$ 822,616
Public works	544,635	561,285	576,256	653,289	487,664	498,396	426,909	468,335	474,980	461,363
Health and social services	1,300	900	800	800	1,512,275	800	1,000	800	1,300	1,800
Culture and recreation	930,238	1,068,962	1,034,830	832,260	784,875	813,427	703,071	695,435	725,205	599,303
Community and economic development	445,659	133,852	113,970	127,477	139,035	117,228	1,118,013	16,790	19,963	94,770
General government	375,424	318,460	322,999	293,061	289,658	303,319	301,154	326,609	265,260	240,516
Debt service	601,501	547,512	793,679	515,827	988,064	669,562	1,040,106	453,805	483,459	598,694
Capital projects	1,127,594	2,108,306	2,339,545	667,448	1,532,747	59,057	471,918	221,687	133,028	1,553,254
Total Expenditures	\$ 5,152,516	\$ 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

**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, 2014, 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 March 12, 2015.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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 II of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 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 our findings identified in our audit are described in the accompanying schedule of findings. While we have expressed our conclusions on the City's responses, we did not audit the City of 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

HOGAN - HANSEN

Waterloo, Iowa
March 12, 2015

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

Instances of Non-Compliance

There were no matters reported.

Internal Control Deficiencies

There were no matters reported.

Part II: Other Findings Related to Statutory Reporting:

14-II-A Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, public works, community and economic development and general government functions and business-type activities. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety, public works, culture and recreation, general government and capital projects functions and business-type activities. 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’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.

14-II-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.

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

14-II-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	\$ 137,092
Mary Klostermann, Board of Adjustment, and Kevin Klostermann, Parks and Recreation, owners of Computer Doctors	Maintenance/software licenses	3,165

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.

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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.

14-II-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.

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

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

14-II-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.

14-II-I Financial Condition – As of June 30, 2014, the Special Revenue, Road Use Tax, and Special Revenue, CDBG Fund, had deficit balances of \$28,492 and \$233,275, 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 that future grant reimbursements will eliminate these deficits.

Auditor's Conclusion – Response accepted.

14-II-J Payment of General Obligation Notes – Certain general obligation notes were paid from 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 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.

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14-II-K Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. We noted 21 checks totaling \$1,584 that have been outstanding for more than two years.

Auditor's Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

City's Response – The City is aware of this matter and moving forward, we will comply.

Auditor's Conclusion – Response accepted.

14-II-L Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from the fund as provided in Iowa Code Section 403.19. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt to be included on the TIF certification.

We noted the following:

The December 2013 certification includes \$867,352 of projected costs for projects that have not yet occurred.

The City erroneously certified TIF debt of \$237,510 on the December, 2013 certification for 2003A general obligation bonds that were refunded by the 2010 general obligation bonds, which are also listed as certified debt.

Auditor's Recommendation – The City should establish procedures to ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification.

The City should consult legal counsel to determine the propriety of the City's TIF certifications and disbursements which include projected costs and certain unsupported costs.

The City should decertify the portion of the 2003A general obligation bonds that were refunded by the 2010 general obligation bond certified debt.

City's Response – The City will consult with our bonding attorney to assure of state compliance.

Auditor's Conclusion – Response accepted.

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14-II-M 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, and no exceptions were noted.