

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

CITY OF DYERSVILLE, IOWA

CITY OF DYERSVILLE, IOWA

Table of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR’S REPORT	2-4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5-11
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position	A 12
Statement of Activities	B 13
Governmental Fund Financial Statements:	
Balance Sheet	C 14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D 15
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)	E 16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 17
Proprietary Fund Financial Statements:	
Statement of Net Position	G 18
Statement of Revenues, Expenses, and Changes in Fund Net Position	H 19
Statement of Cash Flows	I 20-21
Notes to the Financial Statements	22-47
REQUIRED SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – Governmental Funds and Proprietary Funds and Budget to GAAP Reconciliation	48-49
Notes to Required Supplementary Information – Budgetary Reporting	50
City’s Proportionate Share of Net Pension Liability	51
IPERS Contributions – Last 10 Fiscal Years	52
Notes to Required Supplementary Information – Pension Liability	53-54
Schedule of Funding Progress for the Retiree Health Plan	55
OTHER SUPPLEMENTARY INFORMATION:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)	2 58
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	3 59

CITY OF DYERSVILLE, IOWA

Table of Contents (Continued):

	<u>Page</u>
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	60-61
SCHEDULE OF FINDINGS	62-64

CITY OF DYERSVILLE, IOWA
OFFICIALS
JUNE 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Elected Officials		
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	Appointed
Tricia Maiers	City Clerk/Treasurer	Appointed
Carter Stevens	City Attorney	Appointed
C. J. May	Assistant City Attorney	Appointed

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Dyersville, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Dyersville as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the City of Dyersville adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

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, the schedule of proportionate share of the net pension liability, the schedule of IPERs contributions and the schedule of funding progress for the retiree health plan on pages 5 through 11 and 48 through 55 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 years ended June 30, 2014 and 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the seven 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 57 through 59 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
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2016 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

Waterloo, Iowa
February 24, 2016

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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental and business-type activities decreased .2% or approximately \$10,000, from fiscal 2014 to fiscal 2015. Overall Capital Grants and Contributions decreased approximately \$161,000, while operating grants and contributions increased by \$37,000, charges for services decreased 21,000, and Property taxes increased by \$412,000.

Program expenses of the City's governmental activities decreased 20% or approximately \$869,000 in fiscal 2015 from fiscal 2014. Public works increased \$204,000. Community and Economic Development decreased \$246,000. General Government decreased \$115,000.

The City's net position increased 3.8%, or approximately \$855,000 from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year and information regarding post-employment benefits offered to its employees, Schedule of City's Proportionate Share of the Net Pension Liability of Iowa Public Employees' Retirement System, and Schedule of City Contributions of the Iowa Public Employees' Retirement System.

Other Supplementary Information provides detailed information about the non-major 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, deferred outflows, liabilities, and deferred inflows 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, deferred outflows of resources, 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. The Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – and Amendment of GASB No. 27 was implemented during the fiscal year 2015. The beginning net position for governmental activities and business-type activities were restated #371,996 and \$167,128, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. The financial statement amounts for fiscal year 2014 net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

	Government Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
		(See Note 16)		(See Note 16)		(See Note 16)
Current and other assets	\$ 6,735,005	\$ 6,360,923	\$ (559,659)	\$ (332,343)	\$ 6,175,346	\$ 6,028,580
Capital assets	16,468,174	16,829,322	16,603,393	16,802,607	33,071,567	33,631,929
Total assets	23,203,179	23,190,245	16,043,734	16,470,264	39,246,913	39,660,509
Deferred Outflows of Resources						
Pension related deferred outflows	99,005	-	30,413	-	129,418	-
Long-term liabilities	4,895,221	5,423,693	7,632,079	8,117,261	12,527,300	13,540,954
Other liabilities	443,886	462,814	213,876	61,894	657,762	524,708
Total liabilities	5,339,107	5,886,507	7,845,955	8,179,155	13,185,062	14,065,662
Deferred Inflows of Resources						
Succeeding year property tax	2,693,024	2,655,204	-	-	2,693,024	2,655,204
Pension related	193,037	-	51,965	-	245,002	-
Total deferred inflows	2,886,061	2,655,204	51,965	-	2,938,026	2,655,204
Net position:						
Net investment in capital assets	11,735,516	11,552,999	9,601,653	9,296,693	21,337,169	20,849,692
Restricted	3,543,293	3,314,341	-	-	3,543,293	3,314,341
Unrestricted	(201,793)	(218,806)	(1,425,426)	(1,005,584)	(1,627,219)	(1,224,390)
Total net position	\$ 15,077,016	\$ 14,648,534	\$ 8,176,227	\$ 8,291,109	\$ 23,253,243	\$ 22,939,643

Net Position at Year-end

Net position of governmental activities increased during FY2015 by approximately \$800,000, or 5.6%, and net position of business activities decreased from FY2014 by approximately \$52,000, or .6%. 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 \$1,627,000 at the end of this year.

**Changes in Net position for
The year ended June 30, 2015**

	Government Activities		Business-Type Activities		Total	
	2015	2014 (See Note 16)	2015	2014 (See Note 16)	2015	2014 (See Note 16)
Revenues						
Program revenues:						
Charges for services	\$ 204,314	\$ 235,195	\$ 1,903,806	\$ 1,893,838	\$ 2,108,120	\$ 2,129,033
Operating grants and contributions	470,452	433,154	-	-	470,452	433,154
Capital grants and contributions	9,832	70,916	-	99,618	9,832	170,534
General revenues:						
Property tax levied for:						
General purposes	1,770,046	1,549,712	-	-	1,770,046	1,549,712
Debt service	422,840	231,104	-	-	422,840	231,104
Tax increment financing	514,708	828,249	-	-	514,708	828,249
Utility Franchise Fees	138,024	146,119	-	-	138,024	146,119
Local option sales tax	545,125	513,407	-	-	545,125	513,407
Hotel/motel tax	92,193	80,909	-	-	92,193	80,909
Unrestricted investment earnings	10,439	11,621	-	-	10,439	11,621
Miscellaneous	116,012	124,151	18,026	9,697	134,038	133,848
Total revenues	4,293,985	4,224,537	1,921,832	2,003,153	6,215,817	6,227,690
Program Expenses:						
Public safety	833,843	1,235,491	-	-	833,843	1,235,491
Public works	973,297	769,246	-	-	973,297	769,246
Health and social services	1,300	1,300	-	-	1,300	1,300
Culture and recreation	1,010,880	1,295,874	-	-	1,010,880	1,295,874
Community and economic development	199,562	445,659	-	-	199,562	445,659
General government	364,631	479,992	-	-	364,631	479,992
Interest on long-term debt	184,890	209,648	-	-	184,890	209,648
Water utility	-	-	715,684	822,712	715,684	822,712
Sewage disposal works	-	-	781,252	785,784	781,252	785,784
Solid waste	-	-	297,754	287,746	297,754	287,746
Total expenses	3,568,403	4,437,210	1,794,690	1,896,242	5,363,093	6,333,452
Transfers	74,896	(587,446)	(74,896)	587,446	-	-
Change In Net Position	800,478	(800,119)	52,246	694,357	852,724	(105,762)
Net Position Beginning Of Year as restated (Note 15 and 16)	14,276,538	15,448,653	8,123,981	7,596,752	22,400,519	23,045,405
Net Position End Of Year	\$ 15,077,016	\$ 14,648,534	\$ 8,176,227	\$ 8,291,109	\$ 23,253,243	\$ 22,939,643

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Dyersville completed the year, its governmental funds reported a combined fund balance of \$3,803,260, which is more than the \$2,590,940 total fund balance at June 30, 2014. 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 \$233,000 which was mostly due to increased property tax valuations. Expenditures decreased from the prior year in Culture and Recreation by approximately \$82,000. General governmental expenses also decreased from approximately \$375,000 to \$296,770. The General Fund showed an increase in fund balance of \$445,512 from the prior year to a fund balance of \$627,925, compared to prior year ending fund balance of \$182,413.

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 2015 with a \$1,539,577 fund balance compared to the prior year ending fund balance of \$1,514,130.

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 2015 with a fund balance of \$647,870. The Capital Improvement fund ended with a deficit fund balance of \$9,679.

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 2015 with a balance of \$398,424, compared to prior year ending fund balance of \$ 387,636.

The Local Option Sales Tax 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. The fund ended fiscal year 2015 with a balance of \$1,530,720, compared to prior year ending fund balance of \$78,043. This was due to a \$1,044,922 transfer in from Capital Improvements.

The Road Use Tax Fund is used to account for road use tax revenues and the expenditure allowed by statute to be paid from the funds received. The fund ended fiscal year 2015 with a deficit fund balance of \$96,136, compared to prior year ending deficit fund balance of \$28,492.

Proprietary Fund Highlights

The Water Utility Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal 2015 with net position of \$4,074,238 compared to the prior year ending net position of \$4,118,125 (as restated – see Note 15 and Note 16).

The Sewage Disposal Works Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal 2015 with a \$4,052,396 net position balance compared to the prior year ending net position balance of 3,932,186 (as restated – see Note 15 and Note 16).

The Solid Waste Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal 2015 with a \$49,593 net position balance compared to the prior year ending net position balance of \$73,670 (as restated – see Note 15 and Note 16).

Budgetary Highlights

Over the course of the year, the City of Dyersville amended its budget two times. The amendments were done on November 3, 2014 and May 18, 2015. The amendments were needed to adjust revenue and expenditures for capital projects which were funded partially by grants.

The city's receipts were \$45,219 more than final budgeted receipts.

Total disbursements were \$310,174 less than budgeted disbursements. Debt service was \$17,351 more than budgeted. Capital projects was \$100,734 less than budgeted; Community and economic development was \$81,912 less than budgeted.

Even with the amendments, the City exceeded its budgetary amount in the General government and Debt service functions.

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 \$16,468,174 (net of accumulated depreciation) at June 30, 2015. Capital assets for business-type activities totaled \$16,603,393 (net of accumulated depreciation) at June 30, 2015. 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 CIP for Westlinden Storm Sewer and to connect Westside to WD school and some machinery and equipment, and infrastructure improvements.

For business-type activities, major additions included the Dyersville East Sanitary Sewer, WW (sewer) facility expansion – design phase 3, SE collection system sewer, and some equipment.

Long-Term Debt

At June 30, 2015, the City had \$4,732,658 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was \$7,549,492 at June 30, 2015. The long term debt includes capital lease purchase agreements for four trucks and a Streetsweeper with a remaining balance of \$228,150 at June 30, 2015, of which a portion recorded in governmental activities and a portion is recorded in business-type activities.

The City does not have a general obligation bond rating assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$18 million. Other obligations include accrued vacation pay, sick leave, net pension liability 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 2016 budget. The City's General Fund property tax revenues will increase moderately by 1% due to slight increases in valuation.

The levy rate for the debt service levy decreased approximately 25%, while the total levy rate decreased from 9.85 to 9.41.

The tax levy rates per \$1,000 of taxable valuation for fiscal 2016 are provided below:

General levy	\$ 8.07033
Debt Service levy	1.33728
Total	\$ 9.40761

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, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled cash investments	\$ 2,216,710	\$ 18,874	\$ 2,235,584
Receivables			
Property tax			
Delinquent	34,407	-	34,407
Succeeding year	2,693,024	-	2,693,024
Accounts and other	43,311	243,519	286,830
Special assessments	40,549	-	40,549
Due from other governments	166,071	-	166,071
Internal balances	1,414,955	(1,414,955)	-
Inventories	-	16,545	16,545
Prepaid expenses	82,248	28,606	110,854
Restricted assets			
Cash and pooled cash investments	43,730	547,752	591,482
Capital assets			
Land	5,202,554	185,280	5,387,834
Buildings	4,108,876	-	4,108,876
Improvements other than buildings	1,071,057	45,237	1,116,294
Machinery and equipment	2,530,591	1,287,000	3,817,591
Infrastructure	8,545,941	20,381,415	28,927,356
Construction in progress	87,179	426,503	513,682
Accumulated depreciation	(5,078,024)	(5,722,042)	(10,800,066)
Total Assets	<u>23,203,179</u>	<u>16,043,734</u>	<u>39,246,913</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>99,005</u>	<u>30,413</u>	<u>129,418</u>

See notes to financial statements.

	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 155,693	\$ 51,439	\$ 207,132
Accrued interest payable	14,392	19,110	33,502
Salaries and benefits payable	42,479	7,068	49,547
Long-term liabilities			
Portion due or payable within one year			
Customer deposits	-	26,928	26,928
Capital lease purchase agreements	6,594	40,852	47,446
General obligation notes	205,000	160,000	365,000
General obligation bonds	235,000	190,000	425,000
Revenue bonds payable	-	216,000	216,000
Compensated absences	145,355	49,923	195,278
Portion due or payable after one year			
Capital lease purchase agreements	41,064	139,640	180,704
General obligation notes	2,895,000	2,215,000	5,110,000
General obligation bonds	1,350,000	2,505,000	3,855,000
Revenue bonds	-	2,083,000	2,083,000
Net pension liability	231,322	136,259	367,581
Net OPEB liability	17,208	5,736	22,944
Total Liabilities	<u>5,339,107</u>	<u>7,845,955</u>	<u>13,185,062</u>
Deferred Inflows of Resources			
Succeeding year property tax	2,693,024	-	2,693,024
Pension related deferred inflows	193,037	51,965	245,002
Total Liabilities and Deferred Inflows	<u>8,225,168</u>	<u>7,897,920</u>	<u>16,123,088</u>
Net Position			
Net investment in capital assets	11,735,516	9,601,653	21,337,169
Restricted for			
Economic development	1,539,577	-	1,539,577
Local option sales tax	1,530,720	-	1,530,720
Library	43,702	-	43,702
Debt service	398,424	-	398,424
Capital Improvements	30,870	-	30,870
Unrestricted	(201,793)	(1,425,426)	(1,627,219)
Total Net Position	<u>\$ 15,077,016</u>	<u>\$ 8,176,227</u>	<u>\$ 23,253,243</u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities				
Public safety	\$ 833,843	\$ 47,270	\$ 16,287	\$ 9,832
Public works	973,297	-	432,378	-
Health and social services	1,300	-	-	-
Culture and recreation	1,010,880	157,044	21,787	-
Community and economic development	199,562	-	-	-
General government	364,631	-	-	-
Debt service	184,890	-	-	-
Total governmental activities	<u>3,568,403</u>	<u>204,314</u>	<u>470,452</u>	<u>9,832</u>
Business-type activities				
Water utility	715,684	655,947	-	-
Sewage disposal works	781,252	974,182	-	-
Solid waste	297,754	273,677	-	-
Total business-type activities	<u>1,794,690</u>	<u>1,903,806</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 5,363,093</u>	<u>\$ 2,108,120</u>	<u>\$ 470,452</u>	<u>\$ 9,832</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 financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (760,454)	\$ -	\$ (760,454)
(540,919)	-	(540,919)
(1,300)	-	(1,300)
(832,049)	-	(832,049)
(199,562)	-	(199,562)
(364,631)	-	(364,631)
(184,890)	-	(184,890)
<u>(2,883,805)</u>	<u>-</u>	<u>(2,883,805)</u>
-	(59,737)	(59,737)
-	192,930	192,930
<u>-</u>	<u>(24,077)</u>	<u>(24,077)</u>
<u>-</u>	<u>109,116</u>	<u>109,116</u>
<u>(2,883,805)</u>	<u>109,116</u>	<u>(2,774,689)</u>
1,770,046	-	1,770,046
422,840	-	422,840
514,708	-	514,708
138,024	-	138,024
545,125	-	545,125
92,193	-	92,193
10,439	-	10,439
116,012	18,026	134,038
74,896	(74,896)	-
<u>3,684,283</u>	<u>(56,870)</u>	<u>3,627,413</u>
800,478	52,246	852,724
14,276,538	8,123,981	22,400,519
<u>\$ 15,077,016</u>	<u>\$ 8,176,227</u>	<u>\$ 23,253,243</u>

CITY OF DYERSVILLE, IOWA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Special Revenue		
		Dyersville Economic Development TIF	Local Option Sales Tax	Road Use Tax
Assets				
Cash and pooled cash investments	\$ 145,417	\$ 1,639,577	\$ 39,413	\$ -
Receivables				
Property tax				
Delinquent	28,260	-	-	-
Succeeding year	1,745,802	627,946	-	-
Accounts and other	43,311	-	-	-
Special assessments	-	-	-	-
Due from other governments	47,993	-	76,352	41,726
Due from other funds	363,066	-	1,414,955	-
Prepaid expenditures	82,248	-	-	-
Total Assets	\$ 2,456,097	\$ 2,267,523	\$ 1,530,720	\$ 41,726
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 45,986	\$ 100,000	\$ -	\$ -
Salaries and benefits payable	36,384	-	-	6,069
Due to other funds	-	-	-	131,793
Total Liabilities	82,370	100,000	-	137,862
Deferred Inflows of Resources				
Unavailable revenues:				
Succeeding year				
property tax	1,745,802	627,946	-	-
Other	-	-	-	-
Total Deferred Inflows of Resources	1,745,802	627,946	-	-
Fund Balances (Deficits)				
Nonspendable				
Prepaid expenditures	82,248	-	-	-
Restricted for				
Economic development	-	1,539,577	-	-
Local option sales tax	-	-	1,530,720	-
Library	-	-	-	-
Debt service	-	-	-	-
Committed For				
Library expenses	123,161	-	-	-
Unassigned	422,516	-	-	(96,136)
Total Fund Balances	627,925	1,539,577	1,530,720	(96,136)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,456,097	\$ 2,267,523	\$ 1,530,720	\$ 41,726

See notes to financial statements.

<u>Capital Projects Capital Improvements</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 392,277	\$ 43,730	\$ 2,260,414
-	6,147	-	34,407
-	319,276	-	2,693,024
-	-	-	43,311
40,549	-	-	40,549
-	-	-	166,071
-	-	-	1,778,021
-	-	-	82,248
<u>\$ 40,549</u>	<u>\$ 717,700</u>	<u>\$ 43,730</u>	<u>\$ 7,098,045</u>
\$ 9,679	\$ -	\$ 28	\$ 155,693
-	-	-	42,453
-	-	231,273	363,066
<u>9,679</u>	<u>-</u>	<u>231,301</u>	<u>561,212</u>
-	319,276	-	2,693,024
<u>40,549</u>	<u>-</u>	<u>-</u>	<u>40,549</u>
<u>40,549</u>	<u>319,276</u>	<u>-</u>	<u>2,733,573</u>
-	-	-	82,248
-	-	-	1,539,577
-	-	-	1,530,720
-	-	43,702	43,702
-	398,424	-	398,424
-	-	-	123,161
<u>(9,679)</u>	<u>-</u>	<u>(231,273)</u>	<u>85,428</u>
<u>(9,679)</u>	<u>398,424</u>	<u>(187,571)</u>	<u>3,803,260</u>
<u>\$ 40,549</u>	<u>\$ 717,700</u>	<u>\$ 43,730</u>	<u>\$ 7,098,045</u>

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit D

Total Fund Balances - Governmental Funds		\$ 3,803,260
<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	21,546,198	
Accumulated depreciation	<u>(5,078,024)</u>	16,468,174
<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		40,549
<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	(1,585,000)	
Capital lease purchase agreement	(47,658)	
General obligation notes	(3,100,000)	
Accrued interest	(14,392)	
Compensated absences	(145,355)	
Net pension liability	(231,322)	
OPEB	<u>(17,208)</u>	(5,140,935)
<p>Pension related deferred outflows and inflows are not considered current financial resources and therefore are not part of the governmental fund analysis</p>		
		<u>(94,032)</u>
Net position of governmental activities		<u><u>\$ 15,077,016</u></u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES (DEFICIT) – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General	Special Revenue		
		Dyersville Economic Development TIF	Local Option Sales Tax	Road Use Tax
Revenues				
Property tax	\$ 1,770,046	\$ -	\$ -	\$ -
Tax increment financing	-	514,708	-	-
Other city tax	397,661	-	407,755	-
Licenses and permits	21,189	-	-	-
Use of money and property	44,860	-	-	-
Intergovernmental	38,074	-	-	432,378
Charges for service	176,713	-	-	-
Special assessments	-	-	-	-
Miscellaneous	63,838	-	-	-
Total Revenues	<u>2,512,381</u>	<u>514,708</u>	<u>407,755</u>	<u>432,378</u>
Expenditures				
Operating				
Public safety	772,686	-	-	52,608
Public works	138,450	-	-	388,551
Health and social services	1,300	-	-	-
Culture and recreation	831,316	-	-	-
Community and economic development	10,296	189,266	-	-
General government	296,770	-	-	-
Debt service	16,051	-	-	-
Capital projects	-	-	-	58,863
Total Expenditures	<u>2,066,869</u>	<u>189,266</u>	<u>-</u>	<u>500,022</u>
Revenues Over (Under) Expenditures	<u>445,512</u>	<u>325,442</u>	<u>407,755</u>	<u>(67,644)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	1,044,922	-
Transfers out	-	(299,995)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(299,995)</u>	<u>1,044,922</u>	<u>-</u>
Net Change In Fund Balances	445,512	25,447	1,452,677	(67,644)
Fund Balances, Beginning of Year	182,413	1,514,130	78,043	(28,492)
Fund Balances, End of Year	<u>\$ 627,925</u>	<u>\$ 1,539,577</u>	<u>\$ 1,530,720</u>	<u>\$ (96,136)</u>

See notes to financial statements.

<u>Capital Projects</u> <u>Capital</u> <u>Improvements</u>	<u>Debt</u> <u>Service</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
\$ -	\$ 422,840	\$ -	\$ 2,192,886
-	-	-	514,708
-	1,489	-	806,905
-	-	-	21,189
2,620	-	1,666	49,146
547,746	-	9,832	1,028,030
-	-	11,658	188,371
5,756	-	-	5,756
-	-	-	63,838
<u>556,122</u>	<u>424,329</u>	<u>23,156</u>	<u>4,870,829</u>
-	-	7,830	833,124
-	-	-	527,001
-	-	-	1,300
-	-	12,171	843,487
-	-	-	199,562
-	-	-	296,770
-	713,536	-	729,587
243,711	-	-	302,574
<u>243,711</u>	<u>713,536</u>	<u>20,001</u>	<u>3,733,405</u>
<u>312,411</u>	<u>(289,207)</u>	<u>3,155</u>	<u>1,137,424</u>
74,962	299,995	-	1,419,879
(1,044,922)	-	(66)	(1,344,983)
<u>(969,960)</u>	<u>299,995</u>	<u>(66)</u>	<u>74,896</u>
(657,549)	10,788	3,089	1,212,320
647,870	387,636	(190,660)	2,590,940
<u>\$ (9,679)</u>	<u>\$ 398,424</u>	<u>\$ (187,571)</u>	<u>\$ 3,803,260</u>

CITY OF DYERSVILLE, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

Exhibit F

Net Change In Fund Balances - Total Governmental Funds		\$	1,212,320
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:			
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:			
Net acquisition of capital assets	\$	143,933	
Depreciation expense		<u>(505,081)</u>	(361,148)
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:			
Grants		(602,646)	
Special assessments		<u>(24,193)</u>	(626,839)
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:			
Repaid		<u>543,665</u>	543,665
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:			
Compensated absences		(12,457)	
Interest on long-term debt		1,032	
Pension payments		46,641	
OPEB		<u>(2,736)</u>	<u>32,480</u>
Change in Net Position of Governmental Activities		<u>\$</u>	<u>800,478</u>

CITY OF DYERSVILLE, IOWA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewage Disposal Works	Solid Waste	Total
Assets				
Current Assets				
Cash and pooled cash investments	\$ -	\$ -	\$ 18,874	\$ 18,874
Accounts receivable	82,570	125,446	35,503	243,519
Inventories	10,389	6,156	-	16,545
Prepaid items	19,817	8,789	-	28,606
Total Current Assets	<u>112,776</u>	<u>140,391</u>	<u>54,377</u>	<u>307,544</u>
Noncurrent Assets				
Restricted assets - cash and pooled cash investments	<u>547,752</u>	<u>-</u>	<u>-</u>	<u>547,752</u>
Capital Assets				
Land	75,750	109,530	-	185,280
Improvements other than buildings	-	-	45,237	45,237
Machinery and equipment	348,569	825,258	113,173	1,287,000
Wells	1,601,665	-	-	1,601,665
Distribution system	7,355,230	-	-	7,355,230
Sewer system	-	11,424,520	-	11,424,520
Construction in progress	84,394	342,109	-	426,503
Accumulated depreciation	<u>(2,692,516)</u>	<u>(2,989,100)</u>	<u>(40,426)</u>	<u>(5,722,042)</u>
Net Capital Assets	<u>6,773,092</u>	<u>9,712,317</u>	<u>117,984</u>	<u>16,603,393</u>
Total Noncurrent Assets	<u>7,320,844</u>	<u>9,712,317</u>	<u>117,984</u>	<u>17,151,145</u>
Total Assets	<u>7,433,620</u>	<u>9,852,708</u>	<u>172,361</u>	<u>17,458,689</u>
Deferred Outflows of Resources				
Pension related deferred outflows	<u>13,735</u>	<u>13,735</u>	<u>2,943</u>	<u>30,413</u>

See notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewage Disposal Works	Solid Waste	Total
Liabilities				
Current Liabilities				
Accounts payable	\$ 23,590	\$ 9,563	\$ 18,286	\$ 51,439
Accrued interest payable	8,326	10,784	-	19,110
Salaries and benefits payable	3,994	2,754	320	7,068
Due to other funds	328,653	1,086,302	-	1,414,955
Capital lease purchase agreement	6,594	6,594	27,664	40,852
General obligation notes	110,000	50,000	-	160,000
General obligation bonds	65,000	125,000	-	190,000
Revenue bonds	46,000	170,000	-	216,000
Compensated absences	20,384	26,402	3,137	49,923
Total Current Liabilities	612,541	1,487,399	49,407	2,149,347
Current Liabilities Payable				
From Restricted Assets				
Customer deposits payable	26,928	-	-	26,928
Noncurrent Liabilities				
Capital lease purchase agreement	41,064	41,064	57,512	139,640
General obligation notes	1,535,000	680,000	-	2,215,000
General obligation bonds	760,000	1,745,000	-	2,505,000
Revenue bonds	310,000	1,773,000	-	2,083,000
Net pension liability	61,536	61,536	13,187	136,259
Net OPEB liability	2,580	2,580	576	5,736
Total Noncurrent Liabilities	2,710,180	4,303,180	71,275	7,084,635
Total Liabilities	3,349,649	5,790,579	120,682	9,260,910
Deferred Inflows of Resources	23,468	23,468	5,029	51,965
Net Position				
Net investment in capital assets	4,447,186	5,121,659	32,808	9,601,653
Unrestricted	(372,948)	(1,069,263)	16,785	(1,425,426)
Total Net Position	\$ 4,074,238	\$ 4,052,396	\$ 49,593	\$ 8,176,227

CITY OF DYERSVILLE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

Exhibit H

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewage Disposal Works	Solid Waste	Total
Operating Revenues				
Charges for sales and services	\$ 655,947	\$ 974,182	\$ 273,677	\$ 1,903,806
Other	15,850	2,176	-	18,026
Total Operating Revenues	<u>671,797</u>	<u>976,358</u>	<u>273,677</u>	<u>1,921,832</u>
Operating Expenses				
Employee expense	151,747	154,764	27,743	334,254
Utilities	50,169	47,501	837	98,507
Repairs and maintenance	78,208	64,056	19,080	161,344
Supplies and services	81,983	79,133	227,604	388,720
Insurance	42,648	19,360	-	62,008
Depreciation	204,898	280,160	19,563	504,621
Total Operating Expenses	<u>609,653</u>	<u>644,974</u>	<u>294,827</u>	<u>1,549,454</u>
Operating Income (Loss)	<u>62,144</u>	<u>331,384</u>	<u>(21,150)</u>	<u>372,378</u>
Nonoperating Expenses				
Interest expense	<u>(106,031)</u>	<u>(136,278)</u>	<u>(2,927)</u>	<u>(245,236)</u>
Income (Loss) Before Contributions	<u>(43,887)</u>	<u>195,106</u>	<u>(24,077)</u>	<u>127,142</u>
Transfers Out	<u>-</u>	<u>(74,896)</u>	<u>-</u>	<u>(74,896)</u>
Change In Net Position	(43,887)	120,210	(24,077)	52,246
Net Position, Beginning, as restated (Note 15 and 16)	<u>4,118,125</u>	<u>3,932,186</u>	<u>73,670</u>	<u>8,123,981</u>
Net Position, Ending	<u>\$ 4,074,238</u>	<u>\$ 4,052,396</u>	<u>\$ 49,593</u>	<u>\$ 8,176,227</u>

See notes to financial statements.

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

Exhibit I

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewage Disposal Works	Solid Waste	Total
Cash Flows From Operating Activities				
Cash received from customers	\$ 662,170	\$ 977,086	\$ 272,994	\$ 1,912,250
Cash payments to suppliers for goods and services	(234,125)	(209,849)	(245,953)	(689,927)
Cash payments to employees for services	(156,250)	(156,580)	(29,022)	(341,852)
Other operating receipts	15,850	2,176	-	18,026
Net Cash Provided By (Used For) Operating Activities	<u>287,645</u>	<u>612,833</u>	<u>(1,981)</u>	<u>898,497</u>
Cash Flows From Noncapital Financing Activities				
Transfers to other funds	-	(74,896)	-	(74,896)
Proceeds from interfund balances	74,607	134,039	-	208,646
Net Cash from Noncapital Financing Activities	<u>74,607</u>	<u>59,143</u>	<u>-</u>	<u>133,750</u>
Cash Flows From Capital And Related Financing Activities				
Acquisition and construction of capital assets	(15,105)	(186,494)	(103,808)	(305,407)
Proceeds from issuance of debt	-	-	112,136	112,136
Payment of debt	(228,665)	(348,665)	(26,960)	(604,290)
Interest paid	(106,462)	(136,817)	(2,927)	(246,206)
Net Cash used for Capital and Related Financing Activities	<u>(350,232)</u>	<u>(671,976)</u>	<u>(21,559)</u>	<u>(1,043,767)</u>

(Continued)

CITY OF DYERSVILLE, IOWA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

Exhibit I

	Business-type Activities - Enterprise Funds			
	Major		Nonmajor	
	Water Utility	Sewage Disposal Works	Solid Waste	Total
Net Increase (Decrease) In Cash And Cash Equivalents	\$ 12,020	\$ -	\$ (23,540)	\$ (11,520)
Cash and Cash Equivalents, Beginning of Year	535,732	-	42,414	578,146
Cash and Cash Equivalents, End of Year	<u>\$ 547,752</u>	<u>\$ -</u>	<u>\$ 18,874</u>	<u>\$ 566,626</u>
Reconciliation of Operating Income to Net				
Cash Provided by (Used For) Operating Activities				
Operating income (loss)	\$ 62,144	\$ 331,384	\$ (21,150)	\$ 372,378
Adjustments to Reconcile Operating Income to				
Net Cash Provided By (Used For) Operating Activities:				
Depreciation	204,898	280,160	19,563	504,621
Change in assets and liabilities				
Increase (decrease) in accounts receivable	2,103	2,904	(683)	4,324
Increase (decrease) in inventory and prepaids	4,487	(1,661)	-	2,826
Increase in accounts payable	14,396	1,862	1,568	17,826
Increase in deposits payable	4,120	-	-	4,120
Increase (decrease) in accrued liabilities	(705)	1,982	(470)	807
Increase in deferred outflows of resources	(4,668)	(4,668)	(1,000)	(10,336)
Increase in deferred inflows of resources	23,468	23,468	5,029	51,965
Decrease in pension liability	(23,008)	(23,008)	(4,930)	(50,946)
Increase in OPEB liabilities	410	410	92	912
Total Adjustments	<u>225,501</u>	<u>281,449</u>	<u>19,169</u>	<u>526,119</u>
Net Cash Provided By (Used for) Operating Activities	<u>\$ 287,645</u>	<u>\$ 612,833</u>	<u>\$ (1,981)</u>	<u>\$ 898,497</u>
Reconciliation of Cash and Cash				
Equivalents at Year End to				
Specific Assets Included on the				
Statement of Net Position				
Current Assets:				
Cash and pooled investments	\$ -	\$ -	\$ 18,874	\$ 18,874
Restricted Assets:				
Cash and pooled investments	547,752	-	-	547,752
Cash and Cash Equivalents at Year End	<u>\$ 547,752</u>	<u>\$ -</u>	<u>\$ 18,874</u>	<u>\$ 566,626</u>

See notes to financial statements.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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 Unit

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, 2015

The statement of net position presents the City's nonfiduciary assets, deferred outflows, 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.

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.

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.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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.

The Solid Waste Fund is used to account for the operation of the City’s garbage and recycling collection services.

Measurement Focus and Basis of Accounting

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

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

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

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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 are 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, Deferred Outflows of Resources, 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 non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2015, 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, 2013, assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015; and reflects tax asking contained in the budget certified by the County Board of Supervisors in March, 2014.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. 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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end. Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, disbursements exceeded the amount budgeted in the general government and debt service functions.

Implementation of GASB Statement No. 68 and GASB Statement No. 71 - As of June 30, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 15 and the additional disclosures required by these standards are included in Note 7.

Estimates and Assumptions – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND POOLED INVESTMENTS

Deposits. The City's deposits in banks at June 30, 2015, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council 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.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, 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	30,691	91,679	35,191	87,179
Total capital assets, not being depreciated	<u>5,233,245</u>	<u>91,679</u>	<u>35,191</u>	<u>5,289,733</u>
Capital assets, being depreciated				
Buildings	4,108,876	-	-	4,108,876
Improvements other than buildings	1,035,866	35,191	-	1,071,057
Machinery and equipment	2,478,337	52,254	-	2,530,591
Infrastructure	8,545,941	-	-	8,545,941
Total capital assets, being depreciated	<u>16,169,020</u>	<u>87,445</u>	<u>-</u>	<u>16,256,465</u>
Less accumulated depreciation for:				
Buildings	1,650,821	112,962	-	1,763,783
Improvements other than buildings	408,127	69,790	-	477,917
Machinery and equipment	1,714,794	136,269	-	1,851,063
Infrastructure	799,201	186,060	-	985,261
Total accumulated depreciation	<u>4,572,943</u>	<u>505,081</u>	<u>-</u>	<u>5,078,024</u>
Total capital assets being depreciated, net	<u>11,596,077</u>	<u>(417,636)</u>	<u>-</u>	<u>11,178,441</u>
Governmental activities capital assets, net	<u>\$ 16,829,322</u>	<u>\$ (325,957)</u>	<u>\$ 35,191</u>	<u>\$ 16,468,174</u>

(continued on next page)

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

	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	264,538	181,599	19,634	426,503
Total capital assets, not being depreciated	449,818	181,599	19,634	611,783
Capital assets, being depreciated				
Improvements other than buildings	45,237	-	-	45,237
Equipment and vehicles	1,213,192	123,808	50,000	1,287,000
Infrastructure, water and sewer network	20,361,781	19,634	-	20,381,415
Total capital assets, being depreciated	21,620,210	143,442	50,000	21,713,652
Less accumulated depreciation for:				
Improvements other than buildings	11,498	2,262	-	13,760
Equipment and vehicles	519,845	101,716	50,000	571,561
Infrastructure, water and sewer network	4,736,078	400,643	-	5,136,721
Total accumulated depreciation	5,267,421	504,621	50,000	5,722,042
Total capital assets being depreciated, net	16,352,789	(361,179)	-	15,991,610
Business-type activities capital assets, net	<u>\$ 16,802,607</u>	<u>\$ (179,580)</u>	<u>\$ 19,634</u>	<u>\$ 16,603,393</u>

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

Governmental activities:	
Public safety	\$ 62,521
Public works	191,979
Culture and recreation	177,003
General government	73,578
Total depreciation expense - governmental activities	<u>\$ 505,081</u>
Business-type activities:	
Water	\$ 204,898
Sewage disposal works	280,160
Solid waste	19,563
Total depreciation expense - business-type activities	<u>\$ 504,621</u>

(continued on next page)

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015, is as follows:

	Balance June 30, <u>2014, as restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2015</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation					
Bonds/Notes	\$ 5,215,000	\$ -	\$ 530,000	\$ 4,685,000	\$ 440,000
Capital Lease Purchase					
Agreements	61,323	-	13,665	47,658	6,594
Compensated Absences	132,898	145,355	132,898	145,355	145,355
Net OPEB Liability	14,472	2,736	-	17,208	-
Net Pension Liability	416,683	-	185,361	231,322	-
	<u>\$ 5,840,376</u>	<u>\$ 148,091</u>	<u>\$ 861,924</u>	<u>\$ 5,126,543</u>	<u>\$ 591,949</u>

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

	Balance June 30, <u>2014, as restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2015</u>	<u>Due Within One Year</u>
Business-Type Activities					
General Obligation					
Bonds/Notes	\$ 5,405,000	\$ -	\$ 335,000	\$ 5,070,000	\$ 350,000
Revenue Bonds	2,514,000	-	215,000	2,299,000	216,000
Capital Lease Purchase					
Agreements	234,782	-	54,290	180,492	40,852
Compensated Absences	47,983	49,923	47,983	49,923	49,923
Net OPEB Liability	4,824	912	-	5,736	-
Net Pension Liability	187,205	-	50,946	136,259	-
	<u>\$ 8,393,794</u>	<u>\$ 50,835</u>	<u>\$ 703,219</u>	<u>\$ 7,741,410</u>	<u>\$ 656,775</u>

Capital Lease Purchase Agreement

The City has entered into capital lease purchase agreements to lease four trucks with historical costs of \$427,183, accumulated depreciation of \$223,336, and a net book value of \$203,847. The City has also entered into a capital lease purchase agreement to lease a Streetsweeper with historical cost of \$103,808, accumulated depreciation of \$17,301, and a net book value of \$86,507. The Truck and Streetsweeper leases include interest ranging from 3.75% to 5.16% per annum. The present value of net minimum lease payments under both agreements in effect at June 30, 2015 are as follows:

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Governmental Activities:

Year Ending June 30,	<u>Trucks</u>
2016	\$ 7,873
2017	10,498
2018	10,498
2019	10,498
2020	10,497
2021-2024	<u>2,624</u>
Total minimum lease payments	52,488
Less amounts representing interest	<u>(4,830)</u>
Present value of net minimum lease payments	<u>\$ 47,658</u>

Business-Type Activities:

Year Ending June 30,	<u>Trucks & Street Sweeper</u>
2016	\$ 45,633
2017	50,883
2018	50,882
2019	20,996
2020	20,994
2020-2024	<u>5,248</u>
Total minimum lease payments	194,636
Less amounts representing interest	<u>(14,144)</u>
Present value of net minimum lease payments	<u>\$ 180,492</u>

General Obligation Bonds/Notes

Governmental activities:

Three issues of unmatured general obligation bonds/notes, totaling \$4,685,000, are outstanding at June 30, 2015. 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 \$5,070,000, are outstanding at June 30, 2015. 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.

(continued on next page)

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Details of general obligation bonds/notes payable at June 30, 2015, 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	3,100,000
Refunding & economic development	08/11/11	0.80 - 3.60%	06/01/26	30,000 - 95,000	735,000	425,000
General obligation corporate purpose	01/28/14	0.50 - 3.40%	06/01/29	70,000 - 190,000	1,350,000	1,160,000
Total general obligation notes						<u>\$ 4,685,000</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
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	340,000	130,270	470,270
2021-2025	1,860,000	447,663	2,307,663
2026-2029	<u>965,000</u>	<u>71,790</u>	<u>1,036,790</u>
Total	<u>\$ 4,685,000</u>	<u>\$ 1,279,927</u>	<u>\$ 5,964,927</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	\$ 730,000
Well improvements	03/18/08	2.74 - 4.90%	06/01/27	80,000 - 165,000	2,235,000	1,645,000
Sewer improvements	08/11/11	0.80 - 3.60%	06/01/26	35,000 - 120,000	1,275,000	1,100,000
Water improvements	08/11/11	0.80 - 3.60%	06/01/26	15,000 - 40,000	455,000	375,000
Sewer improvements	01/28/14	0.50 - 3.40%	06/01/29	50,000 - 70,000	875,000	770,000
Water improvements	01/28/14	0.50 - 3.40%	06/01/29	30,000 - 40,000	510,000	450,000
Total general obligation bonds/notes						<u>\$ 5,070,000</u>

(continued on next page)

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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
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	395,000	134,745	529,745
2021-2025	2,245,000	456,523	2,701,523
2026-2028	950,000	61,365	1,011,365
Total	<u>\$ 5,070,000</u>	<u>\$ 1,298,155</u>	<u>\$ 6,368,155</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 \$2,279,183. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$221,843 and \$611,544, respectively. Annual principal and interest payments on the above sewer revenue bonds are expected to require 71 percent of net revenues plus depreciation expense.

The City has pledged future water customer revenues, net of specified operating expenses, to repay \$849,000 in water revenue bonds issued in February 2002 and April 2003. Proceeds from the bonds provided financing for the construction of improvements to the sewer well. The bonds are payable solely from water customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the bonds is \$381,638. For the current year, principal and interest paid and total customer net revenues plus depreciation expense were \$52,018 and \$267,042, respectively. Annual principal and interest payments on the above water revenue bonds are expected to require 24 percent of net revenues plus depreciation expense.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Seven issues of unmatured Iowa Finance Authority revenue bonds, totaling \$2,299,000, are outstanding at June 30, 2015. 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, 2015, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2015, 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	\$48,000 - 61,000	\$ 862,751	\$ 380,000
Sewer improvements	08/01/01	1.75%	06/01/22	35,000 - 44,000	627,500	276,000
Sewer improvements	08/01/01	1.75%	06/01/22	25,000 - 31,000	444,749	196,000
Sewer improvements	08/01/01	1.75%	06/01/22	19,000 - 22,000	334,000	148,000
Well improvements	02/08/02	1.75%	06/01/22	43,000 - 51,000	785,000	329,000
Well improvements	04/16/03	1.75%	06/01/22	3,000 - 4,000	64,000	27,000
Sewer improvements	02/10/10	3.00%	06/01/30	50,000 - 78,000	1,192,000	943,000
Total revenue bonds						<u>\$ 2,299,000</u>

Year Ending June 30,	Principal	Interest	Total
2016	223,000	54,377	277,377
2017	231,000	49,725	280,725
2018	241,000	44,917	285,917
2019	248,000	39,906	287,906
2020	923,000	122,293	1,045,293
2021-2025	355,000	48,068	403,068
2026-2030	78,000	2,535	80,535
Total	<u>\$ 2,299,000</u>	<u>\$ 361,821</u>	<u>\$ 2,660,821</u>

(continued on next page)

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 – DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2015, is as follows:

Receivable Fund	Payable Fund	Amount
General	Road Use Tax Fund	\$ 131,793
	Nonmajor Governmental Funds	231,273
		<u>363,066</u>
Local Option Sales Tax	Water Utility	328,653
	Sewer Utility	1,086,302
		<u>1,414,955</u>
Total		<u>\$ 1,778,021</u>

Amounts due to the General fund and Local Option Sales tax fund represent negative cash borrowings.

NOTE 6 – TRANSFERS

Transfer To	Transfer From	Amount
Local Option Sales Tax	Capital Improvements	\$ 1,044,922
Capital Improvements	Sewer	74,896
	Non-major governmental	66
		<u>74,962</u>
Debt Service	Dyersville Economic Development TIF	<u>299,995</u>
Total		<u>\$ 1,419,879</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, 2015

NOTE 7 – PENSION AND RETIREMENT BENEFITS

Plan Description. IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's total contributions to IPERS for the year ended June 30, 2015 were \$97,305.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of \$367,581 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's collective proportion was .009269 percent which was a decrease of .00177 percent from its proportion measured as of June 30, 2013.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

For the year ended June 30, 2015, the City recognized pension expense of \$41,346. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,777	\$ -
Changes of assumptions	19,398	155
Net difference between projected and actual earnings on pension plan investments	-	244,847
Changes in proportion and differences between City contributions and proportionate share of contributions	7,938	-
City contributions subsequent to the measurement date	<u>97,305</u>	<u>-</u>
Total	<u>\$ 129,418</u>	<u>\$ 245,002</u>

\$97,305 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	\$ (53,640)
2017	(53,640)
2018	(53,640)
2019	(53,640)
2020	<u>1,671</u>
	<u>\$ (212,889)</u>

There were no non-employer contributing entities at IPERS.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent compounded annually, net of investment expense including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
	100%	

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's Proportionate share of the net pension liability (asset)	<u>906,380</u>	<u>367,582</u>	<u>(87,003)</u>

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, 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>19,296</u>
Net OPEB obligation end of year	<u><u>\$ 22,944</u></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, 2015.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

For the year ended June 30, 2015, 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, 2015 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	3,648	0%	15,648
2014	3,648	0%	19,296
2015	3,648	0%	22,944

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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, 2015, there were no trust fund assets.

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

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

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

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

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

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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 \$2,495,894 is outstanding at June 30, 2015. 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, 2015, the Special Revenue, CDBG Fund, had a deficit balance of \$231,273. The City anticipates future transfers will eliminate this deficit.

At June 30, 2015, the Special Revenue, Road Use Tax Fund, had a deficit balance of \$96,136. The City anticipates future Road Use Tax Proceeds will eliminate this deficit.

At June 30, 2015, the Capital Projects, Capital Improvements Fund, had a deficit balance of \$9,679. The City anticipates future project 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 – CONSTRUCTION COMMITMENTS AND SUBSEQUENT EVENTS

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2015. The City has additional commitments for signed construction and engineering contracts of approximately \$412,000 as of June 30, 2015, to be paid as work progresses.

The City entered into agreements subsequent to June 30, 2015 for paving and drainage improvements at the 20 West Industrial Center; for construction of the Water Treatment Plant; for repair work at the Memorial Building; and for construction of a sidewalk from WD Elementary School to Westside Park for approximately \$393,000, \$1,089,000, \$46,000 and \$255,000, respectively

Subsequent to June 30, 2015, the City purchased a skid loader for approximately \$21,000 and a new car for the police department for approximately \$21,000.

Management has evaluated subsequent events through February 24, 2016, the date which the financial statements were available to be issued.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13 – PROSPECTIVE ACCOUNTING CHANGES

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

Statement No. 72, Fair Value Measurement and Application, issued February 2015, will be effective for the fiscal year ending June 30, 2016. The objective of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements.

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, will be effective for fiscal year ending June 30, 2016. The objective is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports (financial reports) of governments whose employees—both active employees and inactive employees—are provided with pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as amended.

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, will be effective for the fiscal year ending June 30, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, will be effective for fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, will be effective June 30, 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles.

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

NOTE 14 – REBATE AGREEMENTS

The City has entered into tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental taxes paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The City has agreed to provide tax increment payments in a total amount not exceeding \$2,789,055.

(continued on next page)

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 15 – Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date.

	Governmental Activities	Business Type Activities			
		Water	Wastewater	Sanitation	Total
Net Position June 30, 2014 as previously reported (See Note 16)	\$ 14,100,789	\$ 4,193,602	\$ 4,007,663	\$ 89,844	\$ 8,291,109
Net pension liability at June 30, 2014	(416,683)	(84,544)	(84,544)	(18,117)	(187,205)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date	44,687	9,067	9,067	1,943	20,077
Net Position July 1, 2014 as restated	<u>\$ 13,728,793</u>	<u>\$ 4,118,125</u>	<u>\$ 3,932,186</u>	<u>\$ 73,670</u>	<u>\$ 8,123,981</u>

NOTE 16 – PRIOR PERIOD ADJUSTMENT

In addition to the restatement of beginning net position due to implementation of GASB 68 as discussed in Note 15, during 2015, management determined an adjustment was needed to record grant receipts for which the underlying expenditures took place during prior periods.

The error corrections had no net effect on the change in fund balance or net position, as applicable, for the year ended June 30, 2015.

CITY OF DYERSVILLE, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

The beginning net position of the affected funds have been restated as follows:

	Fund Balance/ Net Position Beginning of Year, As Previously Reported	Prior Period Adjustment	Fund Balance/ Net Position Beginning of Year, As Restated
Prior Period Adjustment			
Governmental Activities	\$ 14,100,789	\$ 547,745	\$ 14,648,534
GASB No. 68 Implementation			
Government-Wide Financial Statements			
Governmental Activities	\$ 14,648,534	\$ (371,996)	\$ 14,276,538
Business-Type Activities			
Water	\$ 4,193,602	\$ (75,477)	\$ 4,118,125
Wastewater	\$ 4,007,663	\$ (75,477)	\$ 3,932,186
Sanitation	\$ 89,844	\$ (16,174)	\$ 73,670

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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Variance with Final Budget-Positive (Negative)
Receipts:						
Property tax	2,167,990	-	\$ 2,167,990	\$ 2,103,508	\$ 2,103,508	\$ 64,482
Tax increment financing	514,708	-	514,708	510,779	510,779	3,929
Other city tax	771,475	-	771,475	813,917	813,917	(42,442)
Licenses and permits	20,258	-	20,258	18,867	18,867	1,391
Use of money and property	49,225	-	49,225	43,508	43,508	5,717
Intergovernmental	578,002	-	578,002	462,561	562,561	15,441
Charges for service	1,006,268	1,908,130	2,914,398	2,000,245	2,900,245	14,153
Special assessments	5,756	-	5,756	50,000	50,000	(44,244)
Miscellaneous	64,446	22,146	86,592	59,800	59,800	26,792
Total receipts	<u>5,178,128</u>	<u>1,930,276</u>	<u>7,108,404</u>	<u>6,063,185</u>	<u>7,063,185</u>	<u>45,219</u>
Disbursements:						
Public safety	860,970	-	860,970	819,438	877,438	16,468
Public works	539,107	-	539,107	517,020	566,020	26,913
Health and social services	1,300	-	1,300	1,450	1,450	150
Culture and recreation	858,367	-	858,367	876,734	909,734	51,367
Community and economic development	83,521	-	83,521	165,433	165,433	81,912
General government	299,794	-	299,794	293,995	298,995	(799)
Debt service	732,445	-	732,445	715,094	715,094	(17,351)
Capital projects	574,266	-	574,266	100,000	675,000	100,734
Business-type activities	-	1,887,881	1,887,881	1,878,661	1,938,661	50,780
Total disbursements	<u>3,949,770</u>	<u>1,887,881</u>	<u>5,837,651</u>	<u>5,367,825</u>	<u>6,147,825</u>	<u>310,174</u>
Excess of Receipts Over						
Disbursements	1,228,358	42,395	1,270,753	695,360	915,360	355,393
Other Financing Sources (Uses), Net	<u>950,474</u>	<u>(950,474)</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>(1,000)</u>
Excess (Deficiency) Of Receipts and Other						
Financing Sources Over (Under)						
Disbursements and Other						
Financing Uses	2,178,832	(908,079)	1,270,753	696,360	916,360	354,393
Balances Beginning of Year	<u>1,496,564</u>	<u>59,750</u>	<u>1,556,314</u>	<u>1,100,450</u>	<u>1,100,450</u>	<u>455,864</u>
Balances End of Year	<u>\$ 3,675,396</u>	<u>(848,329)</u>	<u>\$ 2,827,067</u>	<u>\$ 1,796,810</u>	<u>\$ 2,016,810</u>	<u>\$ 810,257</u>

CITY OF DYERSVILLE, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) – GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS AND BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

Budget To GAAP Reconciliation	Governmental Funds			Proprietary Funds		
			Modified	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 5,178,128	\$ (307,299)	\$ 4,870,829	\$ 1,930,276	\$ (8,444)	\$ 1,921,832
Expenditures/Expenses	3,949,770	(216,365)	3,733,405	1,887,881	(93,191)	1,794,690
Net	1,228,358	(90,934)	1,137,424	42,395	84,747	127,142
Other Financing Sources, Net	950,474	(875,578)	74,896	(950,474)	875,578	(74,896)
Beginning Fund Balances/Net Position	1,496,564	1,094,376	2,590,940	59,750	5,676,786	8,123,981
Ending Fund Balances/Net Position	\$ 3,675,396	\$ 127,864	\$ 3,803,260	\$ (848,329)	\$ 6,637,111	\$ 8,176,227

CITY OF DYERSVILLE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$780,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements in the general government and debt service functions exceeded the amount budgeted.

CITY OF DYERSVILLE, IOWA
City's Proportionate Share of IPERS Net Pension Liability
For Year Ended June 30, 2015

	<u>2015</u>
City's proportion of the net pension liability (asset)	0.009269%
City's proportionate share of the net pension liability (asset)	\$ 367,582
City's covered-employee payroll	\$ 1,019,999
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	36.04%
Plan fiduciary net position as a percentage of the total pension liability.	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF DYERSVILLE, IOWA
IPERS contributions- Last 10 Fiscal Years
For Year Ended June 30, 2015

<u>Fiscal Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered-Employee Payroll</u>	<u>Contributions as a Percentage of Covered-Employee Payroll</u>
2015	\$ 97,306	\$ 97,306	-	\$ 1,046,526	9.30%
2014	93,029	93,029	-	1,019,999	9.12%
2013	90,571	90,571	-	990,311	9.15%
2012	83,413	83,413	-	965,432	8.64%
2011	83,666	83,666	-	1,075,542	7.78%
2010	89,100	89,100	-	755,165	11.80%
2009	68,355	68,355	-	911,391	7.50%
2008	71,082	71,082	-	884,846	8.03%
2007	60,784	60,784	-	859,073	7.08%
2006	60,849	60,849	-	834,052	7.30%

See Accompanying Independent Auditor's Report

CITY OF DYERSVILLE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

CITY OF DYERSVILLE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(Amounts in Thousands)
YEAR ENDED JUNE 30, 2015

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)
2012	July 1, 2009	-	26	26	0.00%	861	3.02%
2015	July 1, 2012	-	26	26	0.00%	918	2.83%

See Note 8 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.

CITY OF DYERSVILLE, IOWA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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.

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, 2015**

Schedule 1

	CDBG	Library Trust	Capital Projects Capital Equipment	Total Nonmajor Governmental Funds
Assets				
Cash and pooled cash investments	\$ -	\$ 43,730	\$ -	\$ 43,730
Liabilities And Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ 28	\$ -	\$ 28
Due to other funds	231,273	-	-	231,273
Total Liabilities	231,273	28	-	231,301
Fund Balances				
Restricted for				
Library	-	43,702	-	43,702
Unassigned	(231,273)	-	-	(231,273)
Total Fund Balances	(231,273)	43,702	-	(187,571)
Total Liabilities and Fund Balances	\$ -	\$ 43,730	\$ -	\$ 43,730

CITY OF DYERSVILLE, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

Schedule 2

	Special Revenue		Capital Projects	Total
	CDBG	Library Trust	Capital Equipment	Nonmajor Governmental Funds
Revenues				
Use of money and property	\$ -	\$ 1,666	\$ -	\$ 1,666
Intergovernmental	9,832	-	-	9,832
Charges for service	-	11,658	-	11,658
Total Revenues	<u>9,832</u>	<u>13,324</u>	<u>-</u>	<u>23,156</u>
Expenditures				
Operating				
Public safety	7,830	-	-	7,830
Culture and recreation	-	12,171	-	12,171
Total Expenditures	<u>7,830</u>	<u>12,171</u>	<u>-</u>	<u>20,001</u>
Excess of Revenues Over Expenditures	<u>2,002</u>	<u>1,153</u>	<u>-</u>	<u>3,155</u>
Other Financing Uses				
Transfers out	-	-	(66)	(66)
Net Change In Fund Balances	2,002	1,153	(66)	3,089
Fund Balances, Beginning of Year	<u>(233,275)</u>	<u>42,549</u>	<u>66</u>	<u>(190,660)</u>
Fund Balances, End of Year	<u>\$ (231,273)</u>	<u>\$ 43,702</u>	<u>\$ -</u>	<u>\$ (187,571)</u>

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

Schedule 3

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Property tax	\$ 2,192,886	\$ 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
Tax increment financing	514,708	828,249	1,112,175	1,289,505	709,582	623,742	362,399	257,506	339,688	410,153
Other city tax	806,905	746,975	700,828	658,198	640,674	620,724	616,627	641,441	633,612	549,499
Licenses and permits	21,189	17,917	24,677	19,988	15,908	19,875	17,808	17,279	16,604	19,721
Use of money and property	49,146	43,873	30,333	35,790	50,070	103,081	200,559	124,712	92,909	67,584
Intergovernmental	1,028,030	1,106,692	2,516,641	1,747,062	1,884,647	2,142,239	605,322	381,761	368,337	664,079
Charges for service	188,371	213,230	203,753	210,754	276,185	308,616	250,551	239,593	250,071	201,149
Special assessments	5,756	16,693	128,626	1,186	3,444	6,536	7,993	7,873	7,605	14,897
Miscellaneous	63,838	89,407	145,267	610,642	30,332	48,962	60,903	69,055	56,003	141,476
Total Revenues	\$ 4,870,829	\$ 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
Expenditures:										
Operating:										
Public safety	\$ 833,124	\$ 1,126,165	\$ 1,454,666	\$ 2,136,818	\$ 2,077,083	\$ 1,232,499	\$ 1,180,029	\$ 865,895	\$ 895,784	\$ 764,856
Public works	527,001	544,635	561,285	576,256	653,289	487,664	498,396	426,909	468,335	474,980
Health and social services	1,300	1,300	900	800	800	1,512,275	800	1,000	800	1,300
Culture and recreation	843,487	930,238	1,068,962	1,034,830	832,260	784,875	813,427	703,071	695,435	725,205
Community and economic development	199,562	445,659	133,852	113,970	127,477	139,035	117,228	1,118,013	16,790	19,963
General government	296,770	375,424	318,460	322,999	293,061	289,658	303,319	301,154	326,609	265,260
Debt service	729,587	601,501	547,512	793,679	515,827	988,064	669,562	1,040,106	453,805	483,459
Capital projects	302,574	1,127,594	2,108,306	2,339,545	667,448	1,532,747	59,057	471,918	221,687	133,028
Total Expenditures	\$ 3,733,405	\$ 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

**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, 2015, 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 February 24, 2016.

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. We consider the deficiency in internal control described in Part II of the accompanying schedule of findings and questioned costs as item 15-II-R-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dyersville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part 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, 2015 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
February 24, 2016

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

Instances of Non-Compliance

There were no matters reported.

Internal Control Deficiencies

14-I-A Timely Transfers to Eliminate Deficit Fund Balances

Finding – During our audit, we found that the City recorded a large entry to transfer amounts from the Water, Sewer, CDGB and Local Option Sales Tax (LOST) Funds to the Capital Improvements Fund. This transfer was done to reimburse the Capital Improvements Fund for the cost of constructing projects which were incurred primarily in prior years.

Auditor's Recommendation – The City should reconcile these projects on a regular basis and make transfers as the projects progress or at the time the project has been completed and accepted by City Council resolution.

City's Response – The City will be establishing subfunds within the Water and Sewer Funds to account for projects funded with water and sewer fees. Further, the City will monitor capital improvement funds and make transfers on a more regular basis.

Auditor's Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

14-II-A Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the general government and debt service functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the capital projects function. 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.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

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	\$ 153,563
Mary Klostermann, Board of Adjustment, and Kevin Klostermann, Parks and Recreation, owners of Computer Doctors	Maintenance/software licenses	5,417
Mary Jo Goldsmith, City Hall Receptionist, husband owns Goldsmith Painting	Social Center painting	3,500

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

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

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

Auditor's Conclusion – Response accepted.

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.

CITY OF DYERSVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

14-II-I Financial Condition – As of June 30, 2015, the Special Revenue - Road Use Tax, the Capital Projects - Capital Improvement and Special Revenue - CDBG Fund, had deficit balances of \$96,136, \$9,679 and \$231,723, 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 tax receipts or 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.

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 three 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 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.