

CITY OF DUBUQUE, IOWA

**Comprehensive Annual
Financial Report**

**For the Fiscal Year Ended
June 30, 2004**

**Prepared by:
Department of Finance**

INTRODUCTORY SECTION

CITY OF DUBUQUE, IOWA

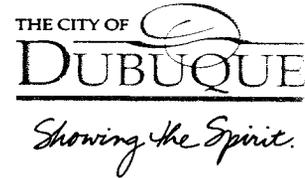
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November 10, 2004

Honorable Mayor, City Council Members and
Citizens of the City of Dubuque

The Comprehensive Annual Financial Report (CAFR) of the City of Dubuque, Iowa, for the fiscal year ended June 30, 2004, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is presented in four sections: Introductory Section, Financial Section, Statistical Section and Compliance Section. The Introductory Section includes this transmittal letter, the City's organizational chart, the list of principal officials, a Certificate of Achievement for Excellence in Financial Reporting from the Governmental Finance Officers Association of the United States and Canada and a table of contents. The Financial Section includes the independent auditor's report, management's discussion and analysis, the basic financial statements, required supplementary information and other supplementary information. The Statistical Section includes unaudited financial and demographic information, generally presented on a multi-year basis.

The City is required to undergo an annual single audit in conformity with the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and the auditor's report on internal control over financial reporting and compliance with requirements applicable to laws, regulations, contracts, and grants, are included in the Compliance Section of this report.

This report includes all funds of the City of Dubuque, as well as its component unit. Component units are legally separate entities for which the City of Dubuque is financially accountable. The City provides a full range of services including; police and fire protection, sanitation services, the construction and maintenance of roads, streets, and infrastructure, inspection and licensing functions, maintenance of grounds and buildings, municipal airport, library, recreational activities and cultural events. In addition to general government activities, the municipality owns and operates enterprises for a water system, water pollution control facility, stormwater system, parking facilities, refuse collection, and public transportation. Beginning with the 2001 fiscal year, the City is required by its Vision Iowa contract to report its America's River Project funds as a separate enterprise fund. Also, the governing body is financially accountable for the operations of the Dubuque Library Board, Airport Commission, Civic Center Commission, Cable

TV Commission, Transit Board, and the Park and Recreation Commission. These activities are not legally separate entities, and therefore are included in the reporting entity.

This report includes the Dubuque Metropolitan Area Solid Waste Agency (DMASWA) as a discretely presented component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City of Dubuque and to differentiate its financial position and results of operations from those of the City. The City of Dubuque appoints a voting majority to the DMASWA governing board and operates the landfill.

Generally Accepted Accounting Principals (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Dubuque's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Dubuque is located on the Mississippi River in northeast Iowa, adjacent to the states of Illinois and Wisconsin. The City was founded by Julien Dubuque in 1785 and is the oldest City in Iowa. The City of Dubuque has a unique combination of the old and new, ranging from cable cars, Victorian architecture, and a Civil War shot tower, to an enclosed shopping mall, riverboat casino, and a pari-mutuel dog track with a slot machine casino. Dubuque has a stable and diversified manufacturing base and is the major tri-state retail center. Employment growth was strong throughout the year, as Dubuque ended the fiscal year with an unemployment rate of approximately 3.5 percent. The City of Dubuque currently has a land area of 28 square miles and a population of 57,686. As the largest City in the tri-state area, Dubuque serves as the hub of a trade area with a population estimated at 250,000.

The City of Dubuque is empowered to levy a property tax on real property located within the City limits. The City has operated under a council-manager form of government since 1920. Policymaking and legislative authorities are vested in the governing council, which consists of a mayor and a six-member council. The governing council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, Corporate Counsel, and City Clerk. The City Manager is responsible for overseeing the day-to-day operations of the government, making recommendations to the City Council on the budget and other matters and for appointing the heads of the government's departments and hiring employees. The council is elected on a non-partisan basis. Council members are elected to four-year staggered terms with three council members elected every two years. The mayor is elected to a four-year term. Four of the council members are elected within their respective wards; the mayor and the two remaining council members are elected at large.

ECONOMIC CONDITION AND OUTLOOK

Development of Dubuque Industrial Center West continues. The first phase of the 550-acre development of City owned land made 135 acres available for medium to heavy industrial uses.

Dubuque Area Industrial Development Corporation has sold its 40,000 square foot speculative industrial building located on twelve acres of Dubuque Industrial Center West to Walter Development. The McGraw-Hill Company completed a 330,000 square foot warehouse and distribution center at Dubuque Industrial Center West in 2002. Also, the sale of 17 acres to Alliant Energy for a new operations facility is complete with construction underway. Giese Manufacturing completed construction of a 30,000 square foot manufacturing facility on a 5-acre site. The Adams Company recently completed a 50,000 square foot manufacturing facility. Vessel Systems has constructed a new 31,000 square foot manufacturing facility. The John G. Bergfeld Recreation Area provides recreation opportunity for employees who work in the park, as well as the public. Dubuque Industrial Center West complements the city-owned, 100-acre Dubuque Technology Park located south of Dubuque adjacent to U.S. 151/61 that has four occupants: Advanced Data-Comm, Cartegraph, Integreat, and McLeod USA.

Eagle Window & Door completed construction of a new 400,000 square foot manufacturing facility in the Kerper Boulevard industrial area, and moved into the facility in December 2000. This \$17,000,000 project added 168 employees. Flynn Ready Mix constructed a new state-of-the-art facility on Kerper Court in 2002. Quebecor World expanded its operations into the former McGraw-Hill facility on Kerper Boulevard with a \$28 million investment in remodeling and equipment. Barnstead International expanded operations in 2003, increasing employment by 23 positions and moving the Ever Ready Thermometer Company to Dubuque. CIGNA, occupying a new 115,000 square foot office building in downtown Dubuque announced the company sold its retirement services business to Prudential Financial, who is assuming the job creation contract requirements of the city and state. SISCO, a Dubuque based third party insurance administrator, renovated the historic Town Clock Building adjacent to their downtown Dubuque facility. The renovation provides SISCO the potential to house another 100 employees.

Other downtown development includes the construction of the three-story Harbor View Building at 300 Main Street. The building is home to the Chamber of Commerce and the Greater Dubuque Development Corporation and offers additional office space for lease. The \$2.5 million renovation of the basement, first and second floors of the Cooper Wagon Works building (Bricktown) at Third and Main Street is complete. The building houses a restaurant, lounge, and banquet facilities. The Iowa Inn, former downtown YMCA, located at 9th and Iowa Street, has completed a \$3.3 million renovation to convert to 33 units for low-income senior housing. Pepper Sprout Restaurant offers gourmet dining in a renovated historic building in the Old Main District. Café Manna Java is a bakery and coffee shop serving light lunch and dinner. "Lot 1" an historical renovation of a building at First and Main was completed in 2004. The Weber Paper building has been remodeled to house Shepherd Publishing, which brought 70 jobs to downtown Dubuque. Heartland Financial USA, completed the \$10 million renovation of the former Walsh hardware store on 13th and Central. The company, which provides services to its banks throughout the country has committed to employing 45 new positions within five years.

On Dubuque's west side, development of 330,000 square feet of retail space in Asbury Plaza began in July 2001. The plaza encompasses 190 acres and is anchored by Hy-Vee Food Store. Hallmark, Michael's, Old Navy, Bed, Bath & Beyond, Dress Barn, Famous Footwear, Pier One, Petco, Sally Beauty, EB Games and Next Generation Wireless were added to the Asbury Plaza. Kohl's Department Store opened in October 2004. Menards relocated to a new 162,340 square foot retail facility on the west side in May 2002, with Hobby Lobby taking over its old facility. Star Cinema, a new state of the art 12 screen movie complex broke ground in 2004.

With the recent economic growth, the City has annexed almost 4,000 acres since 1995. In contrast, only 40 acres were annexed in the first half of the 1990's. This is consistent with the non-residential construction numbers in the community. From 1990-1998 the City averaged 350,000 square feet of non-residential construction per year. In the five years from 1999-2003, the City has averaged almost 1,000,000 square feet of non-residential construction per year.

MAJOR INITIATIVES

For the Year. The City of Dubuque staff, following the adopted priorities of the Mayor and City Council, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment to continue to provide high quality services to the citizens of Dubuque within the budget guidelines set by the Mayor and City Council.

Downtown revitalization continued as a high priority of City Council, with programs such as the Downtown Rehabilitation Loan Program and Facade Grant Program providing incentives for property improvement in the downtown area. The opening of Eighth Street to traffic through the plaza was the first phase of a multi-million-dollar update of the Town Clock Plaza to meet the current development and functional needs of the downtown. The second phase was to open the Town Clock Plaza from Fifth to Eighth Street to vehicle traffic, which was completed and opened to traffic in August 2002. The City continued implementation of major parking expansion to meet the increased parking demand in the downtown area. Included in the expansion was a three-level, 240-space addition to the existing parking ramp at Fifth and Iowa Street, and construction of a new 400 space parking ramp facility at Third and Iowa Street, which opened in June 2002. The City also sponsored a downtown visioning process in conjunction with state and local partners. A downtown master plan was completed in 2004. The Five Flags Center transitioned to private management in July 2004 with SMG becoming the City's agent to manage the facility.

Construction for the last phase of the Northwest Arterial, from JFK Road to U.S. 52, was completed in September 2002. The Southwest Arterial Environmental Assessment will be complete January 2005. Using a \$1.9 million federal appropriation, the City has contracted for preliminary design with Earth Tech.

American Eagle Airlines has maintained and increased it's frequency in September 2004 to four flights per day to Chicago's O'Hare Airport. In the past year the airline industry continued to struggle and underwent monumental economic losses causing them to cut flights to cities large and small. Utilization of the Department of Transportation Small Community Air Service Development Grant of \$610,000 received by the Dubuque Regional Airport and its FLYDBQ Partners aided in reaching the agreement between American Eagle Airlines and Dubuque Regional Airport to initiate the fourth frequency.

In October 2004, the Dubuque Regional Airport received its 14th consecutive year of a perfect FAA Part 139 inspection compliance. Dubuque is the only airport in the nation to currently hold this record.

The Benefit Cost Analysis for the new terminal area was completed in September 2004 and accepted by the FAA. Upon completion the Benefit Cost Analysis the FAA concluded the new

terminal area meets all federal guidelines for discretionary funding. Airport staff is currently working on the Environmental Assessment (EA) for the land acquisition required for the terminal area. The EA generally takes up to one year to complete.

Dubuque Regional Airport initiated a Master Plan update in the fall of 2003. The final Planning Advisory Committee meeting and public workshop was held in September 2004. The consultant will present the Master Plan to the Airport Commission in November for their approval and send it to the FAA for acceptance.

Currently a new jet bridge has been ordered to provide Dubuque Regional Airport commercial flyers the convenience of the bridge without having to endure the outside elements while boarding the American Airlines regional jet.

Implementation of the City Council's Neighborhood Reinvestment Strategy provided many 'quality of life' improvements for City residents. The Community Oriented Policing Program expanded to include other City Departments in landlord/tenant training and building code enforcement. Dubuque is one of the safest places to live in the Midwest, and 15 police officer positions have been added since 1994 to implement new programs and enhance police coverage. The Housing and Community Development Department continued housing rehabilitation efforts including various home ownership initiatives. During the past fiscal year, 19 families were assisted in purchasing their first home through use of Community Development Block Grant (CDBG) funds. The City provides rental assistance to lower-income families of approximately \$4 million annually through HUD's Section 8 Program. A \$2.4 million award was received from HUD's Lead Hazard Reduction Program to continue efforts to reduce lead paint poisoning. The City assisted a developer to obtain Low Income Housing Tax Credits from the Iowa Finance Authority. With the \$3.6 million award, Gronen Restoration will rehab 30 upper-story apartments in the Upper Main area. In total, the Housing and Community Development Department invested more than \$6.8 million in homeowner and rental housing projects, matched by \$1.2 million in private investment. Neighborhood park development included the installation of new play units in several neighborhood parks during the year, plus Bryant and Table Mound Elementary Schools. Seven million dollars has been invested in the park system over a five-year period.

The City's ambitious riverfront development continued to move forward as planned during the year and was awarded \$40 million (with \$20 million going to the City) from the State of Iowa *Vision Iowa* program. The *America's River* project is a public/private partnership between the City of Dubuque, the Dubuque County Historical Society, the Dubuque Area Chamber of Commerce, and Dubuque County, to carry out a comprehensive \$188 million riverfront development in the Port of Dubuque. This area already includes historic sites, such as a Civil War Shot Tower, the *William M. Black* steamboat, Mississippi River Museum, Dubuque Star Brewery, and the Ice Harbor. Recent progress on riverfront development included the following:

- *Port of Dubuque Master Plan*
A strategic plan for the Port of Dubuque with land uses, economic analyses, and design standards was adopted in 2002.
- *Mississippi River Discovery Center and Aquarium-opened June 2003*
The River Discovery Center and Aquarium is a world-class national museum for the

entire Mississippi River. The Center includes 15 aquariums, including five that measure 30 feet across. A dynamic immersion theater surrounds visitors with the story of the Mississippi River's creation, its floods, its history, and its underwater life. An outdoor wetland features natural and living history with floating laboratories and classrooms. Stream tables let visitors create their own rivers, and the educational overnight program will let visitors sleep on a "Boat and Breakfast" on a National Historic Landmark steamboat.

- *Heritage Trail Riverfront System*

Fifteen and one-half miles of an 18-mile extension of the Heritage Trail from the north end of Dubuque through downtown, to the Mines of Spain State Recreation Area have been built since 1999. The bike/hike trail has both off-road and on-street segments. The Heritage Trail Riverfront System, with links to riverfront parks and the Port of Dubuque, is a major recreational amenity and alternative transportation system for the community.

- *River's Edge Plaza-opened in 2002*

Construction was completed on a 5,000 square foot plaza outside the floodwall gate at the historic Ice Harbor. This plaza serves as the City's riverfront gateway, as well as a landing for large steamboats.

- *Mississippi Riverwalk-opened in 2003*

Construction was completed in 2003 for the one-mile Mississippi Riverwalk Recreational Trail at the Port of Dubuque. This 15-foot wide promenade includes benches, historic lighting, shade structures, and cascading stairs to the river.

- *Grand Harbor Resort and Waterpark-opened November 2002*

A 196-room seven-story hotel, and a 24,000 square foot indoor water park were opened.

- *Grand River Center-opened October 2003*

A 115,000 square foot education and conference center had a ribbon cutting. The City's share of State Vision Iowa funds was utilized for the center and related public improvements.

- *Star Brewery Building-\$6.5 renovation*

A proposal for a mixed-use complex was received in November 2002 for the renovation and reuse of the 40,000 square foot historic building. A one year lease through April 2005 has been signed with the Historic Star Development Corporation and a long-term lease is under negotiation.

- *Phase II Riverfront Development*

Phase II redevelopment is underway. The City purchased approximately 20 acres for former logging and saw mills operations in 2003, and demolished the structures. The City also purchased the Adams Company and relocation of this company was completed in 2004. These acquisitions were made possible through federal grants of over \$2.3 million.

For the Future. The Mayor and City Council will continue to take action to achieve their goals of maintaining a strong local economy, sustaining stable property tax levies, and enhancing the safety and security of citizens through neighborhood vitality. The City staff will work to implement the City Council's vision that Dubuque is a "Masterpiece on the Mississippi." A program of comprehensive service reviews has continued as a vehicle for analyzing City services, identifying opportunities for improvement, and determining areas of possible cost reductions. The goal of the service review program is to ensure that services desired by the citizens are provided in the most cost effective and efficient method possible. The City Council's goals for the next five years and beyond include the following:

- Improved connectivity: transportation and telecommunications
- Planned and managed growth
- Diverse, strong Dubuque economy
- Riverfront development
- Partnering for a better Dubuque

Specific programs are being implemented by City staff to meet the City Council's five-year goals. Some of the most significant programs include:

- Riverfront Development - The City has partnered with several other agencies to enhance one of Dubuque's greatest treasures, the Mississippi riverfront area. A \$188 million comprehensive plan for riverfront improvements has been substantially completed. Redevelopment is guided by the Port of Dubuque Master Plan. A \$39 million renovation of the City owned Dubuque Greyhound Park and Casino is underway including a \$12 million privately owned Hilton Garden Hotel
- Industrial Park Development – The City has acquired over 900 acres of industrial land and has completed the first phase of construction for these industrial parks. City staff and the Greater Dubuque Development Corporation are working to attract new businesses and meet the expansion needs of current businesses. The GDDC recently completed a \$2.3 million fundraising campaign to support their operations. The next phase of the Dubuque Industrial Center West is under design.
- Neighborhood Reinvestment – The highly successful Community Oriented Policing and Uptown Recreation programs will continue. Park improvements will continue with over \$7 million budgeted over the next five years to add new parks to the system, expand parks and further improve the existing parks. Work will continue on neighborhood empowerment programs including property management and tenant training. The City Street, Historic Preservation and Housing programs are also being expanded to affect quality of life improvements at the neighborhood level.
- Downtown Redevelopment – Dubuque's downtown, situated between the Mississippi River and tall tree-lined bluffs, is the home to many unique and historic buildings as well as being

the center of commerce and tourism. The City Council adopted *Vision Downtown*, a community consensus for the future of Downtown Dubuque, in December 2001. The Downtown Master Plan was approved by the City Council in February 2004.

- **Transportation Improvements** – The City will maintain its aggressive program to improve local streets. Plans are in place to reconstruct or overlay sixty miles of streets over the next five years. In a sixteen-year period from 1990-2006, the City will have completed sixty-nine percent of the streets. All of the traffic signals along U.S. 20 will have been interconnected by the end of 2004 to improve traffic flow and lessen travel delays. Other new roadway connections, such as a new connection off University Avenue to U.S. 20 will be constructed. U.S. 20 is being widened to five lanes from the Northwest Arterial to old U.S. 20 in 2004 to improve safety. Corridor studies are completed for the Southwest Arterial and the Julien Dubuque Bridge four-lane replacement.

The City, in partnership with local stakeholders, also has implemented a comprehensive way finding signage program throughout the City with IDOT support. Something very dramatic is happening to Dubuque that will significantly increase its growth potential and the ability for the creation of wealth for all citizens. Up to 1999 Dubuque had no four-lane connection to an interstate highway system. By 2005 there will be five, four-lane connections. Expanded U.S. Highway 151 providing Dubuque with a four-lane link to Madison, Wisconsin (I-90-94), and Cedar Rapids, Iowa (I-80), by 2005. The four-lanes of U.S. Highway 20 from Dubuque to Fort Dodge, Iowa (I-35) was completed in 2003. U.S. Highway 61 was opened as a four-lane from Dubuque to Davenport, Iowa (I-80) in 1999. The four-lane of U.S. Highway 218 from Waterloo, Iowa to Mason City, Iowa (I-35) connects to U.S. Highway 20 and opened in 2003.

- **Acknowledgements**

During the past year, Dubuque was recognized by several national organizations for its leadership, business climate and quality of life. These acknowledgments include:

Officials from the City of Dubuque accepted an award at the National League of Cities meetings in Nashville for being named a **2003 Crown Community** by American City & County magazine. This award recognizes city or county projects that exemplify “the best that local government has to offer its residents.” Dubuque and the *America's River* project was also featured in the December issue of *American City and County* magazine.

In May, Dubuque was ranked 6th nationwide in *Expansion Management* magazine's **2004 Quality of Life Quotient** and earned the publication's highest acknowledgment – a 5-Star Community. The Quality of Life Quotient takes into account the preferred lifestyle of the majority of the country's workforce and places emphasis on issues of importance to the average American such as affordable housing and good schools. Dubuque took the top honor in the Housing Affordability category, while the City's schools placed 7th nationwide. Dubuque joins a list of just 50 5-Star Communities in the entire United States.

According to the Milken Institute, Dubuque ranks number one in **high-tech growth** among a field of 96 similarly sized U.S. metropolitan areas. Dubuque took over the number one

spot after climbing from number 14 last year and number 18 in 2001. According to Milken, Dubuque's listing is due to a high-tech growth rate that is more than 80 percent higher than the U.S. average. The Institute measured the total dollar amount of technological goods and services during the five-year period between 1997 and 2002.

Dubuque moved ahead by almost 50 spots from its 2001 position to its new rank of 40th in *Forbes Magazine's 2003 Best Places* edition. According to Forbes, Dubuque's cost of doing business is also very favorable with a rank of 13 out of 168 cities in the United States. Dubuque gained 22 spots last year and moved ahead by another 25 this year despite the addition of 74 new communities into the small city category.

All of this is being done while the City maintains fiscal integrity. Through efficient operations, revenue diversification, and debt reduction, the City has not increased its share of the average homeowners property taxes in ten years.

These are a few of the many activities being addressed by the community, City Council, and City staff to improve the quality of life in Dubuque.

FINANCIAL INFORMATION

Internal Control. City management is responsible for establishing and maintaining internal controls to ensure that the assets of the government are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit. As a recipient of federal and state financial assistance, the City of Dubuque's government is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws, regulations, contracts, and grants related to those programs. These internal controls are subject to periodic evaluation by management.

As a part of the City's single audit described earlier, tests are made to determine the adequacy of internal controls, including that portion related to federal programs, as well as to determine that the government has complied with applicable laws, regulations, contracts, and grants. The results of the government's single audit for the fiscal year ended June 30, 2004, provided no instances of material weaknesses in internal control over compliance, or significant violations of applicable laws, regulations, contracts and grants.

Budgeting Controls. In addition, the government maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. All funds are included in the annual appropriated budget. The level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established by function. The government also maintains an encumbrance accounting system as one technique for accomplishing budgetary

control. Encumbered amounts lapse at year-end, however, encumbrances generally are re-appropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the city continues to meet its responsibility for sound financial management.

Cash Management. Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, repurchase agreements, U.S. Treasury securities, federal agency obligations, and authorized mutual funds. The City received cash basis investment earnings of \$1,332,515 for the year.

The investment policy adopted by the City Council stresses the importance of capital preservation. The policy directives intend to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, deposits were either covered by federal depository insurance or collateralized. All collateral on uninsured deposits was held either by the State Treasurer, the government, its agent, or a financial institution's trust department in the government's name. All of the investments subject to risk categorization were classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. The non-classified investments include mutual funds.

Risk Management. The City of Dubuque is a member of a statewide risk pool for local governments, the Iowa Communities Assurance Pool (ICAP). The coverage for general and auto liability, as well as public official and police professional liability are acquired through this pool. Worker's compensation coverage up to \$400,000 for each accident is provided through self-insurance. The accumulated reserve provision for such claims equaled \$290,725 as of June 30, 2004. The City has also established a self-insurance plan for medical, dental, prescription drug, and short-term disability. The accumulated reserve provision for such claims equaled \$683,553 as of June 30, 2004. All self-insured health plans are certified as actuarially sound and certificates of compliance have been filed with the State of Iowa.

OTHER INFORMATION

Independent Audit. State Code requires an annual audit by independent certified public accountants or the State Auditor. The accounting firm of Eide Bailly LLP conducted the audit for fiscal year 2004. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The independent auditor's report on the basic financial statements and combining fund statements is included in the Financial Section of this report. The auditor's report related specifically to the single audit is included in the Compliance Section.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dubuque, Iowa, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This was the 16th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an

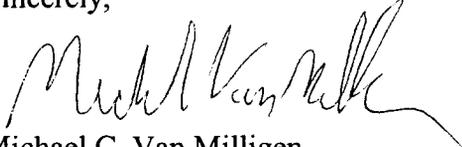
easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Bond Rating. The rating for the City’s outstanding general obligation bonded debt was upgraded by Moody’s Investors Service to “Aa2” from a previous rating of “Aa3” in September 2003. This upgrade was due in part to the City’s sound financial position, anticipated growth of the City’s tax base and low overall debt burden.

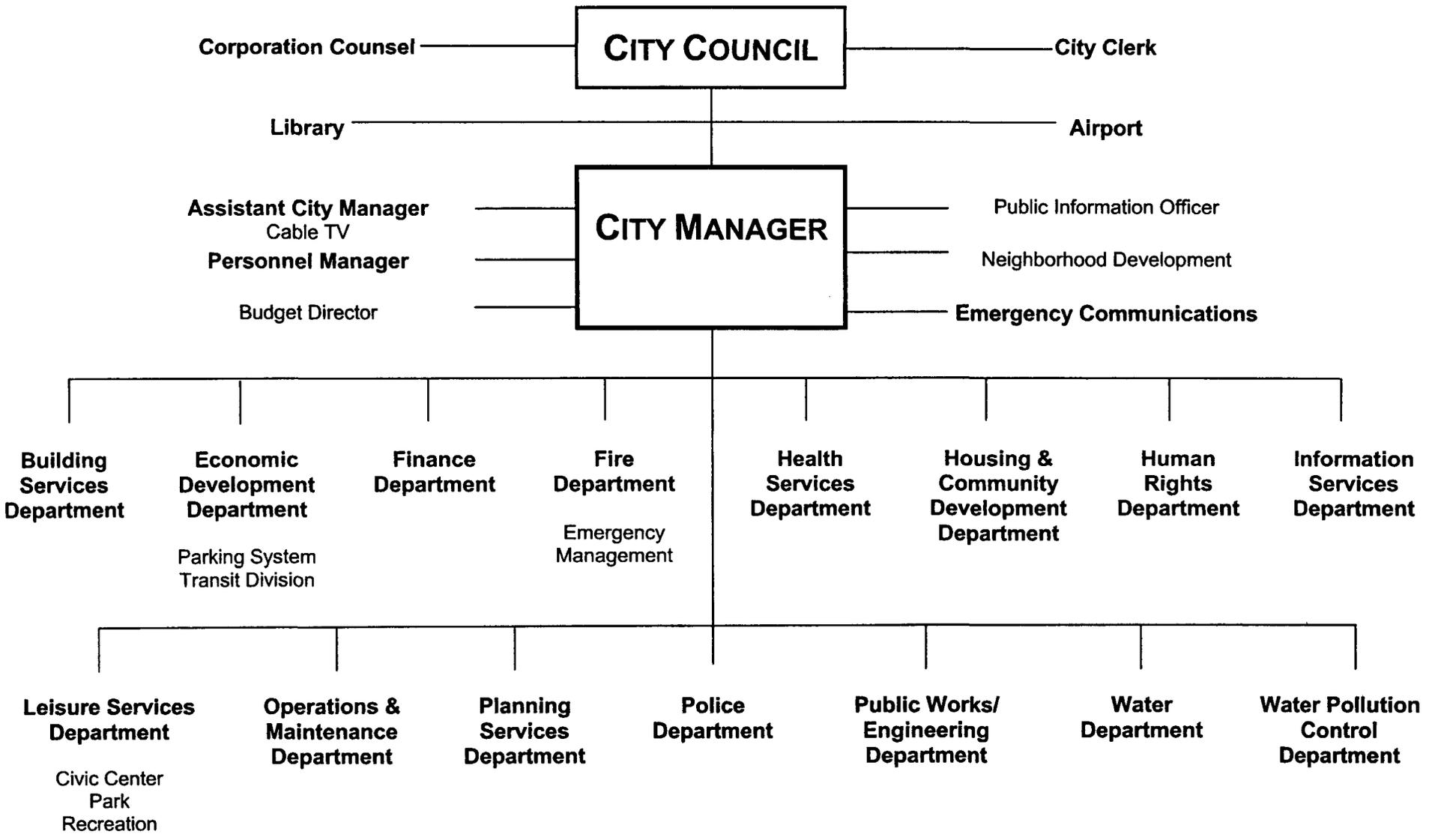
Acknowledgments. We compliment the staff of the Finance Department for their assistance in preparing this report. We also commend the Mayor and City Council and all department and division managers for their interest and support in planning and conducting the financial operations of the City of Dubuque in a responsible and progressive manner. We also thank the independent certified public accountants, Eide Bailly LLP, whose competent assistance and technical expertise have enabled the production of this report.

Sincerely,


Michael C. Van Milligen
City Manager


Kenneth J. TeKippe, CPA
Finance Director

CITY OF DUBUQUE ORGANIZATIONAL CHART



CITY OF DUBUQUE, IOWA

OFFICIALS

JUNE 30, 2004

CITY COUNCIL

Terrance M. Duggan
Daniel E. Nicholson
Ann E. Michalski
John H. Markham
Roy D. Buol
Joyce E. Connors
Patricia A. Cline

Mayor
Council Member – At Large
Council Member – At Large
Council Member – 1st Ward
Council Member – 2nd Ward
Council Member – 3rd Ward
Council Member – 4th Ward

COUNCIL APPOINTED OFFICIALS

Michael C. Van Milligen
Barry A. Lindahl
William G. Blum
James A. O'Brien
Jeanne F. Schneider

City Manager
Corporation Counsel
City Solicitor
Assistant City Attorney
City Clerk

DEPARTMENT MANAGERS

Andrew D. Perry
Cynthia M. Steinhauser
Dawn L. Lang
Richard R. Russell
William J. Baum
Kenneth J. TeKippe
E. Daniel Brown
Mary Rose Corrigan
David W. Harris, Jr.
Kelly R. Larson
Christine A. Kohlmann
Gil D. Spence
Susan A. Henricks
Donald J. Vogt
Randall K. Peck
Laura B. Carstens
Kim B. Wadding
Gus N. Psihoyos
Robert M. Green
Paul J. Horsfall

Airport Manager
Assistant City Manager
Budget Director
Building Services Manager
Economic Development Director
Finance Director
Fire Chief
Health Services Manager
Housing and Community Development Manager
Human Rights Director
Information Services Manager
Leisure Services Manager
Library Director
Operations & Maintenance Manager
Personnel Manager
Planning Services Manager
Police Chief
Public Works Director/Engineering Division (Acting)
Water Department Manager
Water Pollution Control Plant Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dubuque,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



Consultants • Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dubuque, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Dubuque, Iowa. 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; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dubuque, Iowa, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Dubuque, Iowa. The introductory section, combining nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Dubuque, Iowa. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Ernie Bailey LLP

Dubuque, Iowa
November 10, 2004

**CITY OF DUBUQUE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

This section of the City of Dubuque annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements found in the next section of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Dubuque exceeded its liabilities at the close of the fiscal year by \$378,475,682 (net assets). This was an increase of \$18,966,505 over net assets at June 30, 2003. Unrestricted net assets at June 30, 2004 in the amount of \$21,825,600 may be used to meet the City's ongoing obligations to citizens and creditors.
- The revenues of the general fund exceeded expenditures by \$1,442,381.
- The ending general fund balance was \$16,918,398.
- Within the City's business-type activities, expenses exceeded revenues and transfers by \$2,210,607.
- For the year, the revenues of the City's governmental activities exceeded expenses and transfers by \$21,177,112.
- The City's debt decreased by \$286,061 due to principal repayments exceeding the issuance of new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This discussion and analysis is intended to serve as an introduction to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The paragraphs below provide a brief description of the government-wide financial statements.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City you need to

consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to 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 result in cash flows in future fiscal periods such as uncollected taxes and earned but unused vacation leave.

The government-wide financial statements include not only the City itself (known as the primary government), but also one other legally separate entity, the Dubuque Metropolitan Area Solid Waste Agency, for which the City of Dubuque is considered financially accountable. Financial information for the Agency is reported separately from the financial information presented for the primary government. The Dubuque Metropolitan Area Solid Waste Agency issues separate financial statements.

The government-wide financial statements are divided into two categories:

Governmental activities. This category consists of services provided by the City that are principally supported by taxes and intergovernmental revenues. Basic City services such as police, fire, public works, planning, parks, library, and general administration are governmental activities.

Business-type activities. These activities are supported primarily by user fees. The services provided the City in this category include water, sewer, stormwater, refuse, parking, transit and America's River Project.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with legal requirements for financial transactions and reporting. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental

funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances are followed by a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, employee benefits fund, and community development fund, all of which are considered to be major funds. Data from all other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City legally adopts an annual budget by function. A budgetary comparison schedule for the general, employee benefits, and community development funds has been provided.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprises funds to account for its sewer, water, stormwater and refuse utilities. Enterprise funds are also used for transit, parking, and America's River Project. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its general/engineering service, garage service, stores/printing, health insurance, and workers' compensation. The City's internal service funds predominately benefit the governmental activities and have been included in the governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has no fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the budget and actual results of the City's general fund and major special revenue funds.

Other information. The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. As noted earlier, net assets may serve as a useful indicator of a government's financial position when observed over time. In the case of the City, assets exceeded liabilities by \$378,475,682 at the close of the most recent fiscal year.

The largest part of the City's net assets (85.6%) reflects its investment in capital assets such as land, buildings, infrastructure, machinery, and equipment less any related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to the citizens and are not available for future spending.

CITY OF DUBUQUE'S NET ASSETS

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Current and Other Assets | \$ 69,886,595 | \$ 69,832,586 | \$ 13,707,120 | \$ 12,398,014 | 83,593,715 | \$ 82,230,600 |
| Capital Assets | 250,817,878 | 230,511,151 | 99,003,374 | 104,475,331 | 349,821,252 | 334,986,482 |
| Total Assets | 320,704,473 | 300,343,737 | 112,710,494 | 116,873,345 | 433,414,967 | 417,217,082 |
| Long-term Liabilities | 25,838,997 | 27,096,775 | 8,249,016 | 7,194,886 | 34,088,013 | 34,291,661 |
| Other Liabilities | 19,747,781 | 19,644,791 | 1,103,491 | 4,109,865 | 20,851,272 | 23,754,656 |
| Total Liabilities | 45,586,778 | 46,741,566 | 9,352,507 | 11,304,751 | 54,939,285 | 58,046,317 |
| Net Assets: | | | | | | |
| Invested in Capital Assets, | | | | | | |
| Net of Related Debt | 231,863,231 | 212,767,403 | 92,301,043 | 98,706,116 | 324,164,274 | 311,473,519 |
| Restricted | 31,931,803 | 29,306,125 | 554,005 | 553,677 | 32,485,808 | 29,859,802 |
| Unrestricted | 11,322,661 | 11,528,643 | 10,502,939 | 6,308,801 | 21,825,600 | 17,837,444 |
| Total Net Assets | \$ 275,117,695 | \$ 253,602,171 | \$ 103,357,987 | \$ 105,568,594 | \$ 378,475,682 | \$ 359,170,765 |

A portion of the City's net assets (8.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets (5.8%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the close of fiscal years 2004 and 2003, the City is able to report positive balances in all three categories of net assets, both for the government as a whole and separate governmental and business-type activities.

Governmental activities. Governmental activities increased the net assets of the City by \$21,177,112 or 111.7% of the total increase in net assets in 2004 and \$1,433,969 or 7.2% of the total increase in net assets in 2003. Taxes are the largest source of governmental revenues with property taxes of \$18,588,367 in 2004. Other governmental revenues included gaming of \$11,631,022, local option sales taxes of \$7,105,183, hotel/motel tax of \$1,314,114 and \$8,334,877 of charges for services.

Governmental expenses during 2004 totaled 56,276,810. The largest programs were public safety of \$16,605,481, public works of \$12,847,410, and community and economic development of \$12,662,552. The State of Iowa changed the reporting requirements for expenses from four to eight programs effective with the 2003 fiscal year.

**CITY OF DUBUQUE
CONDENSED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS**

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 8,334,877 | \$ 7,861,142 | \$ 14,781,910 | \$ 12,033,067 | \$ 23,116,787 | \$ 19,894,209 |
| Operating grants and contributions | 12,197,307 | 13,677,503 | 825,538 | 880,822 | 13,022,845 | 14,558,325 |
| Capital grants and contributions | 5,153,258 | 3,447,052 | 11,007,676 | 11,938,797 | 16,160,934 | 15,385,849 |
| General revenues: | | | | | | |
| Property taxes | \$ 18,588,367 | \$ 18,041,049 | \$ - | \$ 506,054 | \$ 18,588,367 | \$ 18,547,103 |
| Local option sales taxes | 7,105,183 | 6,492,203 | - | - | 7,105,183 | 6,492,203 |
| Hotel/motel tax | 1,314,114 | 970,232 | - | - | 1,314,114 | 970,232 |
| Utility franchise fees | 862,275 | - | - | - | 862,275 | - |
| Gaming | 11,631,022 | 9,539,598 | - | - | 11,631,022 | 9,539,598 |
| Unrestricted investment earnings | 497,361 | 1,749,301 | 181,674 | 321,447 | 679,035 | 2,070,748 |
| Gain (Loss) on sale of capital assets | 175,231 | (149,650) | 25 | (168,001) | 175,256 | (317,651) |
| Other | 638,681 | 1,228,232 | - | - | 638,681 | 1,228,232 |
| Total revenues | \$ 66,497,676 | \$ 62,856,662 | \$ 26,796,823 | \$ 25,512,186 | \$ 93,294,499 | \$ 88,368,848 |
| Expenses: | | | | | | |
| Public safety | \$ 16,605,481 | \$ 15,817,052 | \$ - | \$ - | \$ 16,605,481 | \$ 15,817,052 |
| Public works | 12,847,410 | 14,453,558 | - | - | 12,847,410 | 14,453,558 |
| Health and social services | 1,290,619 | 815,524 | - | - | 1,290,619 | 815,524 |
| Culture and recreation | 7,849,114 | 7,367,147 | - | - | 7,849,114 | 7,367,147 |
| Community and economic development | 12,662,552 | 9,431,702 | - | - | 12,662,552 | 9,431,702 |
| General government | 3,773,136 | 4,211,922 | - | - | 3,773,136 | 4,211,922 |
| Interest on long-term debt | 1,248,498 | 1,605,326 | - | - | 1,248,498 | 1,605,326 |
| Sewage Disposal Works | - | - | 5,282,016 | 4,655,696 | 5,282,016 | 4,655,696 |
| Water Utility | - | - | 4,368,738 | 4,145,983 | 4,368,738 | 4,145,983 |
| Stormwater Utility | - | - | 1,184,968 | - | 1,184,968 | - |
| Parking Facilities | - | - | 1,655,429 | 1,445,434 | 1,655,429 | 1,445,434 |
| America's River Project | - | - | 1,064,701 | 414,830 | 1,064,701 | 414,830 |
| Refuse collection | - | - | 2,238,254 | 2,140,807 | 2,238,254 | 2,140,807 |
| Transit system | - | - | 2,257,078 | 2,055,248 | 2,257,078 | 2,055,248 |
| Total expenses | \$ 56,276,810 | \$ 53,702,231 | \$ 18,051,184 | \$ 14,857,998 | \$ 74,327,994 | \$ 68,560,229 |

| | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Increases in net assets before transfers | \$ 10,220,866 | \$ 9,154,431 | \$ 8,745,639 | \$ 10,654,188 | \$ 18,966,505 | \$ 19,808,619 |
| Transfers | 10,956,246 | (7,720,462) | (10,956,246) | 7,720,462 | - | - |
| Increase (decrease) in net assets | 21,177,112 | 1,433,969 | (2,210,607) | 18,374,650 | 18,966,505 | 19,808,619 |
| Net assets - beginning, as restated | 253,940,583 | 252,168,202 | 105,568,594 | 87,193,944 | 359,509,177 | 339,362,146 |
| Net assets - ending | \$ 275,117,695 | \$ 253,602,171 | \$ 103,357,987 | \$ 105,568,594 | \$ 378,475,682 | \$ 359,170,765 |

Business-type activities. Business type activities decreased net assets by \$2,210,607 primarily due to the transfer of completed America's River Project assets to governmental activities while the City's net assets increased by \$18,966,505 at June 30, 2004.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's governmental funds reported a combined fund balance of \$48,226,597 at June 30, 2004. A portion of the fund balance is reserved and not available for new spending because it has already been committed for encumbrances, endowments, debt service and state statute restricted purposes.

The general fund's fund balance reserve goal is 10% of budgeted annual expenditures. Our balance is slightly higher than the goal at year-end.

The unreserved fund balance of special revenue employee benefits fund increased by \$17,009 to \$119,539. The unreserved fund balance of special revenue community development decreased by \$147,083 to \$2,325,431.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The combined net assets of the enterprise funds at June 30, 2004 totaled \$103,357,987 of which 10.2% (\$10,502,939) is unrestricted. The net assets of the internal service funds are \$1,039,214, a \$333,062 increase from the 2003 total net assets. The unrestricted net assets of the internal service funds are \$983,861 (94.7%).

The sewer disposal works had an increase in net assets of \$1,081,697 for total net assets of \$37,245,968 at June 30, 2004. The water utility had an increase in net assets of \$669,027 for total net assets of \$24,181,707. The stormwater utility that originated in fiscal year ended June 30, 2004 had total net assets of \$18,336,380. The parking facilities had an increase in net assets of \$42,785 for total net assets of \$13,066,716. The America's River Project had a decrease in net assets of \$22,462,664 for total net assets of

\$5,305,492. The decrease is primarily attributable to the transfer of capital assets to governmental activities.

BUDGETARY HIGHLIGHTS

There were four amendments to the City's 2003-2004 budget. State cut backs initiated the first amendment in July 2003. The second amendment was passed in September 2003 primarily to reflect operating and capital encumbrance carryovers and the initiation of a franchise fee. The third budget amendment was passed in January 2004 to reflect capital budget carryovers, (continuing appropriation authority) and limited operating budget carryovers. The final amendment passed in May 2004 projected for year end expenditures and revenue.

General fund. The final budget for total revenues increased \$2,565,497 from the original budget. The increase was primarily attributable to grants received and other miscellaneous revenues. The final budget for total expenditures increased \$13,713,918 from the original budget. The increase was primarily attributable to purchase order encumbrances carryover, capital projects carryover from prior year and expenditures associated with new grants received.

Actual revenues were \$3,876,628 less than the final amended budget, and expenditures were \$15,012,502 less than the final amended budget due primarily to projected capital projects not completed by fiscal year end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$349,821,252 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment. Additional information on the City's assets can be found in the note 5 to the financial statements in this report.

CAPITAL ASSETS (net of accumulated depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Land | \$ 51,590,495 | \$ 48,575,050 | \$ 2,161,610 | \$ 1,584,577 | \$ 53,752,105 | \$ 50,159,627 |
| Buildings | 66,898,139 | 37,989,032 | 59,775,806 | 59,619,714 | 126,673,945 | 97,608,746 |
| Improvements and other buildings | 9,673,385 | 8,829,528 | 49,770,825 | 25,742,378 | 59,444,210 | 34,571,906 |
| Machinery and equipment | 20,726,641 | 21,748,273 | 44,071,371 | 40,303,626 | 64,798,012 | 62,051,899 |
| Infrastructure | 162,045,913 | 164,517,860 | - | - | 162,045,913 | 164,517,860 |
| Construction in progress | 5,058,662 | 16,345,691 | 7,344,646 | 32,215,865 | 12,403,308 | 48,561,556 |
| Accumulated depreciation | (65,175,357) | (67,494,283) | (64,120,884) | (54,990,829) | (129,296,241) | (122,485,112) |
| | <u>\$ 250,817,878</u> | <u>\$ 230,511,151</u> | <u>\$ 99,003,374</u> | <u>\$ 104,475,331</u> | <u>\$ 349,821,252</u> | <u>\$ 334,986,482</u> |

Major expenditures during 2003-2004 were for the completion of the Grand River Center, Manson Road bridge replacement, White Street and Wartburg Street

improvements, water, sewer and stormwater projects, and new runway maintenance vehicle at the airport.

Long-term debt. At year end the City had \$31,482,144 of debt outstanding. This is a decrease of \$286,061 from June 30, 2003. New debt issued during the current year included \$2,110,000 for stormwater projects and \$795,000 for three new TIF projects. The City's bond rating improved to Aa2 for the issue.

The City continues to operate well under the State debt capacity limitations. The State limits the amount of general obligation debt outstanding to 5% of the assessed value of all taxable property in the community. Thus our debt capacity is \$117,516,000. With outstanding general obligation debt of \$30,185,000 we are utilizing 25.7% of this limit. Additional information on the City's long-term debt can be found in note 6 of this report.

ECONOMIC FACTORS

The slowing of the national economy had a relatively mild impact on the City of Dubuque and has been less severe than for many local governments. The City's unemployment rate ended the fiscal year at 3.5%, slightly less than the 3.7% rate for the prior year, and is well under the State of Iowa rate of 4.3% and the 5.6% national rate.

The City continues to enjoy growth in assessed valuation of taxable property net of exemptions (2.0% for total of \$1,563,081,000). The minimum refuse rate increased \$0.40 to \$7.60. Sewer rates increased 3% and water rates increased 5%. A stormwater fee was initiated in fiscal year 2004, total revenue collected of \$580,000. The City did not receive most of the shared revenue and property tax replacement funds provided to local governments from the State of Iowa in 2003 fiscal year.

Requests for information. This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 50 West 13th Street, Dubuque, Iowa 52001-4864.

BASIC FINANCIAL STATEMENTS

CITY OF DUBUQUE, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2004

| | Primary Government | | | Component Unit |
|---|--------------------|--------------------|--------------------|--|
| | Governmental | Business-type | Total | Dubuque Metropolitan Area Solid Waste Agency |
| | Activities | Activities | | |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and pooled cash investments | \$ 36,724,693 | \$ 10,986,553 | \$ 47,711,246 | \$ 5,926,904 |
| Receivables | | | | |
| Property tax | | | | |
| Delinquent | 234,648 | - | 234,648 | - |
| Succeeding year | 16,379,091 | - | 16,379,091 | - |
| Accounts and other | 1,620,929 | 1,624,916 | 3,245,845 | 225,019 |
| Special assessments | 515,534 | - | 515,534 | - |
| Accrued interest | 225,095 | 55,559 | 280,654 | 27,640 |
| Notes | 720,612 | - | 720,612 | - |
| Intergovernmental | 2,216,257 | 602,571 | 2,818,828 | - |
| Internal balances | 516,511 | (516,511) | - | - |
| Inventories | 139,198 | 394,990 | 534,188 | - |
| Prepaid items | 23,541 | 5,037 | 28,578 | - |
| Total Current Assets | <u>59,316,109</u> | <u>13,153,115</u> | <u>72,469,224</u> | <u>6,179,563</u> |
| NONCURRENT ASSETS | | | | |
| Temporarily restricted cash and pooled cash investments | 241,499 | 554,005 | 795,504 | 3,415,527 |
| Permanently restricted cash and pooled cash investments | 22,391 | - | 22,391 | - |
| Notes receivable | 10,306,596 | - | 10,306,596 | - |
| Capital assets | | | | |
| Land | 51,590,495 | 2,161,610 | 53,752,105 | 552,528 |
| Buildings | 66,898,139 | 59,775,806 | 126,673,945 | 44,349 |
| Improvements other than buildings | 9,673,385 | 49,770,825 | 59,444,210 | 5,893,766 |
| Machinery and equipment | 20,726,641 | 44,071,371 | 64,798,012 | 2,034,151 |
| Infrastructure | 162,045,913 | - | 162,045,913 | - |
| Construction in progress | 5,058,662 | 7,344,646 | 12,403,308 | 1,071,772 |
| Accumulated depreciation | (65,175,357) | (64,120,884) | (129,296,241) | (5,211,428) |
| Total Noncurrent Assets | <u>261,388,364</u> | <u>99,557,379</u> | <u>360,945,743</u> | <u>7,800,665</u> |
| Total Assets | <u>320,704,473</u> | <u>112,710,494</u> | <u>433,414,967</u> | <u>13,980,228</u> |

See notes to financial statements.

| | Primary Government | | | Component Unit |
|---|-----------------------|-----------------------|-----------------------|---|
| | Governmental | Business-type | Total | Dubuque Metropolitan Area Solid Waste Agency |
| | Activities | Activities | | |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 2,075,043 | \$ 938,037 | \$ 3,013,080 | \$ 349,529 |
| Accrued payroll | 505,536 | 129,719 | 635,255 | 15,319 |
| Notes payable | 85,455 | - | 85,455 | - |
| General obligation bonds payable | 1,315,000 | 320,000 | 1,635,000 | - |
| Revenue bonds payable | - | 200,000 | 200,000 | - |
| Tax increment financing bonds payable | 369,501 | - | 369,501 | - |
| Accrued compensated absences | 2,313,603 | 292,266 | 2,605,869 | 43,577 |
| Accrued interest payable | 76,928 | 35,735 | 112,663 | - |
| Intergovernmental payable | 202,500 | - | 202,500 | 81,693 |
| Deferred revenue | | | | |
| Succeeding year property tax | 16,379,091 | - | 16,379,091 | - |
| Other | 508,683 | - | 508,683 | - |
| Total Current Liabilities | <u>23,831,340</u> | <u>1,915,757</u> | <u>25,747,097</u> | <u>490,118</u> |
| NONCURRENT LIABILITIES | | | | |
| Notes payable | 609,545 | - | 609,545 | - |
| General obligation bonds payable | 17,695,000 | 6,302,750 | 23,997,750 | - |
| Revenue bonds payable | - | 1,134,000 | 1,134,000 | - |
| Landfill closure and postclosure care | - | - | - | 1,978,164 |
| Tax increment financing bonds payable | 3,450,893 | - | 3,450,893 | - |
| Total Noncurrent Liabilities | <u>21,755,438</u> | <u>7,436,750</u> | <u>29,192,188</u> | <u>1,978,164</u> |
| Total Liabilities | <u>45,586,778</u> | <u>9,352,507</u> | <u>54,939,285</u> | <u>2,468,282</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 231,863,231 | 92,301,043 | 324,164,274 | 4,385,138 |
| Restricted for/by | | | | |
| Bond ordinance | 150,526 | 554,005 | 704,531 | - |
| Dog track | 1,175,907 | - | 1,175,907 | - |
| Employee benefits | 128,299 | - | 128,299 | - |
| Community development | 13,436,820 | - | 13,436,820 | - |
| Streets | 6,235,019 | - | 6,235,019 | - |
| Capital projects | 9,861,763 | - | 9,861,763 | - |
| Franchise agreement | 665,478 | - | 665,478 | - |
| Endowments | | | | |
| Expendable | 71,743 | - | 71,743 | - |
| Nonexpendable | 22,391 | - | 22,391 | - |
| Other | 183,857 | - | 183,857 | - |
| State statute | - | - | - | 365,041 |
| Minority interest | - | - | - | 1,534,921 |
| Unrestricted | <u>11,322,661</u> | <u>10,502,939</u> | <u>21,825,600</u> | <u>5,226,846</u> |
| Total Net Assets | <u>\$ 275,117,695</u> | <u>\$ 103,357,987</u> | <u>\$ 378,475,682</u> | <u>\$ 11,511,946</u> |

CITY OF DUBUQUE, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

| Functions/Programs | Expenses | Program Revenues | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental activities | | | | |
| Public safety | \$ 16,605,481 | \$ 1,785,787 | \$ 574,436 | \$ 40,478 |
| Public works | 12,847,410 | 3,392,650 | 4,912,751 | 4,185,929 |
| Health and social services | 1,290,619 | 96,156 | 122,941 | 680,810 |
| Culture and recreation | 7,849,114 | 2,282,983 | 175,081 | 158,246 |
| Community and economic development | 12,662,552 | 345,251 | 6,357,214 | 87,795 |
| General government | 3,773,136 | 432,050 | 54,884 | - |
| Interest on long-term debt | 1,248,498 | - | - | - |
| Total governmental activities | <u>56,276,810</u> | <u>8,334,877</u> | <u>12,197,307</u> | <u>5,153,258</u> |
| Business-type activities | | | | |
| Sewage disposal works | 5,282,016 | 4,719,491 | - | 844,096 |
| Water utility | 4,368,738 | 4,307,238 | - | 153,660 |
| Stormwater utility | 1,184,968 | 754,101 | - | 62,233 |
| Parking facilities | 1,655,429 | 1,643,490 | - | - |
| America's River Project | 1,064,701 | 881,089 | - | 9,495,872 |
| Refuse collection | 2,238,254 | 2,157,285 | 10,694 | - |
| Transit system | 2,257,078 | 319,216 | 814,844 | 451,815 |
| Total business-type activities | <u>18,051,184</u> | <u>14,781,910</u> | <u>825,538</u> | <u>11,007,676</u> |
| Total primary government | <u>\$ 74,327,994</u> | <u>\$ 23,116,787</u> | <u>\$ 13,022,845</u> | <u>\$ 16,160,934</u> |
| Component unit | | | | |
| Dubuque Metropolitan Area Solid Waste Agency | <u>\$ 2,423,485</u> | <u>\$ 2,340,934</u> | <u>\$ 7,978</u> | <u>\$ -</u> |

| |
|--------------------------------------|
| General revenues |
| Property taxes |
| Local option sales tax |
| Hotel/motel tax |
| Utility franchise fees |
| Gaming |
| Unrestricted investment earnings |
| Gain on sale of capital assets |
| Other |
| Transfers |
| Total general revenues and transfers |
| Change in net assets |
| Net assets, beginning, as restated |
| Net assets, ending |

See notes to financial statements.

| Net (Expense) Revenue and Changes in Net Assets | | | |
|--|-----------------------------|-----------------------|---|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-type Activities | Total | Dubuque Metropolitan Area Solid Waste Agency |
| \$ (14,204,780) | \$ - | \$ (14,204,780) | \$ - |
| (356,080) | - | (356,080) | - |
| (390,712) | - | (390,712) | - |
| (5,232,804) | - | (5,232,804) | - |
| (5,872,292) | - | (5,872,292) | - |
| (3,286,202) | - | (3,286,202) | - |
| (1,248,498) | - | (1,248,498) | - |
| <u>(30,591,368)</u> | <u>-</u> | <u>(30,591,368)</u> | <u>-</u> |
| - | 281,571 | 281,571 | - |
| - | 92,160 | 92,160 | - |
| - | (368,634) | (368,634) | - |
| - | (11,939) | (11,939) | - |
| - | 9,312,260 | 9,312,260 | - |
| - | (70,275) | (70,275) | - |
| - | (671,203) | (671,203) | - |
| - | <u>8,563,940</u> | <u>8,563,940</u> | - |
| <u>(30,591,368)</u> | <u>8,563,940</u> | <u>(22,027,428)</u> | - |
| - | - | - | (74,573) |
| 18,588,367 | - | 18,588,367 | - |
| 7,105,183 | - | 7,105,183 | - |
| 1,314,114 | - | 1,314,114 | - |
| 862,275 | - | 862,275 | - |
| 11,631,022 | - | 11,631,022 | - |
| 497,361 | 181,674 | 679,035 | 136,384 |
| 175,231 | 25 | 175,256 | - |
| 638,681 | - | 638,681 | - |
| 10,956,246 | (10,956,246) | - | - |
| <u>51,768,480</u> | <u>(10,774,547)</u> | <u>40,993,933</u> | <u>136,384</u> |
| 21,177,112 | (2,210,607) | 18,966,505 | 61,811 |
| <u>253,940,583</u> | <u>105,568,594</u> | <u>359,509,177</u> | <u>11,450,135</u> |
| <u>\$ 275,117,695</u> | <u>\$ 103,357,987</u> | <u>\$ 378,475,682</u> | <u>\$ 11,511,946</u> |

CITY OF DUBUQUE, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

EXHIBIT 3

| | Special Revenue | | | Other | Total |
|---|----------------------|---------------------|-----------------------|----------------------|----------------------|
| | General | Employee Benefits | Community Development | Governmental Funds | |
| ASSETS | | | | | |
| Cash and pooled cash investments | \$ 14,709,351 | \$ 89,675 | \$ 1,733,695 | \$ 18,328,228 | \$ 34,860,949 |
| Receivables | | | | | |
| Property tax | | | | | |
| Delinquent | 192,293 | 34,517 | - | 7,838 | 234,648 |
| Succeeding year | 13,778,750 | 2,037,040 | - | 563,301 | 16,379,091 |
| Accounts and other | 1,478,416 | - | - | 6,239 | 1,484,655 |
| Special assessments | - | - | - | 515,534 | 515,534 |
| Accrued interest | 109,411 | - | 58,296 | 47,342 | 215,049 |
| Notes | - | - | 11,020,159 | 7,049 | 11,027,208 |
| Intergovernmental | 934,470 | - | 219,463 | 1,062,324 | 2,216,257 |
| Due from other funds | 728,160 | - | - | - | 728,160 |
| Inventories | 100,789 | - | - | - | 100,789 |
| Advances to other funds | 414,146 | - | - | - | 414,146 |
| Prepaid items | 5,475 | - | 18,066 | - | 23,541 |
| Restricted cash and pooled cash investments | - | - | - | 263,890 | 263,890 |
| Total Assets | \$ 32,451,261 | \$ 2,161,232 | \$ 13,049,679 | \$ 20,801,745 | \$ 68,463,917 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 818,042 | \$ - | \$ 39,836 | \$ 186,812 | \$ 1,044,690 |
| Accrued payroll | 408,163 | - | 15,597 | 47,517 | 471,277 |
| Intergovernmental payable | - | - | - | 202,500 | 202,500 |
| Due to other funds | - | - | - | 625,795 | 625,795 |
| Deferred revenue | | | | | |
| Succeeding year property tax | 13,778,750 | 2,037,040 | - | 563,301 | 16,379,091 |
| Other | 527,908 | 4,653 | - | 981,406 | 1,513,967 |
| Total Liabilities | 15,532,863 | 2,041,693 | 55,433 | 2,607,331 | 20,237,320 |
| FUND BALANCES | | | | | |
| Reserved for/by | | | | | |
| Encumbrances | 2,819,189 | - | 367,868 | 2,188,776 | 5,375,833 |
| Long-term notes receivable | - | - | 10,300,947 | 5,649 | 10,306,596 |
| Advances | 414,146 | - | - | - | 414,146 |
| Bond ordinance | - | - | - | 150,526 | 150,526 |
| Dog track | - | - | - | 1,175,906 | 1,175,906 |
| Franchise agreement | - | - | - | 19,327 | 19,327 |
| Endowments | - | - | - | 22,391 | 22,391 |
| Unreserved | | | | | |
| Designated for | | | | | |
| Future equipment and capital maintenance | 4,236,082 | - | - | - | 4,236,082 |
| Future cash flow | 2,796,000 | - | - | - | 2,796,000 |
| Unreserved, undesignated, reported in | | | | | |
| General fund | 6,652,981 | - | - | - | 6,652,981 |
| Special revenue funds | - | 119,539 | 2,325,431 | 7,275,442 | 9,720,412 |
| Debt service fund | - | - | - | (68,569) | (68,569) |
| Capital projects funds | - | - | - | 7,353,593 | 7,353,593 |
| Permanent funds | - | - | - | 71,373 | 71,373 |
| Total Fund Balances | 16,918,398 | 119,539 | 12,994,246 | 18,194,414 | 48,226,597 |
| Total Liabilities and Fund Balances | \$ 32,451,261 | \$ 2,161,232 | \$ 13,049,679 | \$ 20,801,745 | \$ 68,463,917 |

See notes to financial statements.

CITY OF DUBUQUE, IOWA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

EXHIBIT 3-1

Total fund balances - governmental funds \$ 48,226,597

Amounts reported for the governmental activities in the statement of net assets are different because:

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

| | | |
|--------------------------|---------------------|-------------|
| Cost of capital assets | \$ 315,867,996 | |
| Accumulated depreciation | <u>(65,105,471)</u> | |
| | | 250,762,525 |

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

| | | |
|---------------------|----------------|-----------|
| Property tax | 22,965 | |
| Special assessments | 420,060 | |
| Other | <u>562,259</u> | |
| | | 1,005,284 |

Internal service funds are used by the City's management to charge the costs of equipment maintenance and self-insurance programs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

1,039,214

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

| | | |
|-------------------------------|--------------------|---------------------|
| General obligation bonds | (19,010,000) | |
| Tax increment financing bonds | (3,820,394) | |
| Notes payable | (695,000) | |
| Accrued interest | (76,928) | |
| Compensated absences | <u>(2,313,603)</u> | |
| | | <u>(25,915,925)</u> |

Net assets of governmental activities \$ 275,117,695

CITY OF DUBUQUE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

EXHIBIT 4

| | General | Special Revenue | | Other | Total |
|--|----------------------|--------------------|-----------------------|----------------------|----------------------|
| | | Employee Benefits | Community Development | Governmental Funds | |
| REVENUES | | | | | |
| Taxes | \$ 18,912,705 | \$ 2,352,859 | \$ - | \$ 6,595,709 | \$ 27,861,273 |
| Special assessments | - | - | - | 717,305 | 717,305 |
| Licenses and permits | 1,063,081 | - | - | - | 1,063,081 |
| Intergovernmental | 3,847,756 | - | 1,245,625 | 11,964,613 | 17,057,994 |
| Charges for services | 5,516,577 | - | - | 149,730 | 5,666,307 |
| Fines and forfeits | 241,572 | - | - | - | 241,572 |
| Investment earnings | 165,022 | - | 144,935 | 192,975 | 502,932 |
| Contributions | 210,131 | - | 5,000 | 130,284 | 345,415 |
| Gaming | 11,506,022 | - | - | 125,000 | 11,631,022 |
| Miscellaneous | 430,735 | 3 | 16,420 | 691,899 | 1,139,057 |
| Total Revenues | 41,893,601 | 2,352,862 | 1,411,980 | 20,567,515 | 66,225,958 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Public safety | 16,703,056 | - | - | 61,454 | 16,764,510 |
| Public works | 7,018,984 | - | 71,302 | 3,633,241 | 10,723,527 |
| Health and social services | 574,208 | - | 124,485 | 23,213 | 721,906 |
| Culture and recreation | 7,316,754 | - | 111,580 | 41,930 | 7,470,264 |
| Community and economic development | 5,193,619 | - | 1,734,193 | 4,996,199 | 11,924,011 |
| General government | 3,588,905 | 879 | 125,295 | 512,256 | 4,227,335 |
| Debt service | 55,694 | - | - | 3,366,881 | 3,422,575 |
| Capital projects | - | - | - | 6,865,119 | 6,865,119 |
| Total Expenditures | 40,451,220 | 879 | 2,166,855 | 19,500,293 | 62,119,247 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 1,442,381 | 2,351,983 | (754,875) | 1,067,222 | 4,106,711 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of bonds | 500,000 | - | - | 295,000 | 795,000 |
| Transfers in | 3,467,016 | 100,000 | 25,000 | 5,070,284 | 8,662,300 |
| Transfers out | (5,705,822) | (2,434,974) | - | (6,919,873) | (15,060,669) |
| Sale of capital assets | 83,901 | - | - | 180,443 | 264,344 |
| Total Other Financing Sources (Uses) | (1,654,905) | (2,334,974) | 25,000 | (1,374,146) | (5,339,025) |
| NET CHANGE IN FUND BALANCES | (212,524) | 17,009 | (729,875) | (306,924) | (1,232,314) |
| FUND BALANCES, BEGINNING, AS RESTATED | 17,130,922 | 102,530 | 13,724,121 | 18,501,338 | 49,458,911 |
| FUND BALANCES, ENDING | \$ 16,918,398 | \$ 119,539 | \$ 12,994,246 | \$ 18,194,414 | \$ 48,226,597 |

See notes to financial statements.

CITY OF DUBUQUE, IOWA**EXHIBIT 4-1****RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

| | | |
|--|----|-------------|
| Net change in fund balances - total governmental funds | \$ | (1,232,314) |
|--|----|-------------|

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:

| | | |
|---|--------------------|------------|
| Capital assets expended in governmental funds | \$ 7,939,662 | |
| Transfers of capital assets from enterprise funds | 34,410,309 | |
| Transfers of capital assets to enterprise funds | (17,051,794) | |
| Depreciation expense | <u>(4,893,272)</u> | |
| | | 20,404,905 |

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the book value of the asset being disposed. (89,113)

Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by these amounts this year:

| | | |
|---------------------|----------------|---------|
| Property tax | 8,666 | |
| Special assessments | 56,349 | |
| Other | <u>381,478</u> | |
| | | 446,493 |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. The bond proceeds (\$2,117,775) exceeded the bond repayments (\$795,000) by \$1,322,775. 1,322,775

Some items 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. These items consist of:

| | | |
|----------------------------------|-----------------|---------|
| Decrease in accrued interest | 56,302 | |
| Increase in compensated absences | <u>(64,997)</u> | |
| Total additional expenses | | (8,695) |

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities. 333,061

| | | |
|---|----|-------------------|
| Change in net assets of governmental activities | \$ | <u>21,177,112</u> |
|---|----|-------------------|

See notes to financial statements.

CITY OF DUBUQUE, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

| | <u>Business-type Activities -</u> | | | |
|---|--------------------------------------|--------------------------|-------------------------------|-------------------------------|
| | <u>Sewage Disposal Works</u> | <u>Water Utility</u> | <u>Stormwater Utility</u> | <u>Parking Facilities</u> |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and pooled cash investments | \$ 4,630,072 | \$ 2,491,280 | \$ 2,657,181 | \$ 643,295 |
| Receivables | | | | |
| Accounts | 662,234 | 537,304 | 76,367 | 41,008 |
| Accrued interest | 25,170 | 14,234 | 9,300 | 6,855 |
| Intergovernmental | - | - | - | - |
| Inventories | - | 380,985 | - | - |
| Prepaid items | 5,037 | - | - | - |
| Total Current Assets | <u>5,322,513</u> | <u>3,423,803</u> | <u>2,742,848</u> | <u>691,158</u> |
| NONCURRENT ASSETS | | | | |
| Restricted cash and pooled cash investments | - | - | - | 554,005 |
| Capital assets | | | | |
| Land | 175,671 | 76,697 | 577,033 | 1,296,209 |
| Buildings | 31,603,036 | 7,209,392 | - | 19,069,788 |
| Improvements other than buildings | 26,595,870 | 520,295 | 22,407,699 | 246,961 |
| Machinery and equipment | 6,316,568 | 31,809,520 | - | 651,206 |
| Construction in progress | 177,008 | 47,779 | 1,395,109 | - |
| Accumulated depreciation | (32,696,235) | (16,026,952) | (6,685,596) | (5,583,595) |
| Net Capital Assets | <u>32,171,918</u> | <u>23,636,731</u> | <u>17,694,245</u> | <u>15,680,569</u> |
| Total Noncurrent Assets | <u>32,171,918</u> | <u>23,636,731</u> | <u>17,694,245</u> | <u>16,234,574</u> |
| Total Assets | <u>37,494,431</u> | <u>27,060,534</u> | <u>20,437,093</u> | <u>16,925,732</u> |

| Enterprise Funds | | | Governmental |
|-------------------------------|------------------------------|--------------------|--|
| America's River Project | Other Enterprise Funds | Total | Activities- Internal Service Funds |
| \$ 1,000 | \$ 563,725 | \$ 10,986,553 | \$ 1,863,746 |
| 32,141 | 275,862 | 1,624,916 | 136,274 |
| - | - | 55,559 | 10,043 |
| 35,750 | 566,821 | 602,571 | - |
| - | 14,005 | 394,990 | 38,409 |
| - | - | 5,037 | - |
| <u>68,891</u> | <u>1,420,413</u> | <u>13,669,626</u> | <u>2,048,472</u> |
| - | - | 554,005 | - |
| - | 36,000 | 2,161,610 | - |
| - | 1,893,590 | 59,775,806 | - |
| - | - | 49,770,825 | - |
| - | 5,294,077 | 44,071,371 | 125,239 |
| 5,724,750 | - | 7,344,646 | - |
| - | (3,128,506) | (64,120,884) | (69,886) |
| <u>5,724,750</u> | <u>4,095,161</u> | <u>99,003,374</u> | <u>55,353</u> |
| <u>5,724,750</u> | <u>4,095,161</u> | <u>99,557,379</u> | <u>55,353</u> |
| <u>5,793,641</u> | <u>5,515,574</u> | <u>113,227,005</u> | <u>2,103,825</u> |

(continued)

CITY OF DUBUQUE, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

| | Business-type Activities - | | | |
|--|-----------------------------|----------------------|-----------------------|-----------------------|
| | Sewage Disposal Works | Water Utility | Stormwater Utility | Parking Facilities |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 123,484 | \$ 162,575 | \$ 103,282 | \$ 5,800 |
| Accrued payroll | 31,066 | 30,647 | - | 12,855 |
| General obligation bonds payable | - | 140,000 | 80,000 | 100,000 |
| Revenue bonds payable | - | - | - | 200,000 |
| Accrued compensated absences | 93,913 | 80,780 | - | 35,986 |
| Accrued interest payable | - | 6,713 | 6,647 | 22,375 |
| Due to other funds | - | - | - | - |
| Advances from other funds | - | 414,146 | - | - |
| Total Current Liabilities | <u>248,463</u> | <u>834,861</u> | <u>189,929</u> | <u>377,016</u> |
| NONCURRENT LIABILITIES | | | | |
| General obligation bonds payable (net of discount of \$37,250) | - | 2,043,966 | 1,910,784 | 2,348,000 |
| Revenue bonds payable (net of \$16,000 deferred amount on refunding) | - | - | - | 1,134,000 |
| Total Noncurrent Liabilities | <u>-</u> | <u>2,043,966</u> | <u>1,910,784</u> | <u>3,482,000</u> |
| Total Liabilities | <u>248,463</u> | <u>2,878,827</u> | <u>2,100,713</u> | <u>3,859,016</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 32,171,918 | 21,693,206 | 16,717,439 | 11,898,569 |
| Restricted by bond ordinance | - | - | - | 554,005 |
| Unrestricted | <u>5,074,050</u> | <u>2,488,501</u> | <u>1,618,941</u> | <u>614,142</u> |
| Total Net Assets | <u>\$ 37,245,968</u> | <u>\$ 24,181,707</u> | <u>\$ 18,336,380</u> | <u>\$ 13,066,716</u> |

See notes to financial statements.

| <u>Enterprise Funds</u> | | | <u>Governmental</u> |
|-------------------------|---------------------|-----------------------|----------------------|
| <u>America's</u> | <u>Other</u> | | <u>Activities-</u> |
| <u>River</u> | <u>Enterprise</u> | | <u>Internal</u> |
| <u>Project</u> | <u>Funds</u> | <u>Total</u> | <u>Service Funds</u> |
| \$ 488,149 | \$ 54,747 | \$ 938,037 | \$ 1,030,352 |
| - | 55,151 | 129,719 | 34,259 |
| - | - | 320,000 | - |
| - | - | 200,000 | - |
| - | 81,587 | 292,266 | - |
| - | - | 35,735 | - |
| - | 102,365 | 102,365 | - |
| - | - | 414,146 | - |
| <u>488,149</u> | <u>293,850</u> | <u>2,432,268</u> | <u>1,064,611</u> |
| - | - | 6,302,750 | - |
| - | - | 1,134,000 | - |
| - | - | 7,436,750 | - |
| <u>488,149</u> | <u>293,850</u> | <u>9,869,018</u> | <u>1,064,611</u> |
| 5,724,750 | 4,095,161 | 92,301,043 | 55,353 |
| - | - | 554,005 | - |
| <u>(419,258)</u> | <u>1,126,563</u> | <u>10,502,939</u> | <u>983,861</u> |
| <u>\$ 5,305,492</u> | <u>\$ 5,221,724</u> | <u>\$ 103,357,987</u> | <u>\$ 1,039,214</u> |

CITY OF DUBUQUE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

| | Business-type Activities - | | | |
|---|-----------------------------|----------------------|-----------------------|-----------------------|
| | Sewage Disposal Works | Water Utility | Stormwater Utility | Parking Facilities |
| OPERATING REVENUES | | | | |
| Charges for sales and services | \$ 4,715,405 | \$ 4,271,169 | \$ 667,585 | \$ 1,639,615 |
| Other | 4,086 | 36,069 | 86,516 | 3,875 |
| Total Operating Revenues | <u>4,719,491</u> | <u>4,307,238</u> | <u>754,101</u> | <u>1,643,490</u> |
| OPERATING EXPENSES | | | | |
| Employee expense | 1,728,885 | 1,618,454 | 122,928 | 675,465 |
| Utilities | 425,024 | 386,880 | - | 79,718 |
| Repairs and maintenance | 251,888 | 106,435 | - | 36,454 |
| Supplies and services | 1,700,035 | 1,234,047 | 706,406 | 147,413 |
| Insurance | 85,234 | 72,242 | - | 32,048 |
| Depreciation | 1,087,054 | 840,324 | 297,876 | 462,318 |
| Total Operating Expenses | <u>5,278,120</u> | <u>4,258,382</u> | <u>1,127,210</u> | <u>1,433,416</u> |
| OPERATING INCOME (LOSS) | <u>(558,629)</u> | <u>48,856</u> | <u>(373,109)</u> | <u>210,074</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Intergovernmental | - | - | 32,919 | - |
| Investment earnings | 63,580 | 52,584 | 45,712 | 15,426 |
| Contributions | 113,049 | - | - | - |
| Interest expense | (3,896) | (110,356) | (57,758) | (222,013) |
| Gain (loss) on disposal of assets | 25 | - | - | - |
| Total Nonoperating Revenues (Expenses) | <u>172,758</u> | <u>(57,772)</u> | <u>20,873</u> | <u>(206,587)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | <u>(385,871)</u> | <u>(8,916)</u> | <u>(352,236)</u> | <u>3,487</u> |
| CAPITAL CONTRIBUTIONS | 1,092,093 | 323,644 | 16,550,078 | - |
| TRANSFERS IN | 375,475 | 354,299 | 2,160,987 | 55,299 |
| TRANSFERS OUT | <u>-</u> | <u>-</u> | <u>(22,449)</u> | <u>(16,001)</u> |
| CHANGE IN NET ASSETS | 1,081,697 | 669,027 | 18,336,380 | 42,785 |
| NET ASSETS, BEGINNING | <u>36,164,271</u> | <u>23,512,680</u> | <u>-</u> | <u>13,023,931</u> |
| NET ASSETS, ENDING | <u>\$ 37,245,968</u> | <u>\$ 24,181,707</u> | <u>\$ 18,336,380</u> | <u>\$ 13,066,716</u> |

See notes to financial statements.

| Enterprise Funds | | | Governmental |
|-------------------------------|------------------------------|-----------------------|--|
| America's River Project | Other Enterprise Funds | Total | Activities- Internal Service Funds |
| \$ - | \$ 2,442,342 | \$ 13,736,116 | \$ 7,456,744 |
| 881,089 | 34,159 | 1,045,794 | 387,957 |
| <u>881,089</u> | <u>2,476,501</u> | <u>14,781,910</u> | <u>7,844,701</u> |
| - | 2,224,510 | 6,370,242 | 1,648,450 |
| 121 | 50,448 | 942,191 | 17,178 |
| - | 484,585 | 879,362 | 10,357 |
| 1,064,580 | 1,135,654 | 5,988,135 | 5,441,579 |
| - | 52,960 | 242,484 | 411,705 |
| - | 533,160 | 3,220,732 | 9,067 |
| <u>1,064,701</u> | <u>4,481,317</u> | <u>17,643,146</u> | <u>7,538,336</u> |
| <u>(183,612)</u> | <u>(2,004,816)</u> | <u>(2,861,236)</u> | <u>306,365</u> |
| 9,494,494 | 1,277,276 | 10,804,689 | - |
| 4,265 | 107 | 181,674 | 30,596 |
| - | 77 | 113,126 | - |
| - | - | (394,023) | - |
| - | (14,015) | (13,990) | - |
| <u>9,498,759</u> | <u>1,263,445</u> | <u>10,691,476</u> | <u>30,596</u> |
| 9,315,147 | (741,371) | 7,830,240 | 336,961 |
| 1,378 | - | 17,967,193 | - |
| 3,360,894 | 863,539 | 7,170,493 | - |
| <u>(35,140,083)</u> | <u>-</u> | <u>(35,178,533)</u> | <u>(3,900)</u> |
| (22,462,664) | 122,168 | (2,210,607) | 333,061 |
| <u>27,768,156</u> | <u>5,099,556</u> | <u>105,568,594</u> | <u>706,153</u> |
| <u>\$ 5,305,492</u> | <u>\$ 5,221,724</u> | <u>\$ 103,357,987</u> | <u>\$ 1,039,214</u> |

CITY OF DUBUQUE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

| | Business-type Activities - | | | |
|---|-----------------------------|---------------------|-----------------------|-----------------------|
| | Sewage Disposal Works | Water Utility | Stormwater Utility | Parking Facilities |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | \$ 4,678,810 | \$ 4,173,814 | \$ 591,218 | \$ 1,606,997 |
| Cash payments to suppliers for goods and services | (2,427,152) | (2,041,401) | (622,588) | (365,722) |
| Cash payments to employees for services | (1,712,919) | (1,609,294) | (122,928) | (671,622) |
| Other operating receipts | 4,086 | 36,069 | 86,516 | 3,875 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>542,825</u> | <u>559,188</u> | <u>(67,782)</u> | <u>573,528</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers from other funds | - | - | 2,174,225 | 55,299 |
| Transfers to other funds | - | - | (22,449) | (16,001) |
| Proceeds from interfund balances | - | - | - | - |
| Payment of interfund balances | - | (34,875) | - | - |
| Property tax receipts | - | - | - | - |
| Intergovernmental grant proceeds | - | - | - | - |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | <u>-</u> | <u>(34,875)</u> | <u>2,151,776</u> | <u>39,298</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from sale of capital assets | 25 | - | - | - |
| Acquisition and construction of capital assets | (318,158) | (1,272,290) | (1,442,043) | (118,929) |
| Proceeds from issuance of debt | - | - | 2,110,000 | - |
| Payment of debt | (453,188) | (219,923) | (119,216) | (280,959) |
| Interest paid | (28,547) | (110,815) | (51,111) | (223,865) |
| Contributions | 113,049 | - | - | - |
| Intergovernmental grant proceeds | 120,159 | - | 35,326 | - |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(566,660)</u> | <u>(1,603,028)</u> | <u>532,956</u> | <u>(623,753)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | 63,407 | 51,588 | 40,231 | 15,625 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 39,572 | (1,027,127) | 2,657,181 | 4,698 |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>4,590,500</u> | <u>3,518,407</u> | <u>-</u> | <u>1,192,602</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u>\$ 4,630,072</u> | <u>\$ 2,491,280</u> | <u>\$ 2,657,181</u> | <u>\$ 1,197,300</u> |

| Enterprise Funds | | | Governmental |
|-------------------------------|------------------------------|----------------------|--|
| America's River Project | Other Enterprise Funds | Total | Activities- Internal Service Funds |
| \$ - | \$ 2,362,769 | \$ 13,413,608 | \$ 7,320,470 |
| (1,064,701) | (1,716,616) | (8,238,180) | (5,903,808) |
| - | (2,192,585) | (6,309,348) | (1,638,554) |
| 881,089 | 34,159 | 1,045,794 | 387,957 |
| <u>(183,612)</u> | <u>(1,512,273)</u> | <u>(88,126)</u> | <u>166,065</u> |
| 3,360,894 | 863,539 | 6,453,957 | - |
| - | - | (38,450) | (3,900) |
| - | 102,365 | 102,365 | - |
| - | - | (34,875) | - |
| - | 4,124 | 4,124 | - |
| - | 716,910 | 716,910 | - |
| <u>3,360,894</u> | <u>1,686,938</u> | <u>7,204,031</u> | <u>(3,900)</u> |
| - | - | 25 | - |
| (12,650,955) | (810,690) | (16,613,065) | - |
| - | - | 2,110,000 | - |
| - | - | (1,073,286) | - |
| - | - | (414,338) | - |
| - | 77 | 113,126 | - |
| 9,458,744 | - | 9,614,229 | - |
| <u>(3,192,211)</u> | <u>(810,613)</u> | <u>(6,263,309)</u> | <u>-</u> |
| <u>4,265</u> | <u>107</u> | <u>175,223</u> | <u>28,610</u> |
| (10,664) | (635,841) | 1,027,819 | 190,775 |
| <u>11,664</u> | <u>1,199,566</u> | <u>10,512,739</u> | <u>1,672,971</u> |
| <u>\$ 1,000</u> | <u>\$ 563,725</u> | <u>\$ 11,540,558</u> | <u>\$ 1,863,746</u> |

(continued)

CITY OF DUBUQUE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

| | Business-type Activities - | | | |
|--|-----------------------------|-------------------|-----------------------|-----------------------|
| | Sewage Disposal Works | Water Utility | Stormwater Utility | Parking Facilities |
| RECONCILIATION OF OPERATING INCOME (LOSS) | | | | |
| TO NET CASH PROVIDED (USED) BY OPERATING | | | | |
| ACTIVITIES | | | | |
| Operating income (loss) | \$ (558,629) | \$ 48,856 | \$ (373,109) | \$ 210,074 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | | |
| Depreciation | 1,087,054 | 840,324 | 297,876 | 462,318 |
| Change in assets and liabilities | | | | |
| Increase in receivables | (36,595) | (97,355) | (76,367) | (32,618) |
| Increase in inventories and prepaid items | - | (50,913) | - | - |
| Increase (decrease) in accounts payable | 35,029 | (190,884) | 83,818 | (70,089) |
| Increase in accrued liabilities | 15,966 | 9,160 | - | 3,843 |
| Total Adjustments | <u>1,101,454</u> | <u>510,332</u> | <u>305,327</u> | <u>363,454</u> |
| NET CASH PROVIDED (USED) BY OPERATING | \$ 542,825 | \$ 559,188 | \$ (67,782) | \$ 573,528 |
| ACTIVITIES | | | | |
| NONCASH CAPITAL AND RELATED FINANCING | | | | |
| ACTIVITIES | | | | |
| Contributions of capital assets from other funds and outside sources | <u>\$ 1,467,568</u> | <u>\$ 677,943</u> | <u>\$ 16,550,078</u> | <u>\$ -</u> |
| Contributions of capital assets to other funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See notes to financial statements.

EXHIBIT 7
(continued)

| <u>Enterprise Funds</u> | | | <u>Governmental</u> |
|-------------------------|-------------------|------------------|----------------------|
| <u>America's</u> | <u>Other</u> | | <u>Activities-</u> |
| <u>River</u> | <u>Enterprise</u> | | <u>Internal</u> |
| <u>Project</u> | <u>Funds</u> | <u>Total</u> | <u>Service Funds</u> |
| \$ (183,612) | \$ (2,004,816) | \$ (2,861,236) | \$ 306,365 |
| - | 533,160 | 3,220,732 | 9,067 |
| - | (79,573) | (322,508) | (136,274) |
| - | (5,134) | (56,047) | (11,164) |
| - | 12,165 | (129,961) | (11,825) |
| - | <u>31,925</u> | <u>60,894</u> | <u>9,896</u> |
| - | <u>492,543</u> | <u>2,773,110</u> | <u>(140,300)</u> |
| \$ (183,612) | \$ (1,512,273) | \$ (88,126) | \$ 166,065 |
| \$ 1,378 | \$ - | \$ 18,696,967 | \$ - |
| \$ 35,140,083 | \$ - | \$ 35,140,083 | \$ - |

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The notes to financial statements contain a summary of significant accounting policies and other notes considered necessary for an understanding of the financial statements of the City and are an integral part of this report. The index to the notes is as follows:

1. Summary of Significant Accounting Policies
2. Stewardship, Compliance, and Accountability
3. Cash on Hand, Deposits, and Investments
4. Interfund Balances and Transfers
5. Capital Assets
6. Long-term Debt
7. Risk Management
8. Commitments and Contingent Liabilities
9. Post-Employment Health Care Benefits
10. Employee Retirement Systems
11. Conduit Debt
12. Landfill Closure and Postclosure Care
13. Vision Iowa Grant
14. Restatement of Beginning Balances
15. New Governmental Accounting Standards Board (GASB) Standards

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Dubuque, Iowa, is a municipal corporation governed by an elected mayor and a six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The City has no blended component units. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The component unit also has a June 30 year end.

Discretely Presented Component Unit.

The Dubuque Metropolitan Area Solid Waste Agency was created under the provisions of Chapter 28E of the Code of Iowa by the City of Dubuque and Dubuque County. The Agency's purpose is to provide solid waste management for the Dubuque metropolitan area. The City appoints a voting majority of the Agency's governing board and has authority over those persons responsible for the day-to-day operations of the Agency. The Agency is presented as a proprietary fund type. Complete financial statements for the Agency may be obtained from the City of Dubuque.

City of Dubuque
Finance Department
50 West 13th Street
Dubuque, Iowa 52001

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions:

City of Dubuque Conference Board
Dubuque County E-911 Committee
Dubuque Drug Task Force

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest, special assessments, and grants are susceptible to accrual. Sales taxes are considered measurable and available at the time the underlying transaction occurs provided they are collected by the City within 60 days after year-end. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Employee Benefits Fund* is used to account for pension and related employee benefit costs for those employees paid wages from the General Fund.

The *Community Development Fund* is used to account for the use of Community Development Block Grant funds as received from federal and state governmental agencies.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The City reports the following major proprietary funds:

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

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

The *Stormwater Utility Fund* is used to account for the operations of the City's stormwater services.

The *Parking Facilities Fund* is used to account for the operations of the City-owned parking ramps and other parking facilities.

The *America's River Project* is used to account for the construction of all projects covered by the Vision Iowa Grant, including all matching funds..

Additionally, the City reports the internal service fund type. Internal service funds are used to account for general, garage, stores/printing, health insurance, and worker's compensation insurance services provided by one department to other departments of the City on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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, and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Assets, Liabilities, and Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments are stated at fair value or amortized cost. Amortized cost is used only for money market investments that have a remaining maturity at time of purchase of one year or less.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property tax receivable is recognized in the 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 delinquent property tax receivable represents unpaid taxes from the current year. 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 deferred 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 taxes are levied as of July 1 on property values assessed as of January 1 of the previous year. The tax levy is divided into two billings. The first billing is mailed on July 1 and the second billing is mailed on January 1. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending three months after the tax bill mailing. On these dates (September 30 and March 31), the bill becomes delinquent, and penalties and interest may be assessed by the government.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Inventories and Prepaid Items

Inventories included in the governmental funds are valued at cost using the first-in, first-out (FIFO) basis. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

Inventories of materials and supplies in the enterprise funds are determined by actual count and priced on the FIFO basis.

Inventories included in internal service funds are stated at the lower of cost (FIFO basis) or market and consist of consumable supplies. The cost of these supplies is recorded as an expense at the time they are removed from inventory for use.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet/statement of net assets because their use is limited by applicable bond covenants. The "revenue bond operating" account is used to report resources set aside to subsidize potential deficiencies from the enterprise fund's operation that could adversely affect debt service payments. The "revenue bond sinking" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond reserve" account is used to report resources set aside to make up potential future deficiencies in the revenue bond sinking account.

Certain assets of the special revenue funds are classified as restricted assets because their use is limited by the City's cable television franchise agreement.

Certain assets of the Dubuque Metropolitan Area Solid Waste Agency are classified as restricted assets because their use is restricted by state statute for certain specified uses.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$100,000 for infrastructure assets, \$20,000 for building assets, and \$5,000 for the remaining assets, and an estimated useful life of more than a year. Such assets are recorded at historical cost or estimated 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 repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not included as part of the capitalized value of the assets constructed.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Property, plant, and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 40 to 125 |
| Improvements other than buildings | 15 to 50 |
| Machinery and equipment | 2 to 30 |
| Infrastructure | 15 to 75 |

Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees upon retirement or termination. Sick pay is payable only upon retirement, in which event employees are paid for 25% of all eligible hours (50% in the case of police and fire employees). All vacation pay and applicable sick pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, bond issuance costs, and deferred amounts on refunding, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refundings.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Equity

The Dubuque Metropolitan Area Solid Waste Agency’s restricted net assets represent outside third-party restrictions and amounts restricted for minority interest of the Agency. The Agency is restricted to using certain amounts for purposes specified by state statute. The net assets restricted for minority interest is calculated at 22.7% of unrestricted net assets, based on the 1976 revenue bond resolution authorizing the issuance of revenue bonds for the construction of the landfill.

In the fund financial statements, governmental funds report reservations of fund balance 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.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The Code of Iowa requires the adoption of an annual budget on or before March 15 of each year which becomes effective July 1 and constitutes the appropriation for each function specified therein until amended. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level for the City as a whole, rather than at the fund level. The internal service fund activity is not included in the adopted budget.

The City's budget is prepared on the cash basis of accounting with an adjustment for accrued payroll. After the initial annual budget is adopted, it may be amended for specified purposes. Budget amendments must be prepared and adopted in the same manner as the original budget. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council. Management may make budgeting transfers between funds as long as the transfers are within the same function. The City has adopted a policy relative to budgetary control and amendment which provides for control at the line-item level and review of the current year's budget at the time the next year's budget is prepared. This usually results in amending the appropriations of all functions to adjust to current conditions. Supplemental appropriations are only provided when unanticipated revenues or budget surpluses become available. Appropriations as adopted lapse at the end of the fiscal year.

The budget for the fiscal year ended June 30, 2004, was amended four times during the year to allow the City to increase function expenditures by approximately \$58,611,499, primarily for the carry-forward of unfinished capital improvement projects and expenditure of additional grants for capital improvements.

The following table, which includes all funds with function budgets, has been prepared to demonstrate legal compliance with budget control:

| <u>Function</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|-------------------------|----------------------|----------------------|
| Public Safety | \$ 17,044,601 | \$ 16,524,578 | \$ 520,023 |
| Public Works | 8,777,141 | 7,332,114 | 1,455,027 |
| Health and Social Services | 1,084,959 | 721,436 | 363,523 |
| Culture and Recreation | 7,286,322 | 7,160,792 | 125,530 |
| Community and Economic Development | 8,587,819 | 8,123,681 | 464,138 |
| General Government | 4,821,888 | 4,474,784 | 347,104 |
| Debt Service | 3,422,518 | 3,422,575 | (57) |
| Capital Projects | 51,542,102 | 17,220,814 | 34,321,288 |
| Business-type Activities | <u>56,672,423</u> | <u>33,528,857</u> | <u>23,143,566</u> |
| Expenditures/Expenses – Budgetary Basis | <u>\$ 159,239,773</u> | 98,509,631 | <u>\$ 60,730,142</u> |
| Accrual adjustments | | <u>(18,353,215)</u> | |
| Expenditures/Expenses – GAAP Basis | | <u>\$ 80,156,416</u> | |

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the Dubuque Metropolitan Area Solid Waste Agency's governing body.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Deficit Fund Equity

The following funds had deficit fund balances/net assets amounts as of June 30, 2004:

| | |
|-------------------------|------------|
| Special Revenue | |
| Tax Increment Financing | \$ 404,508 |
| Debt Service | 68,569 |
| Internal Service | |
| General Service | 9,041 |

NOTE 3 – CASH ON HAND, DEPOSITS, AND INVESTMENTS

Cash on Hand. Cash on hand represents authorized change funds and petty cash funds used for current operating purposes. The carrying amount at year-end was \$9,803 for the City and \$450 for the Dubuque Metropolitan Area Solid Waste Agency.

Deposits. At year-end, the City's carrying amount of deposits was \$25,438,655 and the bank balance was \$26,901,224. The City's deposits in banks at June 30, 2004, 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 carrying amount of deposits for the Dubuque Metropolitan Area Solid Waste Agency was \$9,341,981 and the bank balance was \$10,114,677. The Agency's deposits in banks at June 30, 2004, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.

Investments. The City classifies its investments into categories which present an indication of the level of credit risk in relation to the nature of the investment and the custodial provisions. Category 1 records securities that are insured, registered, held by the City, or held by the City's agent in the City's name. Category 2 denotes uninsured and unregistered securities that are held by a counterparty's trust department or agent in the City's name. Category 3 specifies uninsured and unregistered securities that are held by a counterparty's trust department or agent in other than the City's name.

The City's investments at June 30, 2004, are as follows:

| | Categories | | | Fair Value |
|----------------------------------|----------------------|-------------|-------------|----------------------|
| | 1 | 2 | 3 | |
| U.S. Treasury Securities | \$ 587,252 | \$ - | \$ - | \$ 587,252 |
| Federal Agency Obligations | 21,298,760 | - | - | 21,298,760 |
| Corporate Stock | 57,385 | - | - | 57,385 |
| | <u>\$ 21,943,397</u> | <u>\$ -</u> | <u>\$ -</u> | 21,943,397 |
| Investment Pools: | | | | |
| Mutual U.S. Government Bond Fund | | | | <u>1,137,286</u> |
| Total Investments | | | | <u>\$ 23,080,683</u> |

(continued on next page)

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Due to legal and budgetary reasons, the general fund is assigned a portion of the investments earnings associated with other funds. These funds are the employee benefits, community development, tort liability, road use tax, cable tv, general construction, refuse collection, transit system, general service, garage service, and stores/printing funds.

The Dubuque Metropolitan Area Solid Waste Agency had no investments at June 30, 2004.

A reconciliation of cash and investments as shown on the government-wide statement of net assets for the primary government follows:

| | |
|---|-----------------------------|
| Cash on hand | \$ 9,803 |
| Carrying amount of deposits | 25,438,655 |
| Carrying amount of investments | <u>23,080,683</u> |
| Total | \$ <u>48,529,141</u> |
| | |
| Cash and pooled cash investments | \$ 47,711,246 |
| Cash and pooled cash investments – temporarily restricted | 795,504 |
| Cash and pooled cash investments – permanently restricted | <u>22,391</u> |
| Total | \$ <u>48,529,141</u> |

A reconciliation of cash and investments as shown on the government-wide statement of net assets for the Dubuque Metropolitan Solid Waste Agency follows:

| | |
|---|----------------------------|
| Cash on hand | \$ 450 |
| Carrying amount of deposits | <u>9,341,981</u> |
| Total | \$ <u>9,342,431</u> |
| | |
| Cash and pooled cash investments | \$ 5,926,904 |
| Cash and pooled cash investments – temporarily restricted | <u>3,415,527</u> |
| Total | \$ <u>9,342,431</u> |

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2004, include amounts due to/from other funds and advances due to/from other funds. Due to/from other funds balances represent amounts due to the general fund from the tax increment financing fund (\$552,482), the debt service fund (\$73,313), and the transit system fund (\$102,365) for deficit pooled cash balances. Advances to/from other fund balance of \$414,146 represent amounts due to the general fund from the water utility fund for a construction loan.

Interfund transfers for the year ended June 30, 2004, consisted of the following:

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

| | Transfer from | | | |
|-------------------------|---------------------|---------------------|-----------------------------|--------------------|
| | General | Employee Benefits | Nonmajor Governmental Funds | Stormwater Utility |
| Transfer to | | | | |
| General | \$ - | \$ 2,434,974 | \$ 1,005,693 | \$ 22,449 |
| Employee benefits | - | - | 100,000 | - |
| Community development | - | - | 25,000 | - |
| Nonmajor governmental | 1,652,164 | - | 3,418,120 | - |
| Sewage disposal works | - | - | - | - |
| Water utility | - | - | - | - |
| Stormwater utility | 879,882 | - | 1,281,105 | - |
| Parking facilities | 55,299 | - | - | - |
| America's River Project | 2,325,358 | - | 1,019,535 | - |
| Nonmajor enterprise | 793,119 | - | 70,420 | - |
| | <u>\$ 5,705,822</u> | <u>\$ 2,434,974</u> | <u>\$ 6,919,873</u> | <u>\$ 22,449</u> |

| | Transfer from | | | |
|-------------------------|--------------------|-------------------------|------------------------|-------------------|
| | Parking Facilities | America's River Project | Internal Service Funds | Total |
| Transfer to | | | | |
| General | \$ - | \$ - | \$ 3,900 | \$ 3,467,016 |
| Employee benefits | - | - | - | 100,000 |
| Community development | - | - | - | 25,000 |
| Nonmajor governmental | - | - | - | 5,070,284 |
| Sewage disposal works | - | 375,475 | - | 375,475 |
| Water utility | - | 354,299 | - | 354,299 |
| Stormwater utility | - | - | - | 2,160,987 |
| Parking facilities | - | - | - | 55,299 |
| America's River Project | 16,001 | - | - | 3,360,894 |
| Nonmajor enterprise | - | - | - | 863,539 |
| | <u>\$ 16,001</u> | <u>\$ 729,774</u> | <u>\$ 3,900</u> | <u>15,832,793</u> |

Transfer to general capital assets from America's River Project 34,410,309
\$ 50,243,102

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

In the fund financial statements, total transfers out of \$50,243,102 are greater than total transfers in of \$15,832,793 because of the treatment of transfers of capital assets to the general capital assets. During the year capital assets related to America's River Project, with a book value of \$34,410,309 were transferred to general capital assets. No amounts were reported in the governmental funds as the amounts did not involve the transfer of financial resources. However, the America's River Project did report a transfer out for the capital resources given.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended June 30, 2004, according to grant requirements the City made various transfers into the America's River Project Fund to finance capital assets. When completed these capital assets are transferred to their respective fund.

In the year ended June 30, 2004, the City established a Stormwater Utility Fund, an enterprise fund. The assets of the Storm Sewer Construction Fund, a capital projects fund, were transferred to the new fund effective July 1, 2003.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

Primary Government:

| | <u>Beginning Balance</u> | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------------|--------------------------|-------------------|---------------------|---------------------------|
| Capital assets, not being depreciated: | | | | | | |
| Land | \$ 48,575,051 | \$ 682,275 | \$ (530,099) | \$ 2,997,268 | \$ (134,000) | \$ 51,590,495 |
| Construction in progress | <u>16,345,692</u> | <u>-</u> | <u>(851,651)</u> | <u>18,078,941</u> | <u>(28,514,320)</u> | <u>5,058,662</u> |
| Total capital assets, not being depreciated | <u>64,920,743</u> | <u>682,275</u> | <u>(1,381,750)</u> | <u>21,076,209</u> | <u>(28,648,320)</u> | <u>56,649,157</u> |
| Capital assets, being depreciated: | | | | | | |
| Buildings | 37,989,032 | 28,702,846 | - | 206,261 | - | 66,898,139 |
| Improvements other than buildings | 8,829,528 | 732,932 | - | 110,925 | - | 9,673,385 |
| Machinery and equipment | 18,758,691 | 601,856 | - | 1,914,900 | (548,806) | 20,726,641 |
| Infrastructure | <u>167,507,440</u> | <u>3,690,400</u> | <u>(22,085,590)</u> | <u>13,279,689</u> | <u>(346,026)</u> | <u>162,045,913</u> |
| Total capital assets, being depreciated | <u>233,084,691</u> | <u>33,728,034</u> | <u>(22,085,590)</u> | <u>15,511,775</u> | <u>(894,832)</u> | <u>259,344,078</u> |

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

| | <u>Beginning Balance</u> | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------------|--------------------------|------------------|------------------|---------------------------|
| Less accumulated depreciation for: | | | | | | |
| Buildings | \$ (16,109,807) | \$ - | \$ - | \$ (711,653) | \$ - | \$ (16,821,460) |
| Improvements other than buildings | (4,451,237) | - | - | (291,948) | - | (4,743,185) |
| Machinery and equipment | (7,953,797) | - | - | (1,494,001) | 514,179 | (8,933,619) |
| Infrastructure | (38,979,442) | - | 6,415,546 | (2,404,737) | 291,540 | (34,677,093) |
| Total accumulated depreciation | (67,494,283) | - | 6,415,546 | (4,902,339) | 805,719 | (65,175,357) |
| Total capital assets, being depreciated, net | 165,590,408 | 33,728,034 | (15,670,044) | 10,609,436 | (89,113) | 194,168,721 |
| Governmental activities capital assets, net | \$ 230,511,151 | \$ 34,410,309 | \$ (17,051,794) | \$ 31,685,645 | \$ (28,737,433) | \$ 250,817,878 |

Business-type activities:

| | <u>Beginning Balance</u> | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------------|--------------------------|------------------|------------------|---------------------------|
| Capital assets, not being depreciated: | | | | | | |
| Land | \$ 1,584,577 | \$ 530,099 | \$ - | \$ 46,934 | \$ - | \$ 2,161,610 |
| Construction in progress | 32,215,865 | - | (34,410,309) | 15,204,943 | (5,665,853) | 7,344,646 |
| Total capital assets, not being depreciated | 33,800,442 | 530,099 | (34,410,309) | 15,251,877 | (5,665,853) | 9,506,256 |
| Capital assets, being depreciated: | | | | | | |
| Buildings | 59,619,713 | - | - | 156,093 | - | 59,775,806 |
| Improvements other than buildings | 25,742,378 | 22,767,258 | - | 1,289,014 | (27,825) | 49,770,825 |
| Machinery and equipment | 40,303,626 | 169,983 | - | 4,090,174 | (492,412) | 44,071,371 |
| Total capital assets, being depreciated | 125,665,717 | 22,937,241 | - | 5,535,281 | (520,237) | 153,618,002 |
| Less accumulated depreciation for: | | | | | | |
| Buildings | (33,156,175) | - | - | (974,255) | - | (34,130,430) |
| Improvements other than buildings | (5,915,994) | - | - | (609,792) | - | (6,525,786) |
| Machinery and equipment | (15,918,659) | - | - | (1,338,809) | 478,396 | (16,779,072) |
| Infrastructure | - | (6,415,546) | - | (297,876) | 27,826 | (6,685,596) |
| Total accumulated depreciation | (54,990,828) | (6,415,546) | - | (3,220,732) | 506,222 | (64,120,884) |
| Total capital assets, being depreciated, net | 70,674,889 | 16,521,695 | - | 2,314,549 | (14,015) | 89,497,118 |
| Business-type activities capital assets, net | \$ 104,475,331 | \$ 17,041,794 | \$ (34,410,309) | \$ 17,566,426 | \$ (5,679,868) | \$ 99,003,374 |

(continued on next page)

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Depreciation expense was charged to functions/programs for the primary government as follows:

| | |
|--|---------------------|
| Governmental activities: | |
| Public safety | \$ 485,504 |
| Public works | 3,141,713 |
| Health and social services | 5,607 |
| Culture and recreation | 1,105,948 |
| Community and economic development | 24,781 |
| General government | <u>138,786</u> |
| Total depreciation expense – governmental activities | <u>\$ 4,902,339</u> |

| | |
|---|---------------------|
| Business-type activities: | |
| Sewage disposal works | \$ 1,087,054 |
| Water utility | 840,324 |
| Stormwater utility | 297,876 |
| Parking facilities | 462,318 |
| Refuse collection | 188,473 |
| Transit system | <u>344,687</u> |
| Total depreciation expense – business-type activities | <u>\$ 3,220,732</u> |

Component Unit:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|--------------------|---------------------|
| Dubuque Metropolitan Area Solid Waste Agency: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 552,528 | \$ - | \$ - | \$ 552,528 |
| Construction in progress | - | <u>1,071,772</u> | - | <u>1,071,772</u> |
| Total capital assets, not being depreciated | <u>552,528</u> | <u>1,071,772</u> | - | <u>1,624,300</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 44,349 | - | - | 44,349 |
| Improvements other than buildings | 5,893,766 | - | - | 5,893,766 |
| Machinery and equipment | <u>1,827,636</u> | <u>558,149</u> | <u>(351,634)</u> | <u>2,034,151</u> |
| Total capital assets, being depreciated | <u>7,765,751</u> | <u>558,149</u> | <u>(351,634)</u> | <u>7,972,266</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (44,349) | - | - | (44,349) |
| Improvements other than buildings | (3,560,322) | (282,549) | - | (3,842,871) |
| Machinery and equipment | <u>(1,414,314)</u> | <u>(186,442)</u> | <u>276,548</u> | <u>(1,324,208)</u> |
| Total accumulated depreciation | <u>(5,018,985)</u> | <u>(468,991)</u> | <u>276,548</u> | <u>(5,211,428)</u> |
| Total capital assets, being depreciated, net | <u>2,746,766</u> | <u>89,158</u> | <u>(75,086)</u> | <u>2,760,838</u> |
| Dubuque Metropolitan Area Solid Waste Agency capital assets, net | <u>\$ 3,299,294</u> | <u>\$ 1,160,930</u> | <u>\$ (75,086)</u> | <u>\$ 4,385,138</u> |

Depreciation expense of \$468,991 was charged to the Dubuque Metropolitan Area Solid Waste Agency.

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CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 – LONG-TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$27,480,000. During the year, general obligation bonds totaling \$2,110,000 were issued to fund stormwater utilities facilities and improvements.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with varying amounts of principal maturing annually and with interest payable semi-annually. General obligation bonds outstanding at June 30, 2004, are as follows:

| <u>Purpose</u> | <u>Date of Issue</u> | <u>Maturity Dates</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> | <u>Amount Outstanding End of Year</u> |
|------------------------------------|----------------------|-----------------------|-----------------------|---------------------------------|---------------------------------------|
| Corporate purpose | 07/01/95 | 05/01/96-05/01/05 | 4.90% | \$ 2,000,000 | \$ 250,000 |
| Corporate purpose | 06/01/00 | 06/01/02-06/01/20 | 5.80-5.88 | 2,750,000 | 2,470,000 |
| Corporate purpose | 11/01/00 | 06/01/02-06/01/20 | 5.13-5.25 | 6,265,000 | 5,620,000 |
| Corporate purpose | 12/27/01 | 06/01/05-06/01/21 | 4.00-4.90 | 9,500,000 | 9,500,000 |
| Corporate purpose | 01/09/02 | 06/01/04-06/01/21 | 4.00-4.95 | 2,860,000 | 2,695,000 |
| Corporate purpose | 03/26/02 | 06/01/03-06/01/21 | 3.75-5.00 | 1,000,000 | 945,000 |
| Corporate purpose and refunding | 12/03/02 | 06/01/03-06/01/17 | 3.00-4.30 | 3,105,000 | 2,185,000 |
| Corporate purpose | 10/15/03 | 06/01/04-06/01/23 | 3.20-4.75 | <u>2,110,000</u> | <u>2,005,000</u> |
| | | | | <u>\$ 29,590,000</u> | <u>\$ 25,670,000</u> |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | |
|---------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2005 | \$ 1,315,000 | \$ 890,361 | \$ 320,000 | \$ 303,719 |
| 2006 | 590,000 | 832,911 | 330,000 | 291,159 |
| 2007 | 830,000 | 806,598 | 345,000 | 278,159 |
| 2008 | 875,000 | 770,530 | 355,000 | 264,429 |
| 2009 | 945,000 | 732,436 | 365,000 | 249,874 |
| 2010-2014 | 5,360,000 | 2,986,895 | 2,050,000 | 1,001,384 |
| 2015-2019 | 6,525,000 | 1,625,431 | 2,115,000 | 492,484 |
| 2020-2023 | <u>2,570,000</u> | <u>179,693</u> | <u>780,000</u> | <u>79,727</u> |
| Total | <u>\$ 19,010,000</u> | <u>\$ 8,824,855</u> | <u>\$ 6,660,000</u> | <u>\$ 2,960,935</u> |

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Tax Increment Financing Bonds. The City issues tax increment financing bonds to provide funds for urban renewal projects. The City pledges property tax revenues from the tax increment financing districts to pay debt service. These bonds generally are issued as serial bonds with varying amounts of principal maturing annually and with interest payable semi-annually. The original amount of tax increment financing bonds issued in prior years was \$4,428,538. During the year, tax increment financing bonds totaling \$140,000 were issued to provide funds for the Vessel Systems Urban Renewal Project. Tax increment financing bonds outstanding at June 30, 2004, are as follows:

| <u>Purpose</u> | <u>Date of Issue</u> | <u>Maturity Dates</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> | <u>Amount Outstanding End of Year</u> |
|---------------------|----------------------|-----------------------|-----------------------|---------------------------------|---------------------------------------|
| Advanced Data-Comm | 03/18/99 | 12/31/01-06/30/11 | 6.0% | \$ 900,000 | \$ 669,984 |
| Categraph Systems | 12/01/99 | 12/31/01-12/31/10 | 8.8 | 360,000 | 271,850 |
| Eagle Window & Door | 02/15/00 | 12/31/02-06/30/12 | 9.1 | 3,168,538 | 2,738,560 |
| Vessel Systems | 12/30/03 | 12/30/05-06/30/15 | 8.0 | 140,000 | 140,000 |
| | | | | <u>\$ 4,568,538</u> | <u>\$ 3,820,394</u> |

Annual debt service requirements to maturity for tax increment financing bonds are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Governmental Activities</u> | |
|-----------------------------------|--------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2005 | \$ 369,501 | \$ 317,071 |
| 2006 | 410,506 | 285,474 |
| 2007 | 445,439 | 250,541 |
| 2008 | 483,392 | 212,588 |
| 2009 | 524,710 | 171,270 |
| 2010-2014 | 1,567,430 | 248,224 |
| 2015 | 19,416 | 1,175 |
| Total | <u>\$ 3,820,394</u> | <u>\$ 1,486,343</u> |

Revenue Bonds. The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. These bonds generally are issued as serial bonds with varying amounts of principal maturing annually and with interest payable semi-annually. Revenue bonds outstanding at June 30, 2004, are as follows:

| <u>Purpose</u> | <u>Date of Issue</u> | <u>Maturity Dates</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> | <u>Amount Outstanding End of Year</u> |
|--------------------|----------------------|-----------------------|-----------------------|---------------------------------|---------------------------------------|
| Parking facilities | 03/01/98 | 05/01/98-05/01/10 | 4.50-4.75% | \$ 2,515,000 | \$ 1,350,000 |

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Revenue bond debt service requirements to maturity are as follows:

| Fiscal Year Ending June 30 | Business-Type Activities | |
|-------------------------------|--------------------------|-------------------|
| | Principal | Interest |
| 2005 | \$ 200,000 | \$ 62,525 |
| 2006 | 210,000 | 53,525 |
| 2007 | 220,000 | 43,970 |
| 2008 | 230,000 | 33,850 |
| 2009 | 240,000 | 23,155 |
| 2010 | 250,000 | 11,875 |
| Total | <u>\$ 1,350,000</u> | <u>\$ 228,900</u> |

Notes Payable. Notes payable have been issued to provide funds for economic development and for the purchase of fixed assets. Notes payable at June 30, 2004, are as follows:

| Purpose | Date of Issue | Maturity Dates | Interest Rates | Amount Originally Issued | Amount Outstanding End of Year |
|----------------------|---------------|-------------------|----------------|--------------------------|--------------------------------|
| Fiber optic line | 02/25/02 | 07/01/04 | None | \$ 40,000 | \$ 40,000 |
| Economic development | 02/13/04 | 06/01/05-06/01/15 | 4.07% | 500,000 | 500,000 |
| Economic development | 06/30/04 | 12/30/05-06/30/15 | 8.00 | 155,000 | 155,000 |
| | | | | <u>\$ 695,000</u> | <u>\$ 695,000</u> |

Debt service requirements to maturity for notes payable are as follows:

| Fiscal Year Ending June 30 | Governmental Activities | |
|-------------------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2005 | \$ 85,455 | \$ 33,016 |
| 2006 | 45,455 | 32,182 |
| 2007 | 57,891 | 30,914 |
| 2008 | 58,905 | 28,049 |
| 2009 | 60,003 | 25,102 |
| 2010-2014 | 319,882 | 74,191 |
| 2015 | 67,409 | 4,331 |
| Total | <u>\$ 695,000</u> | <u>\$ 227,785</u> |

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Changes in Long-term Liabilities. Long-term liability activity for the year ended June 30, 2004, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-------------------------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 19,865,000 | \$ - | \$ (855,000) | \$ 19,010,000 | \$ 1,315,000 |
| Tax increment financing bonds | 4,021,002 | 140,000 | (340,608) | 3,820,394 | 369,501 |
| Notes payable | 962,167 | 655,000 | (922,167) | 695,000 | 85,455 |
| Compensated absences | <u>2,248,606</u> | <u>2,313,603</u> | <u>(2,248,606)</u> | <u>2,313,603</u> | <u>2,313,603</u> |
| | <u>\$ 27,096,775</u> | <u>\$ 3,108,603</u> | <u>\$ (4,366,381)</u> | <u>\$ 25,838,997</u> | <u>\$ 4,083,559</u> |
| Business-type activities: | | | | | |
| General obligation bonds | \$ 5,140,000 | \$ 2,110,000 | \$ (590,000) | \$ 6,660,000 | \$ 320,000 |
| Less: Unamortized discounts | <u>(24,486)</u> | <u>(14,770)</u> | <u>2,006</u> | <u>(37,250)</u> | <u>-</u> |
| Total general obligation bonds | <u>5,115,514</u> | <u>2,095,230</u> | <u>(587,994)</u> | <u>6,622,750</u> | <u>320,000</u> |
| Revenue bonds | 1,540,000 | - | (190,000) | 1,350,000 | 200,000 |
| Less: Deferred amounts on refunding | <u>(18,666)</u> | <u>-</u> | <u>2,666</u> | <u>(16,000)</u> | <u>-</u> |
| Total revenue bonds | <u>1,521,334</u> | <u>-</u> | <u>(187,334)</u> | <u>1,334,000</u> | <u>200,000</u> |
| Notes payable | 283,188 | - | (283,188) | - | - |
| Compensated absences | <u>274,850</u> | <u>292,266</u> | <u>(274,850)</u> | <u>292,266</u> | <u>292,266</u> |
| | <u>\$ 7,194,886</u> | <u>\$ 2,387,496</u> | <u>\$ (1,333,366)</u> | <u>\$ 8,249,016</u> | <u>\$ 812,266</u> |

For the governmental activities, compensated absences are generally liquidated by the general fund, community development fund, and section VIII housing fund.

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance and participates in a local government risk pool.

The City has established a Health Insurance Reserve Fund for insuring benefits provided to City employees and covered dependents which is included in the Internal Service Fund Type. Health benefits were self-insured up to an individual stop loss amount of \$80,000, and an aggregate stop loss of approximately \$6,380,000 for 2004. Coverage from a private insurance company is maintained for losses in excess of the stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. The estimated liability does not include any allocated or unallocated claims adjustment expense.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

The City has established a Workers' Compensation Reserve Fund for insuring benefits provided to City employees which is included in the Internal Service Fund Type. Workers' compensation benefits were self-insured up to a specific stop loss amount of \$400,000, and an aggregate stop loss consistent with statutory limits for 2004. Coverage from a private insurance company is maintained for losses in excess of the stop loss amount. All claims handling procedures are performed by a third-party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. Settled claims have not exceeded commercial coverage in any of the last three fiscal years. The estimated liability does not include any allocated or unallocated claims adjustment expense.

All funds of the City participate in both programs and make payments to the Health Insurance Reserve Fund and the Workers' Compensation Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims. The claims liability of \$708,254 in the Health Insurance Reserve Fund and \$308,320 in the Workers' Compensation Reserve Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in reported liabilities for the fiscal years ended June 30, 2003 and 2004, are summarized as follows:

| | <u>Health Insurance Reserve Fund</u> | <u>Workers' Compensation Reserve Fund</u> |
|---|--|---|
| Liabilities at June 30, 2002 | \$ 608,502 | \$ 325,751 |
| Claims and changes in estimates during fiscal year 2003 | 4,336,860 | 297,067 |
| Claim payments | <u>(4,187,418)</u> | <u>(341,690)</u> |
| Liabilities at June 30, 2003 | 757,944 | 281,128 |
| Claims and changes in estimates during fiscal year 2004 | 4,587,080 | 301,154 |
| Claim payments | <u>(4,636,770)</u> | <u>(273,962)</u> |
| Liabilities at June 30, 2004 | <u>\$ 708,254</u> | <u>\$ 308,320</u> |

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 490 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions. The City has property insurance coverage in addition to the Pool.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004, were \$452,981.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 8 – COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The City has received financial assistance from numerous federal and state agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the City's financial position as of June 30, 2004.

Litigation

The City's corporation counsel reported that as of June 30, 2004, various claims and lawsuits were on file against the City. The corporation counsel estimated that all potential settlements against the City not covered by insurance would not materially affect the financial position of the City. The City has authority to levy additional taxes (outside the regular limit) to cover uninsured judgments against the City.

Construction Contracts

The City has recognized as a liability only that portion of construction contracts representing construction completed through June 30, 2004. The City has additional commitments for signed construction contracts of approximately \$4,301,358 as of June 30, 2004. These commitments will be funded by federal and state grants, cash reserves, and bond proceeds.

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides certain health care benefits for retired disabled police officers and firefighters as mandated by the Code of Iowa. The cost of health care benefits for retired disabled police officers and firefighters is recognized as an expenditure as claims are paid. As of June 30, 2004, 58 retirees were eligible for these benefits, and the cost of the benefits for the fiscal year ended June 30, 2004, totaled \$110,471.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS

MFPRSI

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Des Moines, Iowa, 50322.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Plan members are required to contribute 9.35% of earnable compensation. The City was required to contribute 20.48% of earnable compensation in 2004 and 17% of earnable compensation in 2003 and 2002. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2004, 2003, and 2002, were \$1,782,373, \$1,425,337, and \$1,338,824, respectively, which met the required minimum contribution for each year.

IPERS

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

Plan members are required to contribute 3.70% of their annual covered salary, and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$950,155, \$918,374, and \$834,972, respectively, equal to the required contributions for each year.

NOTE 11 – CONDUIT DEBT

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. 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. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2004, there were three series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$7,270,000.

NOTE 12 – LANDFILL CLOSURE AND POSTCLOSURE CARE

State and federal laws and regulations require the Dubuque Metropolitan Area Solid Waste Agency to place a final cover on each cell of its landfill site when filled and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and postclosure care costs will be paid only near or after the date that each cell stops accepting waste, the Agency reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each statement of net assets date. The \$1,978,164 reported as landfill closure and postclosure care liability at June 30, 2004, represents the cumulative amount reported to date based on the use of 95 percent of the estimated capacity of cells 3 and 4 and the use of 65 percent of the estimated capacity of cells 5 and 6. The Agency will recognize the remaining estimated cost of closure and postclosure care of \$770,793 as the remaining capacity is filled.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

These amounts are based on what it would cost to perform all closure and postclosure care in 2004. The Agency expects to close cells 3 and 4 in 2005 and to close the current generation of permitted cells in 2012. The Agency is making plans to construct a second and third generation of cells to extend the life of the landfill to 2050. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The agency has begun to accumulate resources to fund these costs in accordance with state and federal financial assurance requirements. At June 30, 2004, funds have been restricted for closure and postclosure costs in the amount of \$3,050,486, which exceeds the liability currently recognized.

NOTE 13 – VISION IOWA GRANT

The City, along with the Dubuque County Historical Society, has entered into a \$40 million Vision Iowa Grant for the construction of the America’s River Project. As part of the agreement, the City has issued \$12,360,000 in general obligation bonds and is to receive approximately \$20 million of the grant proceeds, with the Historical Society receiving the remaining proceeds. As of June 30, 2004, the City has received \$19 million of the grant proceeds.

NOTE 14 – RESTATEMENT OF BEGINNING BALANCES

The restatement of the General Fund Balance and the Governmental Activities Net Assets was due to the inadvertent exclusion of dog track rent accounts receivable balances in prior years.

| | <u>General</u> | <u>Governmental Activities</u> |
|---|----------------------|------------------------------------|
| Fund balance/net assets June 30, 2003, as previously reported | \$ 16,792,510 | \$ 253,602,171 |
| Adjustment | | |
| Effect of additional of accounts receivable | <u>338,412</u> | <u>338,412</u> |
| Fund balance/net assets June 30, 2003, as restated | <u>\$ 17,130,922</u> | <u>\$ 253,940,583</u> |

NOTE 15 – NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

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

Statement No. 40, *Deposit and Investment Risk Disclosures* issued March 2003, will be effective for the City for the fiscal year ending June 30, 2005. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

CITY OF DUBUQUE, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* issued November 2003, will be effective for the City for the fiscal year ending June 30, 2006. This statement establishes accounting and financial reporting standards for impairment of capital assets and also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April 2004, will be effective for the City for the fiscal year ending June 30, 2008. This statement establishes uniform financial reporting standards for other postemployment benefit (OPEB) plans and supersedes the interim guidance included in Statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 44, *Economic Condition Reporting: The Statistical Section* issued May 2004, will be effective for the City for the fiscal year ending June 30, 2006. This statement amends previous guidance regarding preparation of the statistical section for governments that issue a comprehensive annual financial report.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the City for the fiscal year ending June 30, 2009. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DUBUQUE, IOWA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget-Positive (Negative) |
|--|----------------------|---------------------|----------------------|--|
| REVENUES | | | | |
| Taxes | \$ 18,656,563 | \$ 18,413,217 | \$ 18,772,130 | \$ 358,913 |
| Licenses and permits | 934,862 | 1,079,324 | 1,065,489 | (13,835) |
| Intergovernmental | 3,980,672 | 7,609,911 | 3,836,661 | (3,773,250) |
| Charges for services | 4,820,999 | 5,665,737 | 5,528,878 | (136,859) |
| Fines and forfeits | 273,000 | 313,400 | 238,757 | (74,643) |
| Investment earnings | 2,213,269 | 826,914 | 626,761 | (200,153) |
| Contributions | 453,792 | 777,397 | 210,130 | (567,267) |
| Gaming | 9,989,958 | 10,744,839 | 11,247,901 | 503,062 |
| Miscellaneous | 1,950,813 | 408,686 | 436,090 | 27,404 |
| Total Revenues | <u>43,273,928</u> | <u>45,839,425</u> | <u>41,962,797</u> | <u>(3,876,628)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public safety | 16,992,173 | 17,781,900 | 16,648,878 | 1,133,022 |
| Public works | 8,191,974 | 14,632,303 | 7,157,056 | 7,475,247 |
| Health and social services | 1,294,610 | 799,509 | 572,202 | 227,307 |
| Culture and recreation | 7,688,689 | 9,040,940 | 7,342,862 | 1,698,078 |
| Community and economic development | 4,595,261 | 10,176,421 | 6,045,376 | 4,131,045 |
| General government | 4,674,303 | 4,719,855 | 4,372,076 | 347,779 |
| Debt service | 55,717 | 55,717 | 55,693 | 24 |
| Total Expenditures | <u>43,492,727</u> | <u>57,206,645</u> | <u>42,194,143</u> | <u>15,012,502</u> |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | <u>(218,799)</u> | <u>(11,367,220)</u> | <u>(231,346)</u> | <u>11,135,874</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of bonds | - | 500,000 | 500,000 | - |
| Transfers in | 5,352,742 | 5,865,215 | 4,236,104 | (1,629,111) |
| Transfers out | (5,405,034) | (8,789,680) | (5,650,523) | 3,139,157 |
| Sale of capital assets | - | 641,900 | 674,964 | 33,064 |
| Total Other Financing Sources (Uses) | <u>(52,292)</u> | <u>(1,782,565)</u> | <u>(239,455)</u> | <u>1,543,110</u> |
| NET CHANGE IN FUND BALANCES | (271,091) | (13,149,785) | (470,801) | 12,678,984 |
| FUND BALANCES, BEGINNING, AS RESTATED | <u>15,559,097</u> | <u>15,559,097</u> | <u>15,559,097</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 15,288,006</u> | <u>\$ 2,409,312</u> | <u>\$ 15,088,296</u> | <u>\$ 12,678,984</u> |

CITY OF DUBUQUE, IOWA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGETARY BASIS
EMPLOYEE BENEFITS SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget-Positive (Negative) |
|---|--------------------|--------------------|--------------------|--|
| REVENUES | | | | |
| Taxes | \$ 2,379,236 | \$ 2,379,236 | \$ 2,336,249 | \$ (42,987) |
| Miscellaneous | - | - | 3 | 3 |
| Total Revenues | <u>2,379,236</u> | <u>2,379,236</u> | <u>2,336,252</u> | <u>(42,984)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | - | - | 987 | (987) |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>2,379,236</u> | <u>2,379,236</u> | <u>2,335,265</u> | <u>(43,971)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 100,000 | 100,000 | 100,000 | - |
| Transfers out | (2,539,236) | (2,539,236) | (2,434,974) | 104,262 |
| Total Other Financing Sources (Uses) | <u>(2,439,236)</u> | <u>(2,439,236)</u> | <u>(2,334,974)</u> | <u>104,262</u> |
| NET CHANGE IN FUND BALANCES | (60,000) | (60,000) | 291 | 60,291 |
| FUND BALANCES, BEGINNING | <u>89,384</u> | <u>89,384</u> | <u>89,384</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 29,384</u> | <u>\$ 29,384</u> | <u>\$ 89,675</u> | <u>\$ 60,291</u> |

CITY OF DUBUQUE, IOWA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – BUDGETARY BASIS
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004

| | Original Budget | Final Budget | Actual | Variance with Final Budget-Positive (Negative) |
|--|---------------------|-------------------|---------------------|--|
| REVENUES | | | | |
| Intergovernmental | \$ 1,719,135 | \$ 3,849,700 | \$ 1,392,166 | \$ (2,457,534) |
| Charges for services | 10,133 | 10,133 | - | (10,133) |
| Investment earnings | 105,449 | 105,149 | 117,901 | 12,752 |
| Contributions | 86,006 | 86,006 | 5,000 | (81,006) |
| Miscellaneous | <u>701,614</u> | <u>718,479</u> | <u>783,938</u> | <u>65,459</u> |
| Total Revenues | <u>2,622,337</u> | <u>4,769,467</u> | <u>2,299,005</u> | <u>(2,470,462)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | 115,125 | 409,340 | 72,686 | 336,654 |
| Health and social services | 125,265 | 137,333 | 126,026 | 11,307 |
| Culture and recreation | 162,055 | 129,947 | 112,891 | 17,056 |
| Community and economic development | 1,979,693 | 4,359,503 | 1,944,118 | 2,415,385 |
| General government | <u>94,754</u> | <u>140,424</u> | <u>111,272</u> | <u>29,152</u> |
| Total Expenditures | <u>2,476,892</u> | <u>5,176,547</u> | <u>2,366,993</u> | <u>2,809,554</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | | |
| | <u>145,445</u> | <u>(407,080)</u> | <u>(67,988)</u> | <u>339,092</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 47,463 | 47,463 | 47,463 | - |
| Transfers out | <u>(33,427)</u> | <u>(432,957)</u> | <u>(33,157)</u> | <u>399,800</u> |
| Total Other Financing Sources (Uses) | <u>14,036</u> | <u>(385,494)</u> | <u>14,306</u> | <u>399,800</u> |
| NET CHANGE IN FUND BALANCES | | | | |
| | 159,481 | (792,574) | (53,682) | 738,892 |
| FUND BALANCES, BEGINNING | | | | |
| | <u>1,777,282</u> | <u>1,777,282</u> | <u>1,777,282</u> | <u>-</u> |
| FUND BALANCES, ENDING | | | | |
| | <u>\$ 1,936,763</u> | <u>\$ 984,708</u> | <u>\$ 1,723,600</u> | <u>\$ 738,892</u> |

CITY OF DUBUQUE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis of accounting with an adjustment for accrued payroll following required public notice and hearing. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. Legal budgetary compliance for the City as a whole is demonstrated in Note 2 to the financial statements.

The following are reconciliations of the budget basis to the modified accrual basis of accounting:

| | General Fund | | |
|--|------------------------|------------------------|------------------------------|
| | Budgetary Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | \$ 41,962,797 | \$ (69,196) | \$ 41,893,601 |
| Expenditures | 42,194,143 | (1,742,923) | 40,451,220 |
| Excess (deficiency) of revenues over (under) expenditures | (231,346) | 1,673,727 | 1,442,381 |
| Other financing sources (uses) | (239,455) | (1,415,450) | (1,654,905) |
| Net | (470,801) | 258,277 | (212,524) |
| Fund balance, beginning, as restated | 15,559,097 | 1,571,825 | 17,130,992 |
| Fund balance, ending | \$ 15,088,296 | \$ 1,830,102 | \$ 16,918,398 |
| | Employee Benefits Fund | | |
| | Budgetary Basis | Accrual Adjustments | Modified Accrual Basis |
| Revenues | \$ 2,336,252 | \$ 16,610 | \$ 2,352,862 |
| Expenditures | 987 | (108) | 879 |
| Excess of revenues over expenditures | 2,335,265 | 16,718 | 2,351,983 |
| Other financing sources (uses) | (2,334,974) | - | (2,334,974) |
| Net | 291 | 16,718 | 17,009 |
| Fund balance, beginning | 89,384 | 13,146 | 102,530 |
| Fund balance, ending | \$ 89,675 | \$ 29,864 | \$ 119,539 |

CITY OF DUBUQUE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2004

| | <u>Community Development Fund</u> | | |
|---|-----------------------------------|----------------------|----------------------|
| | <u>Budgetary</u> | <u>Accrual</u> | <u>Modified</u> |
| | <u>Basis</u> | <u>Adjustments</u> | <u>Accrual</u> |
| | | | <u>Basis</u> |
| Revenues | \$ 2,299,005 | \$ (887,025) | \$ 1,411,980 |
| Expenditures | <u>2,366,993</u> | <u>(200,138)</u> | <u>2,166,855</u> |
| Deficiency of revenues under expenditures | (67,988) | (686,887) | (754,875) |
| Other financing sources (uses) | <u>14,306</u> | <u>10,694</u> | <u>25,000</u> |
| Net | (53,682) | (676,193) | (729,875) |
| Fund balance, beginning | <u>1,777,282</u> | <u>11,946,839</u> | <u>13,724,121</u> |
| Fund balance, ending | <u>\$ 1,723,600</u> | <u>\$ 11,270,646</u> | <u>\$ 12,994,246</u> |

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Road Use Tax Fund - This fund is used to account for state revenues allocated to the City for maintenance and improvement of City streets.

Section VIII Housing Fund - This fund is used to account for the operations of federal Section VIII existing, voucher, and moderate rehabilitation projects.

Tort Liability Fund - This fund is used to collect a special property tax levy which is then transferred to the General Fund. The General Fund accounts for the administration and payment of damage claims against the City.

Police and Fire Retirement Fund - This fund is used to account for the balance of actuarially-determined excess pension funds as calculated when local retirement systems were terminated and combined into a statewide retirement system. The excess funds may be used to help fund the City's portion of contributions to the statewide police and fire retirement system.

Special Assessments Fund - This fund is used to account for the financing of public improvements that are deemed to benefit primarily the properties against which special assessments are levied and to accumulate monies for the payment of principal and interest on the outstanding long-term debt service.

Tax Increment Financing Fund - This fund is used to account for the receipt of property taxes, for the payment of projects within the tax increment financing district, and for the payment of remaining principal and interest costs on the tax increment financing districts' long-term debt service.

Cable TV Fund - This fund is used to account for the monies and related costs as set forth in the cable franchise agreement between the City of Dubuque and the cable franchisee.

Library Expendable Gifts Trust - This fund is used to account for contributions given to the library to be spent for specific purposes.

DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Street Construction Fund - This fund is used to account for the resources and costs related to street capital improvements.

Storm Sewer Construction Fund - This fund is used to account for the resources and costs related to storm sewer capital improvements.

Dog Track Depreciation Fund - This fund is used to account for the resources and costs related to capital improvements and maintenance at the greyhound racing facility.

General Construction Fund - This fund is used to account for the resources and costs related to non-assignable capital improvements.

Airport Construction Fund - This fund is used to account for the resources and costs related to airport capital improvements.

Sales Tax Construction Fund - This fund is used to account for the resources and costs related to capital improvements financed through the local option sales tax.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting City's programs.

Ella Lyons Peony Trail Trust Fund – This fund is used for dividends and maintenance cost related to the City Peony Trail, per trust agreement.

Library Gifts Trust Fund – This fund is used to account for testamentary gifts to the City library.

CITY OF DUBUQUE, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

| | Road Use Tax | Section VIII Housing | Tort Liability |
|---|---------------------|-------------------------|-------------------|
| ASSETS | | | |
| Cash and pooled cash investments | \$ 5,951,958 | \$ 597,885 | \$ 18,457 |
| Receivables | | | |
| Property tax | | | |
| Delinquent | - | - | 3,966 |
| Succeeding year | - | - | 340,971 |
| Accounts and other | - | - | - |
| Special assessments | - | - | - |
| Accrued interest | - | - | - |
| Notes | - | 7,049 | - |
| Intergovernmental | 382,260 | 71,777 | - |
| Restricted cash and pooled cash investments | - | - | - |
| Total Assets | <u>\$ 6,334,218</u> | <u>\$ 676,711</u> | <u>\$ 363,394</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 64,805 | \$ 22,599 | \$ - |
| Accrued payroll | 34,394 | 9,038 | - |
| Intergovernmental payable | - | 202,500 | - |
| Due to other funds | - | - | - |
| Deferred revenue | | | |
| Succeeding year property tax | - | - | 340,971 |
| Other | - | - | 535 |
| Total Liabilities | <u>99,199</u> | <u>234,137</u> | <u>341,506</u> |
| FUND BALANCES | | | |
| Reserved for/by | | | |
| Encumbrances | 120,575 | 6,720 | - |
| Long-term notes receivable | - | 5,649 | - |
| Bond ordinance | - | - | - |
| Dog track | - | - | - |
| Franchise agreement | - | - | - |
| Endowments | - | - | - |
| Unreserved, undesignated, reported in | | | |
| Special revenue funds | 6,114,444 | 430,205 | 21,888 |
| Debt service fund | - | - | - |
| Capital projects funds | - | - | - |
| Permanent funds | - | - | - |
| Total Fund Balances | <u>6,235,019</u> | <u>442,574</u> | <u>21,888</u> |
| Total Liabilities and Fund Balances | <u>\$ 6,334,218</u> | <u>\$ 676,711</u> | <u>\$ 363,394</u> |

| Special Revenue | | | | | |
|----------------------------|---------------------|-------------------------|---------------------|--------------------------------|-------------------|
| Police and Fire Retirement | Special Assessments | Tax Increment Financing | Cable TV | Library Expendable Gifts Trust | Debt Service |
| \$ 8,760 | \$ 519,787 | \$ - | \$ 1,154,000 | \$ 161,384 | \$ - |
| - | - | - | - | - | 3,872 |
| - | - | - | - | - | 222,330 |
| - | - | - | 6,239 | - | - |
| - | 515,534 | - | - | - | - |
| - | 9,020 | 731 | 4,707 | 803 | 1,920 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 150,526 | 19,327 | - | - |
| <u>\$ 8,760</u> | <u>\$ 1,044,341</u> | <u>\$ 151,257</u> | <u>\$ 1,184,273</u> | <u>\$ 162,187</u> | <u>\$ 228,122</u> |
| \$ - | \$ - | \$ 3,283 | \$ 10,771 | \$ 218 | \$ 525 |
| - | - | - | 4,085 | - | - |
| - | - | - | - | - | - |
| - | - | 552,482 | - | - | 73,313 |
| - | - | - | - | - | 222,330 |
| - | 476,409 | - | 503,939 | - | 523 |
| <u>-</u> | <u>476,409</u> | <u>555,765</u> | <u>518,795</u> | <u>218</u> | <u>296,691</u> |
| - | - | - | 120,873 | - | - |
| - | - | - | - | - | - |
| - | - | 150,526 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 19,327 | - | - |
| - | - | - | - | - | - |
| 8,760 | 567,932 | (555,034) | 525,278 | 161,969 | - |
| - | - | - | - | - | (68,569) |
| - | - | - | - | - | - |
| <u>8,760</u> | <u>567,932</u> | <u>(404,508)</u> | <u>665,478</u> | <u>161,969</u> | <u>(68,569)</u> |
| <u>\$ 8,760</u> | <u>\$ 1,044,341</u> | <u>\$ 151,257</u> | <u>\$ 1,184,273</u> | <u>\$ 162,187</u> | <u>\$ 228,122</u> |

(continued)

CITY OF DUBUQUE, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

| | Capital Projects | | |
|---|------------------------|---------------------------|-------------------------|
| | Street Construction | Dog Track Depreciation | General Construction |
| ASSETS | | | |
| Cash and pooled cash investments | \$ 3,835,233 | \$ 1,169,932 | \$ 2,754,407 |
| Receivables | | | |
| Property tax | | | |
| Delinquent | - | - | - |
| Succeeding year | - | - | - |
| Accounts and other | - | - | - |
| Special assessments | - | - | - |
| Accrued interest | 11,883 | 5,974 | 1,610 |
| Notes | - | - | - |
| Intergovernmental | 338,613 | - | - |
| Restricted cash and pooled cash investments | - | - | - |
| Total Assets | <u>\$ 4,185,729</u> | <u>\$ 1,175,906</u> | <u>\$ 2,756,017</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 64,568 | \$ - | \$ 3,451 |
| Accrued payroll | - | - | - |
| Intergovernmental payable | - | - | - |
| Due to other funds | - | - | - |
| Deferred revenue | | | |
| Succeeding year property tax | - | - | - |
| Other | - | - | - |
| Total Liabilities | <u>64,568</u> | <u>-</u> | <u>3,451</u> |
| FUND BALANCES | | | |
| Reserved for/by | | | |
| Encumbrances | 1,594,545 | - | 50,319 |
| Long-term notes receivable | - | - | - |
| Bond ordinance | - | - | - |
| Dog track | - | 1,175,906 | - |
| Franchise agreement | - | - | - |
| Endowments | - | - | - |
| Unreserved, undesignated, reported in | | | |
| Special revenue funds | - | - | - |
| Debt service fund | - | - | - |
| Capital projects funds | 2,526,616 | - | 2,702,247 |
| Permanent funds | - | - | - |
| Total Fund Balances | <u>4,121,161</u> | <u>1,175,906</u> | <u>2,752,566</u> |
| Total Liabilities and Fund Balances | <u>\$ 4,185,729</u> | <u>\$ 1,175,906</u> | <u>\$ 2,756,017</u> |

EXHIBIT A-1
(continued)

| Airport Construction | Sales Tax Construction | Permanent Funds | | Total Nonmajor Governmental Funds |
|-------------------------|---------------------------|------------------------------------|---------------------------|--|
| | | Ella Lyons Peony Trail Trust | Library Gifts Trust | |
| \$ 46,273 | \$ 2,110,152 | \$ - | \$ - | \$ 18,328,228 |
| - | - | - | - | 7,838 |
| - | - | - | - | 563,301 |
| - | - | - | - | 6,239 |
| - | - | - | - | 515,534 |
| - | 10,597 | - | 97 | 47,342 |
| - | - | - | - | 7,049 |
| 43,932 | 225,742 | - | - | 1,062,324 |
| - | - | 75,226 | 18,811 | 263,890 |
| <u>\$ 90,205</u> | <u>\$ 2,346,491</u> | <u>\$ 75,226</u> | <u>\$ 18,908</u> | <u>\$ 20,801,745</u> |
| \$ 7,403 | \$ 9,189 | \$ - | \$ - | \$ 186,812 |
| - | - | - | - | 47,517 |
| - | - | - | - | 202,500 |
| - | - | - | - | 625,795 |
| - | - | - | - | 563,301 |
| - | - | - | - | 981,406 |
| <u>7,403</u> | <u>9,189</u> | <u>-</u> | <u>-</u> | <u>2,607,331</u> |
| 262,094 | 33,280 | - | 370 | 2,188,776 |
| - | - | - | - | 5,649 |
| - | - | - | - | 150,526 |
| - | - | - | - | 1,175,906 |
| - | - | - | - | 19,327 |
| - | - | 10,391 | 12,000 | 22,391 |
| - | - | - | - | 7,275,442 |
| - | - | - | - | (68,569) |
| (179,292) | 2,304,022 | - | - | 7,353,593 |
| - | - | 64,835 | 6,538 | 71,373 |
| <u>82,802</u> | <u>2,337,302</u> | <u>75,226</u> | <u>18,908</u> | <u>18,194,414</u> |
| <u>\$ 90,205</u> | <u>\$ 2,346,491</u> | <u>\$ 75,226</u> | <u>\$ 18,908</u> | <u>\$ 20,801,745</u> |

CITY OF DUBUQUE, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

| | Road Use Tax | Section VIII Housing | Tort Liability |
|--|---------------------|-------------------------|-------------------|
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ 269,745 |
| Special assessments | - | - | - |
| Intergovernmental | 4,835,348 | 4,436,501 | - |
| Charges for services | - | - | - |
| Investment earnings | - | 833 | - |
| Contributions | - | - | - |
| Gaming | - | - | - |
| Miscellaneous | - | 32,024 | - |
| Total Revenues | <u>4,835,348</u> | <u>4,469,358</u> | <u>269,745</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public safety | - | - | - |
| Public works | 3,633,241 | - | - |
| Health and social services | - | - | - |
| Culture and recreation | - | - | - |
| Community and economic development | - | 4,512,675 | - |
| General government | 9,089 | - | - |
| Debt service | - | - | - |
| Capital projects | - | - | - |
| Total Expenditures | <u>3,642,330</u> | <u>4,512,675</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>1,193,018</u> | <u>(43,317)</u> | <u>269,745</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of bonds | - | - | - |
| Transfers in | - | - | - |
| Transfers out | (1,253,300) | (820) | (267,755) |
| Sale of capital assets | - | - | - |
| Total Other Financing Sources (Uses) | <u>(1,253,300)</u> | <u>(820)</u> | <u>(267,755)</u> |
| NET CHANGE IN FUND BALANCES | (60,282) | (44,137) | 1,990 |
| FUND BALANCES, BEGINNING | <u>6,295,301</u> | <u>486,711</u> | <u>19,898</u> |
| FUND BALANCES, ENDING | <u>\$ 6,235,019</u> | <u>\$ 442,574</u> | <u>\$ 21,888</u> |

| Special Revenue | | | | | |
|----------------------------|---------------------|-------------------------|-------------------|--------------------------------|--------------------|
| Police and Fire Retirement | Special Assessments | Tax Increment Financing | Cable TV | Library Expendable Gifts Trust | Debt Service |
| \$ - | \$ - | \$ 2,495,079 | \$ - | \$ - | \$ 278,294 |
| - | 717,305 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 77,154 | 3,948 | 16,085 | 3,949 | - |
| - | - | - | - | 130,284 | - |
| - | - | - | - | - | - |
| - | - | - | 528,345 | - | - |
| - | <u>794,459</u> | <u>2,499,027</u> | <u>544,430</u> | <u>134,233</u> | <u>278,294</u> |
| - | - | - | 61,454 | - | - |
| - | - | - | - | - | - |
| - | - | - | 23,213 | - | - |
| - | - | - | - | 41,306 | - |
| - | - | 483,524 | - | - | - |
| - | - | - | 495,078 | - | 8,089 |
| - | - | 2,186,167 | - | - | 1,180,714 |
| - | - | - | - | - | - |
| - | - | <u>2,669,691</u> | <u>579,745</u> | <u>41,306</u> | <u>1,188,803</u> |
| - | <u>794,459</u> | <u>(170,664)</u> | <u>(35,315)</u> | <u>92,927</u> | <u>(910,509)</u> |
| - | - | 155,000 | - | - | - |
| - | 62,752 | - | - | - | 758,107 |
| (100,000) | (2,022,639) | (397,495) | (205,765) | - | - |
| - | - | - | - | - | - |
| (100,000) | <u>(1,959,887)</u> | <u>(242,495)</u> | <u>(205,765)</u> | - | <u>758,107</u> |
| (100,000) | (1,165,428) | (413,159) | (241,080) | 92,927 | (152,402) |
| <u>108,760</u> | <u>1,733,360</u> | <u>8,651</u> | <u>906,558</u> | <u>69,042</u> | <u>83,833</u> |
| <u>\$ 8,760</u> | <u>\$ 567,932</u> | <u>\$ (404,508)</u> | <u>\$ 665,478</u> | <u>\$ 161,969</u> | <u>\$ (68,569)</u> |

(continued)

CITY OF DUBUQUE, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

| | Capital | | |
|--|------------------------|-----------------------------|---------------------------|
| | Street Construction | Storm Sewer Construction | Dog Track Depreciation |
| REVENUES | | | |
| Taxes | \$ 2,131,554 | \$ - | \$ - |
| Special assessments | - | - | - |
| Intergovernmental | 1,945,572 | - | - |
| Charges for services | - | - | - |
| Investment earnings | 3,821 | - | 16,815 |
| Contributions | - | - | - |
| Gaming | - | - | 110,000 |
| Miscellaneous | 102,278 | - | - |
| Total Revenues | <u>4,183,225</u> | <u>-</u> | <u>126,815</u> |
| EXPENDITURES | | | |
| Current | | | |
| Public safety | - | - | - |
| Public works | - | - | - |
| Health and social services | - | - | - |
| Culture and recreation | - | - | - |
| Community and economic development | - | - | - |
| General government | - | - | - |
| Debt service | - | - | - |
| Capital projects | 5,372,944 | - | - |
| Total Expenditures | <u>5,372,944</u> | <u>-</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,189,719)</u> | <u>-</u> | <u>126,815</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Issuance of bonds | - | - | - |
| Transfers in | 4,239,258 | - | - |
| Transfers out | (62,752) | (1,021,641) | - |
| Sale of capital assets | - | - | - |
| Total Other Financing Sources (Uses) | <u>4,176,506</u> | <u>(1,021,641)</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 2,986,787 | (1,021,641) | 126,815 |
| FUND BALANCES, BEGINNING | <u>1,134,374</u> | <u>1,021,641</u> | <u>1,049,091</u> |
| FUND BALANCES, ENDING | <u>\$ 4,121,161</u> | <u>\$ -</u> | <u>\$ 1,175,906</u> |

EXHIBIT A-2
(continued)

| <u>Projects</u> | | | <u>Permanent Funds</u> | | <u>Total</u> |
|-----------------------------|-----------------------------|-------------------------------|-------------------------------------|----------------------------|------------------------------------|
| <u>General Construction</u> | <u>Airport Construction</u> | <u>Sales Tax Construction</u> | <u>Ella Lyons Peony Trail Trust</u> | <u>Library Gifts Trust</u> | <u>Nonmajor Governmental Funds</u> |
| \$ - | \$ - | \$ 1,421,037 | \$ - | \$ - | \$ 6,595,709 |
| - | - | - | - | - | 717,305 |
| - | 747,192 | - | - | - | 11,964,613 |
| - | 149,730 | - | - | - | 149,730 |
| 35,935 | 982 | 31,830 | 2,162 | (539) | 192,975 |
| - | - | - | - | - | 130,284 |
| 15,000 | - | - | - | - | 125,000 |
| 8,400 | 18,829 | 2,023 | - | - | 691,899 |
| <u>59,335</u> | <u>916,733</u> | <u>1,454,890</u> | <u>2,162</u> | <u>(539)</u> | <u>20,567,515</u> |
| - | - | - | - | - | 61,454 |
| - | - | - | - | - | 3,633,241 |
| - | - | - | - | - | 23,213 |
| - | - | - | 624 | - | 41,930 |
| - | - | - | - | - | 4,996,199 |
| - | - | - | - | - | 512,256 |
| - | - | - | - | - | 3,366,881 |
| 297,673 | 825,078 | 369,424 | - | - | 6,865,119 |
| <u>297,673</u> | <u>825,078</u> | <u>369,424</u> | <u>624</u> | <u>-</u> | <u>19,500,293</u> |
| <u>(238,338)</u> | <u>91,655</u> | <u>1,085,466</u> | <u>1,538</u> | <u>(539)</u> | <u>1,067,222</u> |
| 140,000 | - | - | - | - | 295,000 |
| 8,787 | 1,380 | - | - | - | 5,070,284 |
| (1,094,786) | - | (492,920) | - | - | (6,919,873) |
| 180,443 | - | - | - | - | 180,443 |
| <u>(765,556)</u> | <u>1,380</u> | <u>(492,920)</u> | <u>-</u> | <u>-</u> | <u>(1,374,146)</u> |
| (1,003,894) | 93,035 | 592,546 | 1,538 | (539) | (306,924) |
| <u>3,756,460</u> | <u>(10,233)</u> | <u>1,744,756</u> | <u>73,688</u> | <u>19,447</u> | <u>18,501,338</u> |
| <u>\$ 2,752,566</u> | <u>\$ 82,802</u> | <u>\$ 2,337,302</u> | <u>\$ 75,226</u> | <u>\$ 18,908</u> | <u>\$ 18,194,414</u> |

NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent of the City Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City Council has decided that periodic determination of net income is appropriate for accountability purposes.

Refuse Collection Fund – This fund is used to account for the operations of the City's refuse collection services.

Transit System Fund – This fund is used to account for the operations of the City's bus and other transit services.

CITY OF DUBUQUE, IOWA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2004

EXHIBIT B-1

| | Refuse Collection | Transit System | Total Other Enterprise Funds |
|---|----------------------|---------------------|------------------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and pooled cash investments | \$ 563,725 | \$ - | \$ 563,725 |
| Receivables | | | |
| Accounts | 262,533 | 13,329 | 275,862 |
| Intergovernmental | - | 566,821 | 566,821 |
| Inventories | - | 14,005 | 14,005 |
| Total Current Assets | <u>826,258</u> | <u>594,155</u> | <u>1,420,413</u> |
| NONCURRENT ASSETS | | | |
| Capital assets | | | |
| Land | - | 36,000 | 36,000 |
| Buildings | - | 1,893,590 | 1,893,590 |
| Machinery and equipment | 1,582,862 | 3,711,215 | 5,294,077 |
| Accumulated depreciation | <u>(1,034,169)</u> | <u>(2,094,337)</u> | <u>(3,128,506)</u> |
| Net Capital Assets | <u>548,693</u> | <u>3,546,468</u> | <u>4,095,161</u> |
| Total Assets | <u>1,374,951</u> | <u>4,140,623</u> | <u>5,515,574</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | 11,047 | 43,700 | 54,747 |
| Accrued payroll | 26,586 | 28,565 | 55,151 |
| Accrued compensated absences | 57,393 | 24,194 | 81,587 |
| Due to other funds | - | 102,365 | 102,365 |
| Total Liabilities | <u>95,026</u> | <u>198,824</u> | <u>293,850</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 548,693 | 3,546,468 | 4,095,161 |
| Unrestricted | <u>731,232</u> | <u>395,331</u> | <u>1,126,563</u> |
| Total Net Assets | <u>\$ 1,279,925</u> | <u>\$ 3,941,799</u> | <u>\$ 5,221,724</u> |

CITY OF DUBUQUE, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

EXHIBIT B-2

| | Refuse Collection | Transit System | Total Other Enterprise Funds |
|---|----------------------|---------------------|------------------------------------|
| OPERATING REVENUES | | | |
| Charges for sales and services | \$ 2,157,285 | \$ 285,057 | \$ 2,442,342 |
| Other | - | 34,159 | 34,159 |
| Total Operating Revenues | <u>2,157,285</u> | <u>319,216</u> | <u>2,476,501</u> |
| OPERATING EXPENSES | | | |
| Employee expense | 1,311,528 | 912,982 | 2,224,510 |
| Utilities | 652 | 49,796 | 50,448 |
| Repairs and maintenance | 218,660 | 265,925 | 484,585 |
| Supplies and services | 502,376 | 633,278 | 1,135,654 |
| Insurance | 16,565 | 36,395 | 52,960 |
| Depreciation | 188,473 | 344,687 | 533,160 |
| Total Operating Expenses | <u>2,238,254</u> | <u>2,243,063</u> | <u>4,481,317</u> |
| OPERATING LOSS | <u>(80,969)</u> | <u>(1,923,847)</u> | <u>(2,004,816)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Intergovernmental | 10,617 | 1,266,659 | 1,277,276 |
| Investment earnings | - | 107 | 107 |
| Contributions | 77 | - | 77 |
| Loss on disposal of assets | - | (14,015) | (14,015) |
| Total Nonoperating Revenues (Expenses) | <u>10,694</u> | <u>1,252,751</u> | <u>1,263,445</u> |
| LOSS BEFORE TRANSFERS | (70,275) | (671,096) | (741,371) |
| TRANSFERS IN | <u>-</u> | <u>863,539</u> | <u>863,539</u> |
| CHANGE IN NET ASSETS | (70,275) | 192,443 | 122,168 |
| NET ASSETS, BEGINNING | <u>1,350,200</u> | <u>3,749,356</u> | <u>5,099,556</u> |
| NET ASSETS, ENDING | <u>\$ 1,279,925</u> | <u>\$ 3,941,799</u> | <u>\$ 5,221,724</u> |

CITY OF DUBUQUE, IOWA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

EXHIBIT B-3

| | Refuse Collection | Transit System | Total Other Enterprise Funds |
|--|----------------------|--------------------|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 2,089,376 | \$ 273,393 | \$ 2,362,769 |
| Cash payments to suppliers for goods and services | (739,036) | (977,580) | (1,716,616) |
| Cash payments to employees for services | (1,299,801) | (892,784) | (2,192,585) |
| Other operating receipts | - | 34,159 | 34,159 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>50,539</u> | <u>(1,562,812)</u> | <u>(1,512,273)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers from other funds | - | 863,539 | 863,539 |
| Proceeds from interfund balances | - | 102,365 | 102,365 |
| Property tax receipts | - | 4,124 | 4,124 |
| Intergovernmental grant proceeds | 10,617 | 706,293 | 716,910 |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | <u>10,617</u> | <u>1,676,321</u> | <u>1,686,938</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Acquisition and construction of capital assets | (248,765) | (561,925) | (810,690) |
| Contributions | 77 | - | 77 |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(248,688)</u> | <u>(561,925)</u> | <u>(810,613)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | - | 107 | 107 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (187,532) | (448,309) | (635,841) |
| CASH AND CASH EQUIVALENTS, BEGINNING | 751,257 | 448,309 | 1,199,566 |
| CASH AND CASH EQUIVALENTS, ENDING | <u>\$ 563,725</u> | <u>\$ -</u> | <u>\$ 563,725</u> |

(continued)

**CITY OF DUBUQUE, IOWA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

**EXHIBIT B-3
(continued)**

| | <u>Refuse Collection</u> | <u>Transit System</u> | <u>Total Other Enterprise Funds</u> |
|---|------------------------------|---------------------------|---|
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating loss | \$ (80,969) | \$ (1,923,847) | \$ (2,004,816) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities | | | |
| Depreciation | 188,473 | 344,687 | 533,160 |
| Change in assets and liabilities | | | |
| Increase in receivables | (67,909) | (11,664) | (79,573) |
| Increase in inventories | - | (5,134) | (5,134) |
| Increase (decrease) in accounts payable | (783) | 12,948 | 12,165 |
| Increase in accrued liabilities | <u>11,727</u> | <u>20,198</u> | <u>31,925</u> |
| Total Adjustments | <u>131,508</u> | <u>361,035</u> | <u>492,543</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 50,539</u> | <u>\$ (1,562,812)</u> | <u>\$ (1,512,273)</u> |

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the government and to other government units on a cost-reimbursement basis.

General Service Fund - This fund is used to account for engineering, street, and general services supplied to other departments.

Garage Service Fund - This fund is used to account for the maintenance and repair services for the City's automotive equipment.

Stores/Printing Fund - This fund is used to account for printing, supplies, and other services provided to other departments.

Health Insurance Reserve Fund - This fund is used to account for the health insurance costs of the City.

Workers' Compensation Reserve Fund - This fund is used to account for the workers' compensation costs of the City.

CITY OF DUBUQUE, IOWA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2004

| | <u>General Service</u> | <u>Garage Service</u> | <u>Stores/ Printing</u> |
|---|----------------------------|---------------------------|-----------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and pooled cash investments | \$ 9,611 | \$ 5,165 | \$ 4,435 |
| Receivables | | | |
| Accounts | - | - | - |
| Accrued interest | - | - | - |
| Inventories | - | 31,215 | 7,194 |
| Total Current Assets | <u>9,611</u> | <u>36,380</u> | <u>11,629</u> |
| NONCURRENT ASSETS | | | |
| Capital assets | | | |
| Machinery and equipment | - | 125,239 | - |
| Accumulated depreciation | - | <u>(69,886)</u> | - |
| Net Capital Assets | <u>-</u> | <u>55,353</u> | <u>-</u> |
| Total Assets | <u>9,611</u> | <u>91,733</u> | <u>11,629</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | - | 13,497 | 281 |
| Accrued payroll | <u>18,652</u> | <u>15,607</u> | <u>-</u> |
| Total Liabilities | <u>18,652</u> | <u>29,104</u> | <u>281</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | - | 55,353 | - |
| Unrestricted | <u>(9,041)</u> | <u>7,276</u> | <u>11,348</u> |
| Total Net Assets (Deficit) | <u>\$ (9,041)</u> | <u>\$ 62,629</u> | <u>\$ 11,348</u> |

| <u>Health Insurance Reserve</u> | <u>Workers' Compensation Reserve</u> | <u>Total</u> |
|---|--|---------------------|
| \$ 1,248,614 | \$ 595,921 | \$ 1,863,746 |
| 136,274 | - | 136,274 |
| 6,919 | 3,124 | 10,043 |
| - | - | 38,409 |
| <u>1,391,807</u> | <u>599,045</u> | <u>2,048,472</u> |
| - | - | 125,239 |
| - | - | (69,886) |
| - | - | 55,353 |
| <u>1,391,807</u> | <u>599,045</u> | <u>2,103,825</u> |
| 708,254 | 308,320 | 1,030,352 |
| - | - | 34,259 |
| <u>708,254</u> | <u>308,320</u> | <u>1,064,611</u> |
| - | - | 55,353 |
| <u>683,553</u> | <u>290,725</u> | <u>983,861</u> |
| <u>\$ 683,553</u> | <u>\$ 290,725</u> | <u>\$ 1,039,214</u> |

CITY OF DUBUQUE, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

| | General Service | Garage Service | Stores/ Printing |
|---------------------------------|--------------------|-------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for sales and services | \$ 1,036,112 | \$ 1,007,573 | \$ 23,502 |
| Other | - | 2,725 | - |
| Total Operating Revenues | <u>1,036,112</u> | <u>1,010,298</u> | <u>23,502</u> |
| OPERATING EXPENSES | | | |
| Employee expense | 1,034,034 | 614,416 | - |
| Utilities | - | 17,178 | - |
| Repairs and maintenance | - | 10,357 | - |
| Supplies and services | - | 357,048 | 27,788 |
| Insurance | 2,138 | 9,548 | - |
| Depreciation | - | 9,067 | - |
| Total Operating Expenses | <u>1,036,172</u> | <u>1,017,614</u> | <u>27,788</u> |
| OPERATING INCOME (LOSS) | <u>(60)</u> | <u>(7,316)</u> | <u>(4,286)</u> |
| NONOPERATING REVENUES | | | |
| Investment earnings | - | - | - |
| INCOME (LOSS) BEFORE TRANSFERS | (60) | (7,316) | (4,286) |
| TRANSFERS OUT | - | (3,900) | - |
| CHANGE IN NET ASSETS | (60) | (11,216) | (4,286) |
| NET ASSETS (DEFICIT), BEGINNING | <u>(8,981)</u> | <u>73,845</u> | <u>15,634</u> |
| NET ASSETS (DEFICIT), ENDING | <u>\$ (9,041)</u> | <u>\$ 62,629</u> | <u>\$ 11,348</u> |

| Health Insurance Reserve | Workers' Compensation Reserve | Total |
|--------------------------------|-------------------------------------|--------------|
| \$ 5,270,611 | \$ 118,946 | \$ 7,456,744 |
| 384,034 | 1,198 | 387,957 |
| 5,654,645 | 120,144 | 7,844,701 |
| - | - | 1,648,450 |
| - | - | 17,178 |
| - | - | 10,357 |
| 4,731,747 | 324,996 | 5,441,579 |
| 373,487 | 26,532 | 411,705 |
| - | - | 9,067 |
| 5,105,234 | 351,528 | 7,538,336 |
| 549,411 | (231,384) | 306,365 |
| 25,165 | 5,431 | 30,596 |
| 574,576 | (225,953) | 336,961 |
| - | - | (3,900) |
| 574,576 | (225,953) | 333,061 |
| 108,977 | 516,678 | 706,153 |
| \$ 683,553 | \$ 290,725 | \$ 1,039,214 |

CITY OF DUBUQUE, IOWA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

| | General Service | Garage Service | Stores/ Printing |
|--|--------------------|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 1,036,112 | \$ 1,007,573 | \$ 23,502 |
| Cash payments to suppliers for goods and services | (2,138) | (392,063) | (30,346) |
| Cash payments to employees for services | (1,027,507) | (611,047) | - |
| Other operating receipts | - | 2,725 | - |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>6,467</u> | <u>7,188</u> | <u>(6,844)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers to other funds | - | (3,900) | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | - | - | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 6,467 | 3,288 | (6,844) |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>3,144</u> | <u>1,877</u> | <u>11,279</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u>\$ 9,611</u> | <u>\$ 5,165</u> | <u>\$ 4,435</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating income (loss) | \$ (60) | \$ (7,316) | \$ (4,286) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | |
| Depreciation | - | 9,067 | - |
| Change in assets and liabilities | | | |
| Increase in receivables | - | - | - |
| Increase in inventories | - | (8,707) | (2,457) |
| Increase (decrease) in accounts payable | - | 10,775 | (101) |
| Increase in accrued liabilities | 6,527 | 3,369 | - |
| Total Adjustments | <u>6,527</u> | <u>14,504</u> | <u>(2,558)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 6,467</u> | <u>\$ 7,188</u> | <u>\$ (6,844)</u> |

| <u>Health Insurance Reserve</u> | <u>Workers' Compensation Reserve</u> | <u>Total</u> |
|---|--|---------------------|
| \$ 5,134,337 | \$ 118,946 | \$ 7,320,470 |
| (5,154,925) | (324,336) | (5,903,808) |
| - | - | (1,638,554) |
| <u>384,034</u> | <u>1,198</u> | <u>387,957</u> |
| <u>363,446</u> | <u>(204,192)</u> | <u>166,065</u> |
| - | - | (3,900) |
| <u>22,172</u> | <u>6,438</u> | <u>28,610</u> |
| 385,618 | (197,754) | 190,775 |
| <u>862,996</u> | <u>793,675</u> | <u>1,672,971</u> |
| <u>\$ 1,248,614</u> | <u>\$ 595,921</u> | <u>\$ 1,863,746</u> |
| <u>\$ 549,411</u> | <u>\$ (231,384)</u> | <u>\$ 306,365</u> |
| - | - | 9,067 |
| (136,274) | - | (136,274) |
| - | - | (11,164) |
| (49,691) | 27,192 | (11,825) |
| - | - | 9,896 |
| <u>(185,965)</u> | <u>27,192</u> | <u>(140,300)</u> |
| <u>\$ 363,446</u> | <u>\$ (204,192)</u> | <u>\$ 166,065</u> |

STATISTICAL SECTION

(Unaudited)

CITY OF DUBUQUE, IOWA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TWO FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)
(UNAUDITED)

| <u>Fiscal Year</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Health and Social Services</u> | <u>Culture and Recreation</u> | <u>Community and Economic Development</u> | <u>General Government</u> |
|--------------------|----------------------|---------------------|-----------------------------------|-------------------------------|---|---------------------------|
| 2003 (1) \$ | 15,817 | \$ 14,454 | \$ 816 | \$ 7,367 | \$ 9,432 | \$ 4,362 |
| 2004 | 16,605 | 12,847 | 1,291 | 7,849 | 12,663 | 3,773 |

(1) Fiscal year 2003 was the first year of reporting the City's operation on a government-wide basis.

Table 1

| <u>Interest on Long-Term Debt</u> | <u>Sewage Disposal Works</u> | <u>Water Utility</u> | <u>Stormwater Utility</u> | <u>Parking Facilities</u> | <u>America's River Project</u> | <u>Refuse Collection</u> | <u>Transit System</u> | <u>Total</u> |
|---|--------------------------------------|--------------------------|-------------------------------|-------------------------------|--|------------------------------|---------------------------|---------------------|
| \$ 1,605 1,249 | \$ 4,656 5,282 | \$ 4,214 4,369 | \$ - 1,185 | \$ 1,445 1,655 | \$ 415 1,065 | \$ 2,141 2,238 | \$ 2,155 2,257 | \$ 68,879 74,328 |

CITY OF DUBUQUE, IOWA
GOVERNMENT-WIDE REVENUES
LAST TWO FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)
(UNAUDITED)

| <u>Fiscal Year</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Taxes</u> | <u>Gaming</u> | <u>Unrestricted Investment Earnings</u> |
|--------------------|-----------------------------|---|---|--------------|---------------|---|
| 2003 (1) \$ | 19,894 | \$ 14,558 | \$ 15,386 | \$ 26,010 | \$ 9,540 | \$ 2,071 |
| 2004 | 23,117 | 13,023 | 16,161 | 27,869 | 11,631 | 679 |

(1) Fiscal year 2003 was the first year of reporting the City's operation on a government-wide basis.

Table 2

| <u>Gain on Sale of Capital Assets</u> | <u>Other</u> | <u>Total</u> |
|---|--------------|--------------|
| \$ - | \$ 1,228 | \$ 88,687 |
| 175 | 639 | 93,294 |

CITY OF DUBUQUE, IOWA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)
(UNAUDITED)

Table 3

| <u>Fiscal Year</u> | <u>Community Protection</u> | <u>Human Development</u> | <u>Home and Community Environment</u> | <u>Policy and Administration</u> | <u>Debt Service</u> | <u>Total</u> |
|--------------------|-----------------------------|--------------------------|---------------------------------------|----------------------------------|---------------------|--------------|
| 1995 | \$ 11,747 | \$ 5,207 | \$ 9,785 | \$ 2,927 | \$ 3,764 | \$ 33,430 |
| 1996 | 12,202 | 5,508 | 10,060 | 3,252 | 3,750 | 34,772 |
| 1997 | 12,082 | 5,856 | 11,050 | 3,891 | 3,492 | 36,371 |
| 1998 | 12,827 | 6,200 | 10,380 | 4,386 | 2,898 | 36,691 |
| 1999 | 13,343 | 6,599 | 15,136 | 3,981 | 2,747 | 41,806 |
| 2000 | 13,907 | 7,493 | 14,983 | 4,938 | 2,312 | 43,633 |
| 2001 | 15,064 | 8,653 | 16,410 | 5,442 | 2,882 | 48,451 |
| 2002 | 16,386 | 8,520 | 14,361 | 4,986 | 2,637 | 46,890 |

| <u>Fiscal Year</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Health and Social Services</u> | <u>Culture and Recreation</u> | <u>Community and Economic Development</u> | <u>General Government</u> | <u>Debt Service</u> | <u>Total</u> |
|--------------------|----------------------|---------------------|-----------------------------------|-------------------------------|---|---------------------------|---------------------|--------------|
| 2003(2) | \$15,279 | \$11,860 | \$ 749 | \$ 7,514 | \$ 9,011 | \$ 3,813 | \$ 3,678 | \$ 51,904 |
| 2004 | 16,764 | 10,724 | 722 | 7,470 | 11,924 | 4,227 | 3,423 | 55,254 |

(1) Includes general, special revenue, and debt service funds.

(2) The State of Iowa required cities to change from programs to functions during 2003.

CITY OF DUBUQUE, IOWA
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)
(UNAUDITED)

Table 4

| <u>Fiscal Year</u> | <u>Taxes</u> | <u>Special Assessments (2)</u> | <u>Licenses and Permits</u> | <u>Inter-Governmental</u> | <u>Charges for Services</u> | <u>Fines and Forfeits</u> | <u>Investment Earnings</u> | <u>Contributions (2)</u> |
|--------------------|--------------|--------------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|----------------------------|--------------------------|
| 1995 | \$ 20,889 | \$ - | \$ 921 | \$ 9,457 | \$ 4,494 | \$ 341 | \$ 2,155 | \$ - |
| 1996 | 21,620 | - | 717 | 9,253 | 5,491 | 350 | 1,686 | - |
| 1997 | 24,772 | - | 507 | 11,454 | 6,637 | 358 | 1,596 | - |
| 1998 | 24,848 | - | 507 | 10,351 | 7,106 | 371 | 1,989 | - |
| 1999 | 25,629 | - | 580 | 10,375 | 7,843 | 337 | 1,948 | - |
| 2000 | 25,562 | - | 613 | 12,140 | 7,882 | 341 | 1,813 | - |
| 2001 | 26,800 | - | 576 | 13,769 | 8,127 | 369 | 2,720 | - |
| 2002 | 26,303 | - | 703 | 14,124 | 8,847 | 410 | 1,980 | - |
| 2003 | 22,263 | 561 | 754 | 14,398 | 5,134 | 466 | 1,465 | 385 |
| 2004 | 24,309 | 717 | 1,063 | 14,365 | 5,517 | 242 | 412 | 345 |

| <u>Fiscal Year</u> | <u>Gaming (3)</u> | <u>Miscellaneous</u> | <u>Total</u> |
|--------------------|-------------------|----------------------|--------------|
| 1995 | \$ - | \$ 1,130 | \$ 39,387 |
| 1996 | - | 765 | 39,882 |
| 1997 | - | 1,487 | 46,811 |
| 1998 | - | 1,619 | 46,791 |
| 1999 | - | 1,926 | 48,638 |
| 2000 | - | 950 | 49,301 |
| 2001 | - | 1,988 | 54,349 |
| 2002 | - | 1,526 | 53,893 |
| 2003 | 9,405 | 1,107 | 55,938 |
| 2004 | 11,506 | 1,008 | 59,484 |

(1) Includes general, special revenue, and debt service funds.

(2) Special assessments and contribution revenues were included in miscellaneous revenue in years prior to 2003.

(3) Gaming revenue was included in taxes and charges for services prior to 2003.

CITY OF DUBUQUE, IOWA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (1)
LAST TEN FISCAL YEARS
(AMOUNTS EXPRESSED IN THOUSANDS)
(UNAUDITED)

Table 4A

| <u>Fiscal Year</u> | <u>Property Tax (2)</u> | <u>Money and Credits Replacement Tax</u> | <u>Mobile Homes Tax</u> | <u>State Replacement Personal Prop. Exemption</u> | <u>Sales Tax</u> | <u>Hotel Motel Tax</u> | <u>Utility Franchise Fees</u> | <u>Total</u> |
|--------------------|-------------------------|--|-------------------------|---|------------------|------------------------|-------------------------------|--------------|
| 1995 | \$ 14,300 | \$ 39 | \$ 33 | \$ 493 | \$ 5,182 | \$ 842 | \$ - | \$ 20,889 |
| 1996 | 14,928 | 40 | 32 | 472 | 5,318 | 830 | - | 21,620 |
| 1997 | 18,454 | 15 | 33 | 492 | 5,373 | 784 | - | 25,151 |
| 1998 | 18,562 | 42 | 37 | 494 | 4,856 | 857 | - | 24,848 |
| 1999 | 19,890 | 44 | 33 | 492 | 4,206 | 964 | - | 25,629 |
| 2000 | 20,519 | 45 | 32 | 492 | 3,489 | 985 | - | 25,562 |
| 2001 | 21,615 | 45 | 31 | 490 | 3,624 | 995 | - | 26,800 |
| 2002 | 21,020 | 45 | 31 | 459 | 3,797 | 951 | - | 26,303 |
| 2003 | 17,528 | 46 | 29 | 443 | 3,246 | 970 | - | 22,263 |
| 2004 | 18,510 | 24 | 29 | 17 | 3,553 | 1,314 | 862 | 24,309 |

(1) Includes general, special revenue, and debt service funds.

(2) Includes gaming revenues in years prior to 2003.

CITY OF DUBUQUE, IOWA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
JUNE 30, 2004
(AMOUNTS EXPRESSED IN THOUSANDS)
(UNAUDITED)

Table 13

| <u>Jurisdiction</u> | <u>Net General Obligation Bonded Debt Outstanding</u> | <u>Percentage Applicable to Government</u> | <u>Amount Applicable to Government</u> |
|---------------------|---|--|--|
| Direct: | | | |
| City of Dubuque | \$ <u>19,010</u> (1) | 100.00% | \$ <u>19,010</u> |
| Total | \$ <u>19,010</u> | | \$ <u>19,010</u> |

(1) Excluding general obligation bonds reported in the enterprise funds.

