

**CITY OF DUBUQUE, IOWA
PARKING FACILITIES**

**FINANCIAL STATEMENTS
JUNE 30, 2005**

**CITY OF DUBUQUE, IOWA
PARKING FACILITIES**

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**CITY OF DUBUQUE, IOWA
PARKING FACILITIES
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terrance M. Duggan	Mayor	December 2005
John H. Markham	Council Member	December 2005
Daniel E. Nicholson	Council Member	December 2005
Joyce E. Connors	Council Member	December 2005
Roy D. Buol	Council Member	December 2007
Patricia A. Cline	Council Member	December 2007
Ann E. Michalski	Council Member	December 2007
Michael C. Van Milligen	City Manager	Appointed by Council
Barry A. Lindahl	Corporation Counsel	Appointed by Council
Jeanne F. Schneider	City Clerk	Appointed by Council
Kenneth J. TeKippe	Finance Director/Treasurer	Appointed by City Manager
Timothy M. Horsfield	Parking Division Manager	Appointed by City Manager

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of
the City Council:

We have audited the accompanying financial statements of the Parking Facilities of the City of Dubuque, Iowa, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

As discussed in Note 1, the financial statements referred to above present only the Parking Facilities of the City of Dubuque, Iowa, and are not intended to present fairly the financial position of the City of Dubuque and the changes in financial position and cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking Facilities of the City of Dubuque, Iowa, as of June 30, 2005, and the changes in financial position and cash flows 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 September 14, 2005, on our consideration of the Parking Facilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 listed in the table of contents is not a required part of the financial statements but is 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 an opinion on the financial statements of the Parking Facilities of the City of Dubuque. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The bond ordinance requirements, schedule of insurance coverage, and schedule of statistical data have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and date.

Dubuque, Iowa
September 14, 2005

**CITY OF DUBUQUE PARKING FACILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

This section of the financial report of the City of Dubuque Parking Facilities presents our discussion and analysis of the financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the financial statements of the City of Dubuque Parking Facilities found in this report.

FINANCIAL HIGHLIGHTS

- The assets of the Parking Facilities exceeded its liabilities at the close of the fiscal year by \$13,394,535 (net assets). This was an increase of \$327,819 over net assets at June 30, 2004. Unrestricted net assets at June 30, 2005 in the amount of \$1,082,037 may be used to meet the ongoing obligations of the Parking Facilities.
- Total operating and construction fund revenues exceeded expenses by \$330,069.
- Within the Parking Facilities' operating fund, revenues and transfers exceeded expenses by \$130,117.
- Within the Parking Facilities' construction fund, revenues and transfers exceeded expenses by \$197,702.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Parking Facilities' financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows. This discussion and analysis is intended to serve as an introduction to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The statement of net assets presents information on all of the Parking Facilities' 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 is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets presents information showing how the Parking Facilities' 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.

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what cash was used for and what was the change in cash and cash equivalents during the reporting year.

FINANCIAL ANALYSIS

Net assets. As noted earlier, net assets may serve as a useful indicator of a facility's financial position when observed over time. In the case of the Parking Facilities, assets exceeded liabilities by \$13,394,535 at the close of the most recent fiscal year.

The largest part of the Parking Facilities' assets (87.8%) reflects its investment in capital assets such as land, buildings, 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.

PARKING FACILITIES NET ASSETS

	2005	2004
	<u>Total</u>	<u>Total</u>
Current and Other Assets	\$ 1,705,834	\$ 1,245,163
Capital Assets	<u>15,244,335</u>	<u>15,680,569</u>
Total Assets	<u>16,950,169</u>	<u>16,925,732</u>
Long-term Liabilities	3,171,042	3,482,000
Other Liabilities	<u>384,592</u>	<u>377,016</u>
Total Liabilities	<u>3,555,634</u>	<u>3,859,016</u>
Net Assets:		
Invested in Capital Assets,		
Net of Related Debt	11,758,293	11,898,569
Restricted	554,205	554,005
Unrestricted	<u>1,082,037</u>	<u>614,142</u>
Total Net Assets	<u><u>\$ 13,394,535</u></u>	<u><u>\$ 13,066,716</u></u>

The decrease in long-term liabilities reflects principal paid during the past year.

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

At the close of fiscal year 2005, the Parking Facilities reported total operating income of \$493,877 and an increase in net assets of \$327,819.

PARKING FACILITIES
CONDENSED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS

	2005 Total	2004 Total
Operating Revenues	\$ 1,889,937	\$ 1,643,490
Operating Expenses	1,396,060	1,433,416
Operating Income	493,877	210,074
Nonoperating Revenues (Expenses)	(163,808)	(206,587)
Income Before Transfers	330,069	3,487
Transfers from City of Dubuque	-	55,299
Transfers to City of Dubuque	(2,250)	(16,001)
Change in Net Assets	327,819	42,785
Net Assets, Beginning	13,066,716	13,023,931
Net Assets, Ending	<u>\$ 13,394,535</u>	<u>\$ 13,066,716</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The Parking Facilities' investment in capital assets for its operating and construction funds as of June 30, 2005, amounts to \$15,244,335 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment. Additional information on the Parking Facilities' assets can be found in Note 4 to the financial statements in this report.

CAPITAL ASSETS (net of accumulated depreciation)

	2005 Total	2004 Total
Land	\$ 1,296,209	\$ 1,296,209
Buildings	19,069,788	19,069,788
Improvements and other buildings	246,961	246,961
Machinery and equipment	651,206	651,206
Accumulated depreciation	(6,019,829)	(5,583,595)
	<u>\$ 15,244,335</u>	<u>\$ 15,680,569</u>

During fiscal year 2003 the financial statements reflected a transfer in for the completion of a new parking ramp. Funding for the ramp was provided by a general obligation bond issue with repayment through tax increment financing. The general obligation bond debt for the new ramp is not reflected in these financial statements.

Long-term debt. At year end the Parking Facilities had \$3,486,042 of debt outstanding. This is a decrease of \$295,958 from June 30, 2004. Additional information on the Parking Facilities' long-term debt can be found in Note 5 to the financial statements in this report.

ECONOMIC FACTORS

Revenue increased due to monthly rates increasing for three ramps (ranging from 5% to 13%) and a \$2 increase in parking ticket fines. Revenue and expenses from parking enforcement activities were reflected with parking facilities beginning in fiscal year ended June 30, 2004. Previously this activity was part of the general fund of the City.

Requests for information. This financial report is designed to provide a general overview of the Parking Facilities' 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 City of Dubuque, Finance Director, 50 West 13th Street, Dubuque, Iowa 52001-4864.

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS

CURRENT ASSETS

Cash and pooled cash investments	\$ 1,093,633
Receivables	
Accounts	47,375
Accrued interest	<u>10,621</u>
Total Current Assets	<u>1,151,629</u>

NONCURRENT ASSETS

Restricted cash and pooled cash investments	<u>554,205</u>
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Capital assets

Land	1,296,209
Buildings	19,069,788
Improvements other than buildings	246,961
Machinery and equipment	651,206
Accumulated depreciation	<u>(6,019,829)</u>
Net Capital Assets	<u>15,244,335</u>

Total Noncurrent Assets	<u>15,798,540</u>
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Total Assets	<u>16,950,169</u>
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See notes to financial statements.

LIABILITIES**CURRENT LIABILITIES**

Accounts payable	\$ 1,224
Accrued payroll	14,071
General obligation bonds payable	105,000
Revenue bonds payable	210,000
Accrued compensated absences	33,907
Accrued interest payable	<u>20,390</u>
Total Current Liabilities	<u>384,592</u>

NONCURRENT LIABILITIES

General obligation bonds payable (net of discount of \$20,625)	2,244,375
Revenue bonds payable (net of \$13,333 deferred amount on refunding)	<u>926,667</u>
Total Noncurrent Liabilities	<u>3,171,042</u>

Total Liabilities	<u>3,555,634</u>
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NET ASSETS

Invested in capital assets, net of related debt	11,758,293
Restricted by bond ordinance	554,205
Unrestricted	<u>1,082,037</u>
Total Net Assets	<u>\$ 13,394,535</u>

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

OPERATING REVENUES	
Charges for sales and services	\$ 1,888,328
Other	<u>1,609</u>
Total Operating Revenues	<u>1,889,937</u>
OPERATING EXPENSES	
Employee expense	663,883
Utilities	87,833
Repairs and maintenance	46,976
Supplies and services	126,138
Insurance	34,996
Depreciation	<u>436,234</u>
Total Operating Expenses	<u>1,396,060</u>
OPERATING INCOME	<u>493,877</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	44,203
Interest expense	<u>(208,011)</u>
Total Nonoperating Revenues (Expenses)	<u>(163,808)</u>
INCOME BEFORE TRANSFERS	330,069
TRANSFERS TO THE CITY OF DUBUQUE	<u>(2,250)</u>
CHANGE IN NET ASSETS	327,819
NET ASSETS, BEGINNING	<u>13,066,716</u>
NET ASSETS, ENDING	<u>\$ 13,394,535</u>

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,881,961
Cash payments to suppliers for goods and services	(300,519)
Cash payments to employees for services	(664,746)
Other operating receipts	<u>1,609</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>918,305</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to the City of Dubuque	<u>(2,250)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment of debt	(300,000)
Interest paid	<u>(205,954)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(505,954)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>40,437</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	450,538
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,197,300</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,647,838</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ <u>493,877</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	436,234
Change in assets and liabilities	
Increase in receivables	(6,367)
Decrease in accounts payable	(4,576)
Decrease in accrued liabilities	<u>(863)</u>
Total Adjustments	<u>424,428</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 918,305</u>

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements include only those funds of the Parking Facilities and are not intended to present all funds of the City of Dubuque, Iowa.

Basis of Accounting

The Parking Facilities' accounting records are maintained on the cash basis. However, for financial reporting purposes, the accounting records have been adjusted to the accrual method, recognizing revenue when earned and expenses when liabilities are incurred.

Budgets and Budgetary Accounting

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 for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund. These nine functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities.

Deposits and Investments

The Parking Facilities' 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.

Restricted Assets

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Capital Assets

Capital assets include property, plant, and equipment. Capital assets are defined by the government as assets with an initial, individual cost of more than \$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 asset lives are not capitalized.

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

Capital assets are 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

Compensated Absences

The Parking Facilities allow employees to accumulate earned but unused vacation and sick pay benefits. Such benefits are accrued when earned and are reported as liabilities.

Equity

Reservations of net assets represent amounts restricted by applicable bond covenants.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Investments are stated at fair value.

The Parking Facilities' investments are pooled with other investments of the City. It is, therefore, not possible to list the types of investments held by the Parking Facilities at June 30, 2005.

Interest Rate Risk. The City's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit Risk. The City's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The City did not invest in any commercial paper or other corporate debt during the year.

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Concentration of Credit Risk. The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments. The policy also limits the amount that can be invested in a single issue to five percent of its total deposits and investments. The City held no such investments during the year.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are 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.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodial risk with regards to investments, since all investments were held by the City or the agent in the City's name.

NOTE 3 – TRANSFERS

Transfers for the year ended June 30, 2005, consisted of the following:

Transfers from Parking Facilities to:

America's River Project \$ 2,250

Transfers to the America's River Project were made according to grant requirements and represent the financing of capital assets.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,296,209	\$ -	\$ -	\$ 1,296,209
Capital assets, being depreciated:				
Buildings	19,069,788	-	-	19,069,788
Improvements other than buildings	246,961	-	-	246,961
Machinery and equipment	<u>651,206</u>	<u>-</u>	<u>-</u>	<u>651,206</u>
Total capital assets, being depreciated	<u>19,967,955</u>	<u>-</u>	<u>-</u>	<u>19,967,955</u>

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings	\$ (5,174,385)	\$ (382,218)	\$ -	\$ (5,556,603)
Improvements other than buildings	(94,452)	(10,861)	-	(105,313)
Machinery and equipment	<u>(314,758)</u>	<u>(43,155)</u>	<u>-</u>	<u>(357,913)</u>
Total accumulated depreciation	<u>(5,583,595)</u>	<u>(436,234)</u>	<u>-</u>	<u>(6,019,829)</u>
Total capital assets, being depreciated, net	<u>14,384,360</u>	<u>(436,234)</u>	<u>-</u>	<u>13,948,126</u>
Capital assets, net	<u>\$ 15,680,569</u>	<u>\$ (436,234)</u>	<u>\$ -</u>	<u>\$ 15,244,335</u>

NOTE 5 – LONG-TERM DEBT

General Obligation Bonds. The City issued general obligation bonds to provide financing for the acquisition and construction of parking facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds were issued as serial bonds with varying amounts of principal maturing annually and with interest payable semi-annually. General obligation bonds outstanding at June 30, 2005, 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	06/01/00	06/01/05-06/01/20	5.80-5.88%	<u>\$ 2,750,000</u>	<u>\$ 2,370,000</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 105,000	\$ 137,629
2007	115,000	131,539
2008	120,000	124,869
2009	125,000	117,910
2010	130,000	110,659
2011-2015	770,000	430,624
2016-2020	<u>1,005,000</u>	<u>182,094</u>
Total	<u>\$ 2,370,000</u>	<u>\$ 1,235,324</u>

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Revenue Bonds. The City issued parking revenue bonds to provide financing for the acquisition and construction of parking facilities. These bonds were issued as serial bonds with varying amounts of principal maturing annually and with interest payable semi-annually. Parking revenue bonds outstanding at June 30, 2005, 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	05/01/05-05/01/10	4.50-4.75%	\$ <u>2,515,000</u>	\$ <u>1,150,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 210,000	\$ 53,525
2007	220,000	43,970
2008	230,000	33,850
2009	240,000	23,155
2010	<u>250,000</u>	<u>11,875</u>
Total	\$ <u>1,150,000</u>	\$ <u>166,375</u>

The resolution providing for the issuance of the revenue bonds includes the following provisions:

- a. A sum equal to one-tenth (1/10) of the principal of all bonds maturing on May 1 next succeeding, plus a sum equal to one-fifth (1/5) of the interest coming due on the next succeeding interest payment date on all of the then outstanding bonds, shall be set aside into a restricted sinking account from the net revenue of the Operating Fund until the full amount of such installments is on hand.
- b. A restricted reserve account shall maintain the lesser of 1) the maximum amount of principal and interest coming due in any fiscal year; or 2) ten percent of the proceeds of the sale of the bonds.
- c. \$5,000 shall be set apart and paid into a restricted depreciation account from the balance of the net off-street parking revenues and net on-street parking revenues remaining after first making the required payments into the sinking account and the reserve account on the first day of each month of each year up to a maximum of \$250,000.

NOTE 6 – PENSION AND RETIREMENT BENEFITS

The Parking Facilities of the City of Dubuque, Iowa, contribute 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.

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Plan members are required to contribute 3.70% of their annual covered salary, and the Parking Facilities are required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Parking Facilities' contributions to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$24,021, \$24,845, and \$22,974, respectively, equal to the required contributions for each year.

NOTE 7 – LEGAL COMPLIANCE WITH BUDGET

The City of Dubuque, Iowa, adopts a budget annually as required by Iowa law. The budget, which is prepared on the cash basis of accounting with an adjustment for accrued payroll, includes those funds of the Parking Facilities.

As required by Iowa law, the City prepares its budget based upon nine major classes of expenditures known as functions, not by individual fund. Therefore, the City must amend the budget only if the entire City's function amounts will be exceeded. For the year ended June 30, 2005, the City's actual disbursements were less than budgeted amounts for all functions, so the City has complied with legal budget requirements.

NOTE 8 – 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 of Dubuque 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 \$85,000 and an aggregate stop loss of \$5,957,233 for 2005. 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.

The City of Dubuque 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 \$450,000, and an aggregate stop loss consistent with statutory limits for 2005. 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.

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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 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 509 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.

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 in addition to the Pool.

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. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location with excess coverage 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, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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
PARKING FACILITIES
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2005

	Operating Fund	Construction Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and pooled cash investments	\$ 429,800	\$ 663,833	\$ 1,093,633
Receivables			
Accounts	47,375	-	47,375
Accrued interest	10,621	-	10,621
Total Current Assets	<u>487,796</u>	<u>663,833</u>	<u>1,151,629</u>
NONCURRENT ASSETS			
Restricted cash and pooled cash investments	<u>554,205</u>	-	<u>554,205</u>
Capital assets			
Land	1,296,209	-	1,296,209
Buildings	19,069,788	-	19,069,788
Improvements other than buildings	246,961	-	246,961
Machinery and equipment	651,206	-	651,206
Accumulated depreciation	<u>(6,019,829)</u>	-	<u>(6,019,829)</u>
Net Capital Assets	<u>15,244,335</u>	-	<u>15,244,335</u>
Total Noncurrent Assets	<u>15,798,540</u>	-	<u>15,798,540</u>
Total Assets	<u>16,286,336</u>	<u>663,833</u>	<u>16,950,169</u>

	Operating Fund	Construction Fund	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 1,224	\$ -	\$ 1,224
Accrued payroll	14,071	-	14,071
General obligation bonds payable	105,000	-	105,000
Revenue bonds payable	210,000	-	210,000
Accrued compensated absences	33,907	-	33,907
Accrued interest payable	20,390	-	20,390
Total Current Liabilities	<u>384,592</u>	<u>-</u>	<u>384,592</u>
NONCURRENT LIABILITIES			
General obligation bonds payable (net of discount of \$20,625)	2,244,375	-	2,244,375
Revenue bonds payable (net of \$13,333 deferred amount on refunding)	926,667	-	926,667
Total Noncurrent Liabilities	<u>3,171,042</u>	<u>-</u>	<u>3,171,042</u>
Total Liabilities	<u>3,555,634</u>	<u>-</u>	<u>3,555,634</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,758,293	-	11,758,293
Restricted by bond ordinance	554,205	-	554,205
Unrestricted	418,204	663,833	1,082,037
Total Net Assets	<u>\$ 12,730,702</u>	<u>\$ 663,833</u>	<u>\$ 13,394,535</u>

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Operating Fund	Construction Fund	Total
OPERATING REVENUES			
Charges for sales and services	\$ 1,888,328	\$ -	\$ 1,888,328
Other	1,122	487	1,609
Total Operating Revenues	<u>1,889,450</u>	<u>487</u>	<u>1,889,937</u>
OPERATING EXPENSES			
Employee expense	663,883	-	663,883
Utilities	87,833	-	87,833
Repairs and maintenance	46,976	-	46,976
Supplies and services	104,337	21,801	126,138
Insurance	34,996	-	34,996
Depreciation	436,234	-	436,234
Total Operating Expenses	<u>1,374,259</u>	<u>21,801</u>	<u>1,396,060</u>
OPERATING INCOME (LOSS)	<u>515,191</u>	<u>(21,314)</u>	<u>493,877</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	31,937	12,266	44,203
Interest expense	(208,011)	-	(208,011)
Total Nonoperating Revenues (Expenses)	<u>(176,074)</u>	<u>12,266</u>	<u>(163,808)</u>
INCOME (LOSS) BEFORE TRANSFERS	339,117	(9,048)	330,069
TRANSFERS FROM (TO) OTHER FUNDS	(209,000)	209,000	-
TRANSFERS TO THE CITY OF DUBUQUE	<u>-</u>	<u>(2,250)</u>	<u>(2,250)</u>
CHANGE IN NET ASSETS	130,117	197,702	327,819
NET ASSETS, BEGINNING	<u>12,600,585</u>	<u>466,131</u>	<u>13,066,716</u>
NET ASSETS, ENDING	<u>\$ 12,730,702</u>	<u>\$ 663,833</u>	<u>\$ 13,394,535</u>

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
BOND ORDINANCE REQUIREMENTS
JUNE 30, 2005

Following is a summary of the bond ordinance requirements of the parking revenue refunding bond issue dated March 1, 1998.

1. A sum equal to one-tenth (1/10) of the principal of all bonds maturing on May 1 next succeeding, plus a sum equal to one-fifth (1/5) of the interest coming due on the next succeeding interest payment date on all of the then outstanding bonds, shall be set aside into a restricted sinking account from the net revenue of the Operating Fund until the full amount of such installments is on hand.
2. A restricted reserve account shall maintain the lesser of 1) the maximum amount of principal and interest coming due in any fiscal year; or 2) ten percent of the proceeds of the sale of the bonds.
3. \$5,000 shall be set apart and paid into a restricted depreciation account from the balance of the net off-street parking revenues and net on-street parking revenues remaining after first making the required payments into the sinking account and the reserve account on the first day of each month of each year up to a maximum of \$250,000.
4. The City will cause an audit of such books and accounts of the Parking Facilities to be made by a certified public accountant not in the regular employ of the City showing the receipts and disbursements for each account of the Parking Facilities. The audit report required shall include, but not be limited to, the following:
 - a. An evaluation of the manner in which the City has complied with the covenants of this resolution, including particularly the rate covenants included herein;
 - b. A statement of net revenues and current expenses;
 - c. Analyses of each fund and account created, including deposits, withdrawals, and beginning and ending balances;
 - d. A statement of net assets;
 - e. The rates in effect at the end of the fiscal year, and the number of customers of the Parking Facilities;
 - f. A schedule of insurance policies and fidelity bonds in force at the end of the fiscal year, showing with respect to each policy and bond the nature of the risks covered, the limits of liability, the name of the insurer, and the expiration date;
 - g. An evaluation of the issuer's system of internal financial controls and the sufficiency of fidelity bond and insurance coverage in force;
 - h. The names and titles of the principal officers of the City; and
 - i. A general statement covering any events or circumstances which might affect the financial status of the Parking Facilities.

**CITY OF DUBUQUE, IOWA
PARKING FACILITIES
SCHEDULE OF INSURANCE COVERAGE
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

At June 30, 2005, the property of the Parking Facilities was insured through a blanket fire and extended coverage policy with the Cincinnati Insurance Company in the amount of \$26,212,706. This policy expired July 1, 2005. The Parking Facilities were also insured against general, vehicle, and personal liability through the Iowa Communities Assurance Pool. These policies expired July 1, 2005. Also in force at June 30, 2005, was a self-funded workers' compensation plan and an employers' liability policy which expired July 1, 2005.

Listed below is a detailed schedule of the policies in effect at June 30, 2005:

FIRE AND EXTENDED COVERAGE

<u>Description</u>	<u>VALUES</u>		
	<u>Building and Structure</u>	<u>Contents</u>	<u>Total</u>
Concrete Parking Ramp 601-795 Iowa Street	\$ 7,747,500	\$ 11,065	\$ 7,758,565
Concrete Parking Ramp 801-899 Locust Street	5,454,240	46,081	5,500,321
Concrete Parking Ramp 501-599 Iowa Street	7,747,500	-	7,747,500
Concrete Parking Ramp 100 West Fourth Street	<u>5,206,320</u>	<u>-</u>	<u>5,206,320</u>
	<u>\$ 26,155,560</u>	<u>\$ 57,146</u>	<u>\$ 26,212,706</u>

BUSINESS INCOME

on earnings – \$297,900*
at 601-795 Iowa Street – 80% co-insurance.

on earnings – \$221,500*
at 801-899 Locust Street – 80% co-insurance.

on earnings – \$297,270*
at 501-599 Iowa Street – 80% co-insurance.

on earnings – \$180,000*
at 100 West Fourth Street – 80% co-insurance.

* No change per Friedman Insurance.

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
SCHEDULE OF INSURANCE COVERAGE (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

SYSTEMS BREAKDOWN COVERAGE - EQUIPMENT

Each Occurrence \$ 2,500,000

GENERAL LIABILITY INSURANCE
BODILY INJURY – PROPERTY DAMAGE – PRODUCTS
ICAP

Each Occurrence \$ 5,000,000

VEHICLES
ICAP

Each Occurrence \$ 5,000,000

EXCESS WORKERS' COMPENSATION & EMPLOYERS' LIABILITY

Each Accident \$ 450,000 Retention
Each Disease \$ 450,000 Retention
Limit Workers' Compensation - Statutory
Employers' Liability \$ 1,000,000

FIDELITY BOND COVERAGE

Each employee \$ 100,000

City Manager, Budget Director, Finance Director, and Assistant Finance Director - \$900,000 additional.

The above insurance policies have been renewed through July 1, 2006.

**CITY OF DUBUQUE, IOWA
PARKING FACILITIES
SCHEDULE OF STATISTICAL DATA
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Number of Customers: (Estimated)

Locust Ramp:		
Cash customers		22,628
Monthly customers		156,000
Iowa Ramp:		
Cash customers		42,561
Monthly customers		227,000
4 th Street Ramp:		
Cash customers		N/A
Monthly customers		85,000
5 th Street Ramp:		
Cash customers		N/A
Monthly customers		240,000

Rates in Effect per Month:

Locust Ramp:		
Reserved stalls (Bay)	\$	55
Reserved stalls (Undercover)		50
Roof stalls		38
Iowa Ramp:		
Reserved stalls		50
Top of ramp stalls		38
4 th Street Ramp:		
Non-assigned stalls		35
5 th Street Ramp:		
Non-assigned stalls		40
Other:		
Residential Street Meters		37.50/qtr
Lot 1		25
Lot 2		25
Lot 10		35
Lot 12		25

N/A = Not Applicable

REPORT ON BOND ORDINANCE COMPLIANCE

To the Honorable Mayor and Members of
the City Council:

We have audited the financial statements of the Parking Facilities of the City of Dubuque, Iowa, as of June 30, 2005, and for the year then ended, and have issued our report thereon dated September 14, 2005. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

In the course of our audit, nothing came to our attention that caused us to believe there had been a lack of compliance with the accounting or reporting requirements of the bond ordinance governing the parking revenue refunding bond issue dated March 1, 1998.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Dubuque, Iowa
September 14, 2005

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

To the Honorable Mayor and Members of
the City Council:

We have audited the financial statements of the Parking Facilities of the City of Dubuque, Iowa, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Parking Facilities' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Parking Facilities' operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Parking Facilities and are reported in Part I of the accompanying Schedule of Findings. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Dubuque and other parties to whom the City of Dubuque may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dubuque during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
September 14, 2005

CITY OF DUBUQUE, IOWA
PARKING FACILITIES
SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Part I: Other Findings Related to Statutory Reporting:

- I-A-05 Official Depositories – A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- I-B-05 Certified Budget – For the City of Dubuque as a whole, disbursements of the business-type activities during the year ended June 30, 2005, did not exceed the amounts budgeted.
- I-C-05 Questionable Expenditures – No expenditures that fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.
- I-D-05 Travel Expense – No expenditures of Parking Facilities money for travel expenses of spouses of Parking Facilities officials or employees were noted.
- I-E-05 Business Transactions – No business transactions between the Parking Facilities and its officials or employees were noted.
- I-F-05 Bond Coverage – Surety bond coverage of Parking Facilities officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- I-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- I-H-05 Revenue Bonds – The provisions of the Parking Facilities’ Revenue Refunding Bond resolution have been met for the year ended June 30, 2005.
- I-I-05 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.