

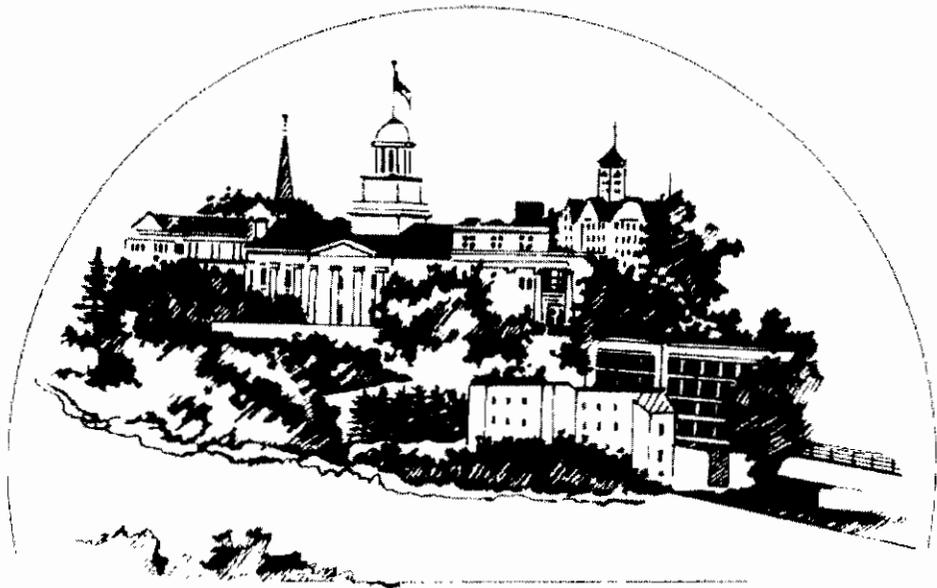
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF IOWA CITY, IOWA

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

PREPARED BY:

DEPARTMENT OF FINANCE
CITY OF IOWA CITY, IOWA



CITY OF IOWA CITY, IOWA

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November 28, 2005

To the Citizens, Honorable Mayor, Members
of the City Council and City Manager
City of Iowa City, Iowa

The Comprehensive Annual Financial Report (CAFR) of the City of Iowa City, Iowa (the City) for the fiscal year ended June 30, 2005 is submitted herewith in accordance with the provisions of Chapter 11 of the Code of Iowa. The City's Finance Department prepared this report. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rest with the City. I believe the information, as presented, is accurate in all material respects and presented in a manner designed to fairly present the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

This report consists of management's representation concerning the finances of the City of Iowa City. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The CAFR reflects all funds of the City in accordance with standards set by the Governmental Accounting Standards Board (GASB). In 1999, GASB adopted Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. The final effective date for the implementation of GASB No. 34 for the City of Iowa City was June 30, 2003. This report complies with those standards. This statement significantly changes governmental financial reporting in order to bring it closer to a private sector model.

To facilitate an understanding of the City's financial affairs, this report is organized into four sections: introductory, financial, statistical, and compliance. The introductory section contains the table of contents, listing of City officials, an organizational chart and this letter of transmittal. The financial section contains the independent auditors' report, management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information. The statistical section contains comprehensive statistical data that is intended to provide a broader and more complete understanding of the financial and economic trends of the City. The City is required to undergo an annual single audit in

conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including the schedules of federal financial assistance, findings and questioned costs, and independent auditors' reports on the internal accounting and administrative controls and compliance with applicable laws and regulations are included in the compliance section of this report.

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 the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The City of Iowa City's financial statements have been audited by Eide Bailly, LLP of Dubuque, Iowa, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Iowa City's financial statements for the fiscal year ended, June 30, 2005, are fairly presented in conformity with GAAP.

Profile of the Government

The City of Iowa City was incorporated April 6, 1853. The City is governed by a seven member Council; each member serves a four-year term. Elections are held every two years allowing for continuation in office of at least three members at each biennial election. The Council members are elected at large, but three members are nominated from specific districts, and the four other members are nominated at large. The Council elects the Mayor from its own members for a two-year term.

The City Council is the legislative body and makes all policy determinations for the City through the enactment of ordinances and resolutions. It also adopts a budget to determine how the City will obtain and spend its funds. The Council appoints members of boards, commissions and committees.

The City Manager is the chief administrative officer for the City and is appointed by the City Council. The City Manager implements policy decisions of the City Council and enforces City ordinances. In addition, the City Manager appoints and directly supervises the directors of the City's operating departments and supervises the administration of the City's personnel system. He supervises 537 full-time and 88 permanent part-time municipal employees and 611 temporary employees including a police force of 70 sworn personnel and a fire department of 57 firefighters. The City owns and operates its water supply and distribution system and sewage collection and treatment system with secondary treatment also provided. Virtually the entire City has separate storm and sanitary sewer systems. The City operates a municipal off-street and on-street parking system in the downtown area. Since 1971, the City has operated a transit system.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager in October. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review in December. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than March 15. The appropriated budget is prepared by fund, function (e.g., Public Safety), and department (e.g., Police).

The City adopts a three-year financial plan that includes both operations and capital improvements. This three-year plan permits a more comprehensive review of the City's financial condition, allowing analysis of the current and future needs and requirements. During preparation of the plan, careful review is made of property tax levy rates, utility and user fee requirements, ending cash balances by fund, debt service

obligations, bond financing needs, capital outlay for equipment purchases and major capital improvement projects. The state requires at least a one-year operating budget. While legal spending control is exercised at a state mandated function level, management control is set at the Department Manager level. Encumbrance accounting is utilized in all funds for budgetary control. Encumbrances outstanding at year-end for the governmental fund types are reflected as reservations of the fund balances. Appropriations that are not encumbered lapse at the end of the year.

Information useful in assessing the government's economic condition

The City's economic strength is based upon education, medical services, and diversified manufacturing. The University of Iowa is the City's largest employer with over 24,600 employees and the University of Iowa Hospitals and Clinics is the largest university-owned teaching medical center in the United States. The City also has a significant number of private employers who have a history of providing stable and increasing employment in the community. The relative stability of the University of Iowa, coupled with the City's multi-sector base of industrial and commercial interests, will continue to help insulate the City from the significant negative economic impacts related to unemployment.

The City continues to see sustained production in our major local industries, such as ACT, Proctor & Gamble, and Pearson. Continued economic development efforts involving the Iowa City and Coralville Chambers of Commerce, local private interests, the University of Iowa and other surrounding communities through participation as members of the Iowa City Area Development Group, have proved positive with the retention and expansion of businesses. In addition, the corridor between Iowa City and Cedar Rapids has been identified as one of the major growth areas for new business development in the State of Iowa. Continued developments within Iowa City and the region have a favorable impact upon the City's economy.

There have been improvements in the budget challenges faced by the State of Iowa, however, the City's economy as a whole continues to grow. The major employers have been able to maintain their workforce size. The unemployment rate for Johnson County continues to remain low at between 2.8% and 3.3%. The City has consistently experienced modest increases in assessed property valuations. New housing construction continues to be relatively strong with 149 new single-family houses and 272 multi-family units added to the tax rolls for the year ended December 31, 2004. This, along with the low unemployment rate, continues to be indicative of the City's economic well being.

The 2000 census population of Iowa City was 62,220. After further review by the United Census Bureau, the population was revised to 62,380 in 2002. This represents a 4.42% increase over the 1990 population of 59,738.

In preparing the financial plan for the three years ending June 30, 2008, the process of budget balancing has again been most difficult. With the continued tax limitations imposed by the state (specifically the residential rollback factor) and other federal and state regulations and mandates, the municipal service needs for our growing community are becoming increasingly difficult to satisfy.

In balancing the budget for the three-year period, the City attempted to maintain service levels, wherever practical. In addition, our planning has been directed at maintaining our current fiscal strength and avoiding any erosion of that fiscal position, including the City's Aaa bond rating.

A continuing major objective in the three-year financial plan is to maintain or increase the City's cash reserve position. In addition, procedures were adopted to allocate unreserved fund balances between the contingency and undesignated fund balances. The contingency fund is available during the fiscal year for unanticipated and unbudgeted expenditures, while the undesignated fund balance is intended to be maintained as working capital. The City is committed to drawing from the undesignated fund balance only in emergency situations. This unreserved fund balance allocation along with specific budgeting techniques has allowed the City to increase or maintain fund balances over the past year.

The City continues to pursue cooperative efforts with other local governments. Joint funding, purchasing, planning and other efforts allow the City to meet mandates for new and improved services in the future at the most reasonable cost. Joint cooperation currently encompasses regional transportation planning, human services, solid waste management planning, a hazardous materials response program, an enhanced 911 emergency communications system, community relations, joint operation of an animal control facility, joint operation of an indoor swimming pool facility, and joint economic development efforts. While such cooperative efforts are not new in concept, the City expects to enter into more agreements with neighboring governmental subdivisions, as well as with the University of Iowa.

There are many signs that the City remains healthy and vibrant with great promise for the future. The University of Iowa continues to add new buildings and facilities. The City continues to see sustained production in major local industries. Industrial and commercial interests within the community have continued to thrive.

The City will be challenged during the next couple of years to maintain its vitality through greater economic development efforts, fiscal restraint in local government, and continued cooperation among local government officials. We are confident that the City is positioning itself to better meet the needs of the community in the future through more effective long-term financial planning, and increased financial strength and stability of the City. The City Council and its staff are committed to managing the City's destiny well into the future.

Major Initiatives

The Court Street Transportation Center began in FY02 with design and land acquisition costs. Land acquisition was completed in FY03 with construction beginning in FY04. The transportation center, located in downtown Iowa City, will provide a park-and-ride facility, interstate bus service, taxi service, a parking facility and a day care center. \$10.2 million in federal grants will fund the \$12.8 million facility. Completion is set for FY06.

The City continues to be proactive in maintaining and building its streets, bridges, stormwater mains, and trail systems and spent approximately \$3.8 million in fiscal year 2005 on various projects. The major projects were the Dubuque Street/Foster Road intersection, Camp Cardinal Boulevard and North Dodge Street project.

Mormon Trek Boulevard Extension began in FY02 with design costs. Land acquisition was completed in FY03 and construction began in FY04 on Phase 1. When all phases are completed, the roadway will serve a combination of through and local traffic needs. Estimated costs for the entire project total \$7.6 million with \$1.8 million in federal funding.

The Plaza Towers is a \$27 million mixed-use project on Iowa City's last downtown urban renewal parcel. The project will include a full-service grocery store, conference space, luxury hotel suites, and residential units. Commercial office and retail space is also planned. The project uses tax increment financing with the City's contribution being up to \$6 million in taxable General Obligation bonds issued in March 2004, repayable from taxes generated in the downtown urban renewal district. Completion is expected in FY06.

The Iowa City Housing Authority provides rental assistance for 1213 units, with an annual contribution contract with the Federal Government of \$6.7 million. Community Development Block Grant and HOME

Community Development Block Grant and Home Investment Partnership funds totaling approximately \$1.797 million were utilized for economic development, housing, public services and facilities, and planning activities during fiscal year 2005. The CDBG and HOME funds also leveraged approximately \$2.5 million in other funds. These programs provide for broad based financial impacts locally for builders, developers, and others.

Financial Information

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

The results of the City's single audit for the fiscal year ended June 30, 2005 provided no instances of material weaknesses in the internal controls or significant violations of applicable laws and regulations based upon the audit of the basic financial statements.

Retirement Plans: With the exception of police and fire employees, substantially all permanent City employees are covered by the Iowa Public Employees Retirement System (IPERS). The state annually sets the contribution rate for all municipal entities and covered employees. All covered employees are required to contribute 3.7% of their salary, while employers contribute 5.75%. There is no allocation or measurement of unfunded liability to any municipal entity and, upon the retirement of employees, IPERS has the sole responsibility for their benefits. The City has no responsibility to pay employee pension benefits of IPERS besides the required contribution.

The City's police and fire employees are covered by the Municipal Fire and Police Retirement System of Iowa (MFPRSI). This statewide system is a cost-sharing multiple-employer public employee retirement system. The state annually sets the contribution rate for all municipal entities and employees. The City has no responsibility to pay employee pension benefits of MFPRSI besides the required contribution.

Cash Management: The majority of the City's investment activity is carried on by the City's investment pool, except for those funds which are required to maintain their investments separately. This pooled concept provides for greater investment earnings that are then allocated to the City's funds on a systematic basis.

The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Idle cash is invested in various instruments with various maturity dates of less than one year, depending on the anticipated cash requirements during the period.

The overall strategy of holding deposits and making investments is to expose the City to a minimum amount of credit risk and market risk. All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the State of Iowa Sinking Fund.

For the year ended June 30, 2005, the City earned \$3,347,000 from all investments, an increase of \$1,300,000 from the prior year. The following table shows how this was allocated by fund type for the fiscal years 2005 and 2004:

<u>Fund Type</u>	<u>2005</u> <u>Investment</u> <u>Earnings</u> <u>(in thousands)</u>	<u>2004</u> <u>Investment</u> <u>Earnings</u> <u>(in thousands)</u>
Governmental	\$ 1,576	\$ 989
Proprietary	1,771	1,058
Totals	<u>\$ 3,347</u>	<u>\$ 2,047</u>

Risk Management: The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance.

Risk control techniques have been established to reasonably ensure that the City's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned by or under the control of the City. Furthermore, supervisory personnel are held responsible for monitoring risk control techniques on an operational basis. The City completed its sixteenth year under a property and liability insurance program that provides for a \$100,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$500,000 self-insured retention on workers' compensation losses. The insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$19,000,000 annual aggregate of the losses paid. The operating funds pay annual premiums to the Loss Reserve Fund, which is accounted for as an internal service fund. The balance in the Loss Reserve Fund is available to cover the self-insured retention amounts and any uninsured losses. The total assets in the Loss Reserve Fund as of June 30, 2005 were \$5,008,000.

Independent Audit: Chapter 11 of the Code of Iowa requires an annual audit to be performed. The independent public accounting firm of Eide Bailly LLP was selected by the City. In addition to meeting the requirements set forth in Chapter 11, the audit was also designed to meet the requirements of the Single Audit Act of 1996 and related OMB Circular A-133. The independent auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The independent auditors' reports related specifically to the single audit are included in the compliance section of this report.

The financial statements are the responsibility of the City. The responsibility of the certified public accountants is to express an opinion on the City's financial statements based on their audit. An audit is conducted in accordance with generally accepted auditing standards. Those standards require that the audit be planned and performed in a manner to obtain a reasonable assurance as to whether the financial statements are free of material misstatement.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (the Certificate) to the City of Iowa City, Iowa for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. The Certificate is the highest form of recognition for excellence in state and local financial reporting.

In order to be awarded the Certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The Certificate is valid for a period of one year only. The City has received the Certificate for the last twenty consecutive years. I believe our current report continues to conform to the Certificate requirements and am submitting it to GFOA to determine its eligibility for another certificate.

Responsibility and Acknowledgments

The Department of Finance prepared the Comprehensive Annual Financial Report of the City of Iowa City, Iowa for the fiscal year ended June 30, 2005. The City Council, as required by law, is responsible for the complete and accurate preparation of the City's Comprehensive Annual Financial Report. I believe that the information presented is accurate in all material respects and that this report fairly presents the financial position and results of operations of the various funds of the City.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the City's Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. I want to especially recognize the contributions of the City's Controller, Erin Herting, Assistant Controller, Sara Sproule, Senior Accountant, Ann Maurer, and Internal Auditor, Robin Marshall.

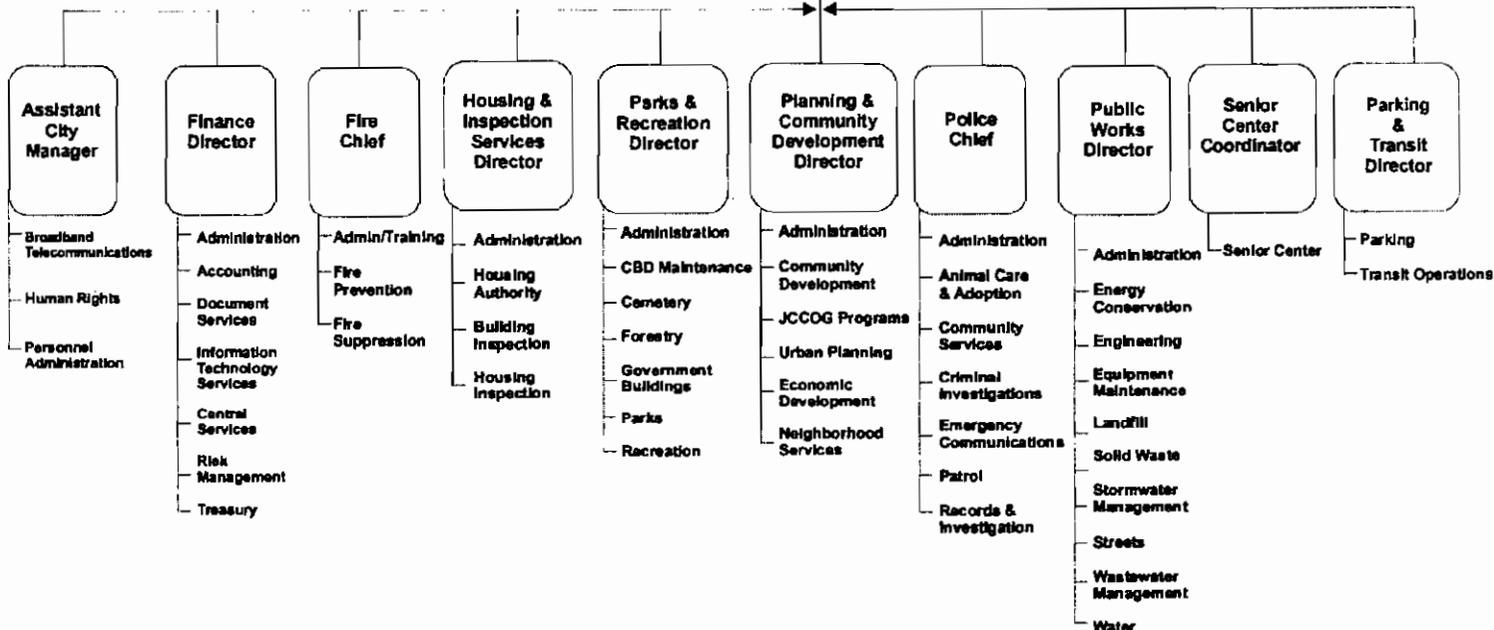
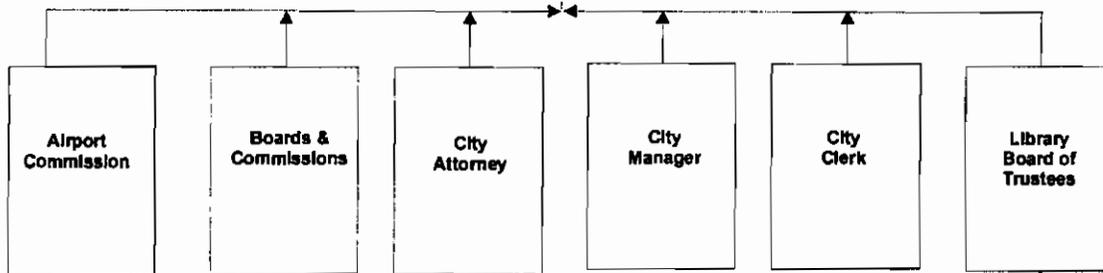
Also, I thank the Mayor, members of the City Council and the City Manager for their interest and support in planning and conducting the financial operations of the City in a dedicated, responsible, and progressive manner.

Respectfully submitted,

Kevin O'Malley
Director of Finance

Citizens of Iowa City

Key



CITY OF IOWA CITY, IOWA
LISTING OF CITY OFFICIALS

June 30, 2005

ELECTED OFFICIALS

		<u>Term Expires</u>
Mayor	Ernie Lehman	January 1, 2006
Council Member	Regenia Bailey	January 1, 2008
Council Member	Connie Champion	January 1, 2006
Council Member	Bob Elliott	January 1, 2008
Council Member	Mike O'Donnell	January 1, 2006
Council Member	Dee Vanderhoef	January 1, 2008
Council Member and Mayor Pro tem	Ross Wilburn	January 1, 2008

APPOINTED OFFICIALS

		<u>Date of Hire</u>
City Manager	Stephen J. Atkins	July 20, 1986
City Clerk	Marian K. Karr	May 21, 1979
City Attorney	Eleanor Dilkes	March 18, 1996

DEPARTMENT DIRECTORS

Assistant City Manager	Dale E. Helling	August 16, 1975
Director of Housing and Inspection Services	Douglas W. Boothroy	September 22, 1975
Library Director	Susan Craig	July 28, 1975
Director of Planning & Community Development	Karin Franklin	May 19, 1980
Director of Public Works	Rick Fosse	February 22, 1984
Director of Parking and Transit	Joseph Fowler	January 2, 1970
Senior Center Coordinator	Linda Kopping	March 20, 1995
Fire Chief	Andrew Rocca	July 14, 1978
Parks and Recreation Director	Terry G. Trueblood	February 18, 1986
Chief of Police	R. J. Winkelhake	June 12, 1989
Director of Finance	Kevin O'Malley	August 19, 1985

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Iowa City,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2005, 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 Iowa City. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of June 30, 2005, 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 28, 2005, 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 on pages 15 through 24 and pages 68 through 71 are not a required part 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 Iowa City, Iowa. The introductory section, combining nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part 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 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 Iowa City, 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.

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

Dubuque, Iowa
November 28, 2005

Management's Discussion and Analysis

As management of the City of Iowa City, we present this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. This narrative is intended to be used in conjunction with additional information that is included in the letter of transmittal, which can be found on pages 3 – 9 of this report.

Financial Highlights

- The assets of the City of Iowa City exceeded its liabilities at the close of the fiscal year ending June 30, 2005 by \$312,149,000 (net assets). Of this amount, \$44,573,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$13,759,000 during the fiscal year. Governmental activities increased by \$9,457,000 and business-type activities increased by \$4,302,000.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,517,000, a decrease of \$3,048,000 in comparison with the prior year. Of this total amount, approximately \$27,890,000, or 83% was unreserved and is available for spending at the City's discretion.
- At the end of the current fiscal year, the City's unreserved, undesignated fund balance for the General Fund was \$15,525,000, or 39% of total General Fund expenditures.
- The City's total debt decreased by \$8,475,000, during the current fiscal year. The key factor to this decrease was the retirement of bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements; and 3) notes to the 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 a private-sector business.

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.

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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include Public Safety, Public Works (roads, traffic controls, and transit), Culture and Recreation, Community and Economic Development, General Government, and Interest on long-term debt. The business-type activities of the City include Airport, Cable Television, Housing Authority, Parking, Sanitation, Stormwater Collection, Wastewater Treatment, and Water.

The government-wide financial statements may be found on pages 26 – 29 of this report.

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 function 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 financing requirements and is typically the basis that is used in developing the next annual budget.

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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City has four major governmental funds: General Fund, Employee Benefits Fund, Capital Projects - Other Construction Fund, and Debt Service Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for these major funds. Data from all other non-major governmental funds is combined into a single aggregated presentation and are referenced under a single column as “Other Governmental Funds”. Individual fund data on each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds as required by state statute. Budget comparisons have been provided for the Governmental funds and the Enterprise funds, to demonstrate compliance with the adopted budget.

The basic governmental funds financial statements can be found on pages 30 – 35 of this report.

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 enterprise funds to account for its Airport, Cable Television, Housing Authority, Parking, Sanitation, Stormwater Collection, Wastewater Treatment, and Water activities. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City’s various functions. The City has four Internal Service Funds: Equipment Maintenance, Central Services, Loss Reserve, and Information Technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Wastewater Treatment, Water, Sanitation, and Housing Authority Funds are considered to be major funds and are reported individually throughout the report. The other 4 non-major enterprise funds are grouped together for reporting purposes and listed under a single heading “Other Enterprise Funds”. Detailed information for each of the non-major funds is provided in the combining statements on pages 78 – 80. Individual fund data for the Internal Service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 36 – 41 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not available to support the City's own programs and therefore are not reflected in the government-wide financial statements. The City has four fiduciary funds: Project Green, Library Foundation, Parks and Recreation Foundation, and PATV (Public Access Television) which are maintained as an agency funds.

The basic fiduciary funds financial statements can be found on page 42.

Notes to 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. The notes to the financial statements can be found on pages 43 – 67 of this report.

Other Information: The combining statements referred to in the above paragraphs in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the notes.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$312,149,000 at the close of the fiscal year ended June 30, 2005.

By far, the largest portion of the City's net assets reflect its investment in capital assets (e.g., land, building, machinery and equipment, improvements other than buildings, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Iowa City's Net Assets
June 30, 2005
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 94,332	\$ 94,819	\$ 83,970	\$ 79,114	\$178,302	\$ 173,933
Capital assets	141,282	132,588	254,560	260,115	395,842	392,703
Total Assets	235,614	227,407	338,530	339,229	574,144	566,636
Long-term liabilities outstanding	79,122	81,125	126,966	132,449	206,088	213,574
Current and other liabilities	50,958	49,787	4,949	4,785	55,907	54,572
Total Liabilities	130,080	130,912	131,915	137,234	261,995	268,146
Net assets:						
Invested in capital assets, net of related debt	84,768	67,090	150,797	150,817	235,565	217,907
Restricted	16,973	17,705	15,038	14,932	32,011	32,637
Unrestricted	3,793	11,700	40,780	36,246	44,573	47,946
Total Net Assets	<u>\$ 105,534</u>	<u>\$ 96,495</u>	<u>\$ 206,615</u>	<u>\$ 201,995</u>	<u>\$312,149</u>	<u>\$ 298,490</u>

A portion of the City's net assets (10.2% or \$32,011,000) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets (14.2% or \$44,573,000) may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the fiscal year ended June 30, 2005, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

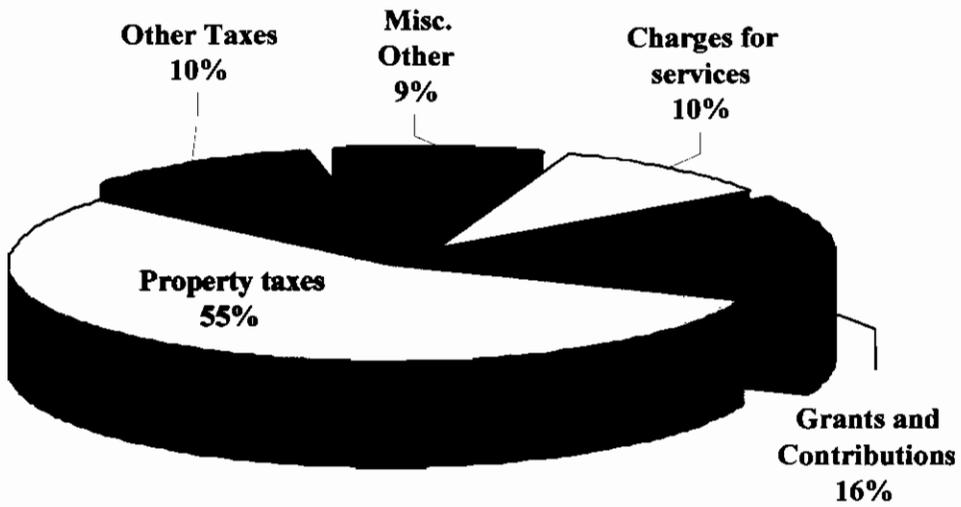
Governmental Activities: Governmental activities increased the City's net assets by \$9,457,000. The increase in net assets of governmental activities is primarily due to expenditures for capital assets less depreciation expense.

The following is a more detailed review of FY05's operation.

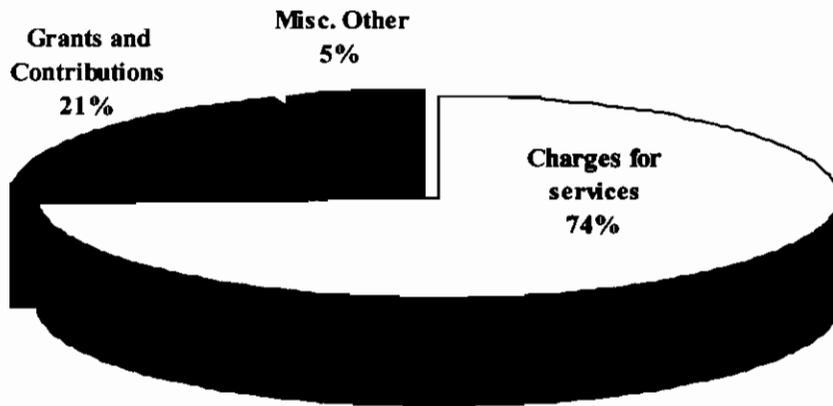
City of Iowa City's Changes in Net Assets (amounts expressed in thousands)						
	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for services	\$ 6,139	\$ 6,102	\$ 33,647	\$ 34,075	\$ 39,786	\$ 40,177
Operating grants and contributions	2,592	2,150	7,012	6,959	9,604	9,109
Capital grants and contributions	7,679	6,198	2,387	2,253	10,066	8,451
General Revenues:						
Property taxes	35,327	34,173	-	-	35,327	34,173
Road use tax	5,269	5,311	-	-	5,269	5,311
Other taxes	1,351	1,609	-	-	1,351	1,609
Earnings on investments	1,576	1,056	1,771	991	3,347	2,047
Gain (loss) on disposal of capital assets	95	65	304	1,009	399	1,074
Other	3,994	3,746	418	335	4,412	4,081
Total revenues	64,022	60,410	45,539	45,622	109,561	106,032
Expenses:						
Public safety	15,286	15,015	-	-	15,286	15,015
Public works	11,521	10,423	-	-	11,521	10,423
Culture and recreation	11,341	12,051	-	-	11,341	12,051
Community and economic development	6,960	2,580	-	-	6,960	2,580
General government	6,500	6,527	-	-	6,500	6,527
Interest on long-term debt	3,602	3,440	-	-	3,602	3,440
Wastewater Treatment	-	-	12,214	12,344	12,214	12,344
Water	-	-	8,313	8,011	8,313	8,011
Sanitation	-	-	6,031	6,103	6,031	6,103
Housing Authority	-	-	7,466	7,219	7,466	7,219
Parking	-	-	3,989	3,898	3,989	3,898
Airport	-	-	520	515	520	515
Stormwater	-	-	1,452	652	1,452	652
Cable Television	-	-	607	549	607	549
Total expenses	55,210	50,036	40,592	39,291	95,802	89,327
Change in net assets before transfers	8,812	10,374	4,947	6,331	13,759	16,705
Transfers	645	(1,840)	(645)	1,840	-	-
Change in net assets	9,457	8,534	4,302	8,171	13,759	16,705
Net assets beginning of year, as restated	96,077	87,961	202,313	193,824	298,390	281,785
Net assets end of year	\$ 105,534	\$ 96,495	\$ 206,615	\$ 201,995	\$ 312,149	\$ 298,490

Business-type Activities: Business-type activities increased the City's total assets by \$4,302,000. The increases in net assets were primarily in the Wastewater, Water, and Sanitation funds. For all business-type activities, revenues exceeded expenses by \$4,947,000. This was primarily due to increases in revenue derived from charges for services and miscellaneous revenue.

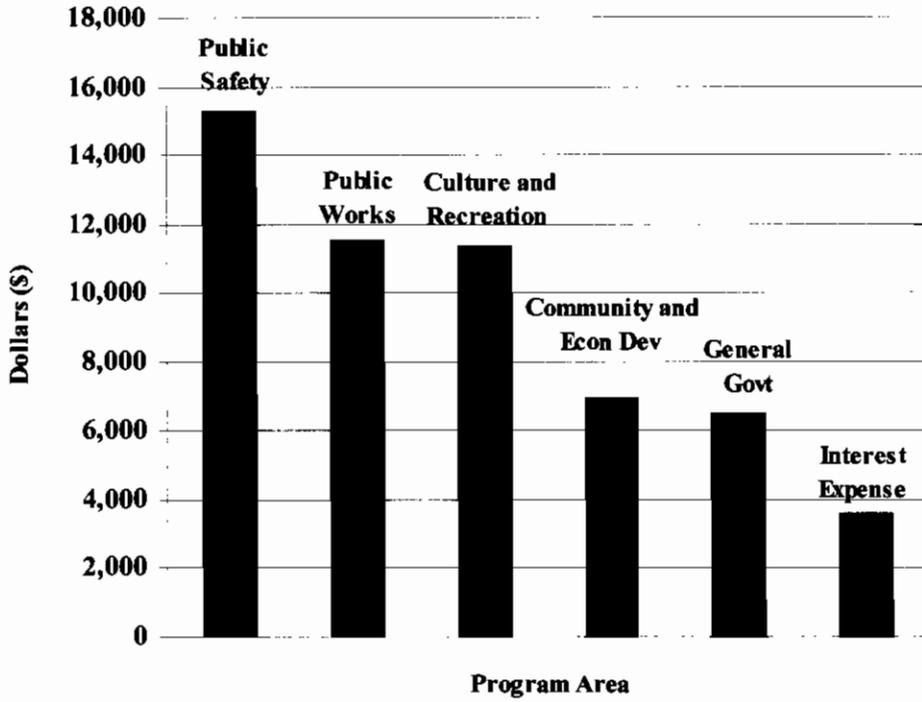
**Governmental Activities
FY2005 Revenue
by Source**



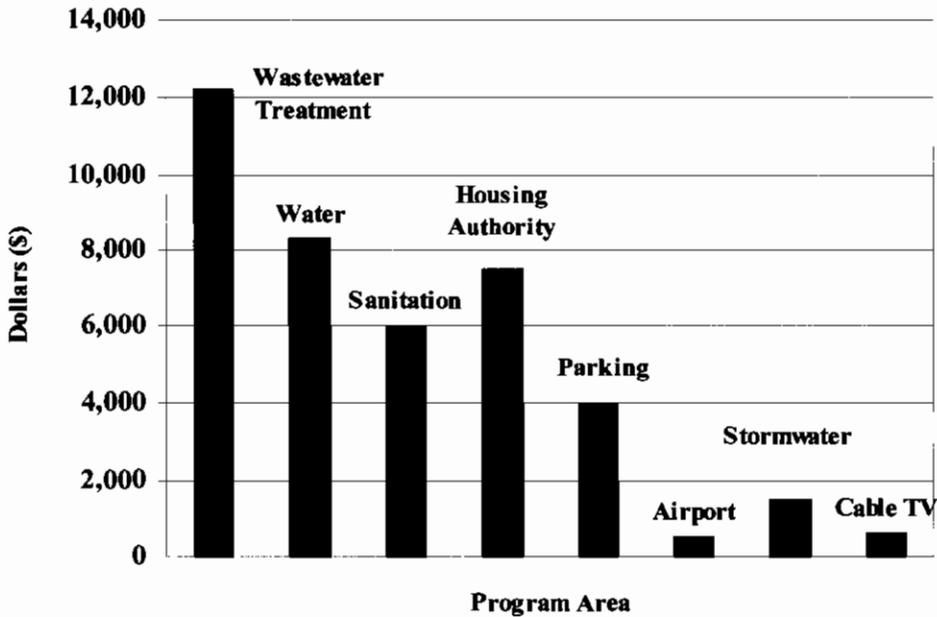
**Business-Type Activities
FY2005 Revenue
by Source**



**Governmental Activities
FY2005 Expenditures
by Program Area
(amounts expressed in thousands)**



**Business-Type Activities
FY2005 Expenditures
by Program Area
(amounts expressed in thousands)**



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The financial reporting focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be/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.

As of the fiscal year ended June 30, 2005, the City's governmental funds reported combined ending fund balances of \$33,517,000, a decrease of \$2,630,000 in comparison with the prior year. Of this total amount, \$27,890,000 constitutes unreserved fund balance, which is available to use as working capital for the General Fund since property tax revenues are received only twice a year and the remainder is available to meet the future needs of the City. The remainder of the fund balance (16.8%) is reserved to indicate that it is not available for new spending because it has already been committed. This remainder has been committed 1) to liquidate contracts and purchase orders of the prior period (\$991,000), 2) to fund various debt service payments (\$3,067,000), and 3) to fund employee retirement commitments (\$1,036,000).

The General Fund is the chief operating fund of the City. As of the fiscal year ended June 30, 2005, the unreserved fund balance of the General Fund was \$15,525,000, while General Fund's total fund balance was \$15,887,000. As a measure of the General Fund's liquidity, it may be useful to compare both "unreserved fund balance" and "total fund balance" to "total fund expenditures". Unreserved fund balance represents 38.6% of total General Fund expenditures (\$40,181,000), while total fund balance represents 39.5% of that same amount.

The fund balance of the City's General Fund increased by \$1,608,000 during the current fiscal year. A key factor in this increase were reductions of expenditures.

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 ending net assets of the enterprise funds were \$200,754,000, a net asset increase of \$4,119,000. This was primarily due to an increase in the investment of capital assets, net of related debt. Of the enterprise funds' net assets, \$150,797,000 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$34,919,000, an increase of \$4,351,000 compared to the previous year.

The Internal Service funds showed net assets totaling \$15,365,000 as of June 30, 2005, an increase of \$736,000 from the previous year.

Budgetary Highlights

The City presents budgetary information as allowed by GASB Statement No. 41. Budgets are based on nine functional areas as required by state statute, not by fund or fund type.

The City had one budget amendment during the fiscal year that is our common practice. This amendment increased the expenditure budget by \$26.2 million to a total of \$184.5 million. This represented a 16.6 percent increase. The major increase was due to capital projects in governmental and business-type funds due to timing of completion of projects.

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$395,842,000 (net of accumulated depreciation). This investment in capital assets, including land, buildings, improvements other than buildings, equipment, streets, bridges, trails, wastewater and water systems, and other infrastructure represents the value of resources utilized to provide services to its citizens. The City's investment in capital assets for the fiscal year ended June 30, 2005 increased by \$8,693,000 for governmental activities compared to the prior year and decreased by \$5,554,000 for business-type activities over the prior year.

The following table reflects the \$395,842,000 investment in capital assets (net of accumulated depreciation).

City of Iowa City's Capital Assets (net of depreciation)

(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 12,922	\$ 12,381	\$ 22,289	\$ 22,226	\$ 35,211	\$ 34,607
Buildings	33,766	33,903	87,213	91,045	120,979	124,948
Improvements other than buildings	2,958	2,938	8,697	9,377	11,655	12,315
Machinery and equipment	11,121	11,225	13,336	14,330	24,457	25,555
Infrastructure	64,312	60,846	119,773	118,873	184,085	179,719
Construction in progress	16,202	11,295	3,253	4,264	19,455	15,559
Total	\$ 141,281	\$ 132,588	\$ 254,561	\$ 260,115	\$ 395,842	\$ 392,703

Major capital asset events during the current fiscal year included the following:

- Court Street Transportation Center that will include facilities for interstate bus service, taxi service, a parking facility and day care center began construction in FY04; CIP at fiscal year end totaled \$10,924,000.
- The extension of Mormon Trek Boulevard from Highway 1 to Highway 921 and accompanying sanitary sewer construction was complete in FY05. The total amount capitalized was \$3,057,000.
- A variety of street and storm sewer construction in new residential areas and replacement and expansion of existing infrastructure amounted to \$2,928,000.

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Debt Administration: At the end of the fiscal year, the City had total bonded debt outstanding of \$196,220,000. Of this amount, \$85,290,000 comprises debt backed by the full faith and credit of the City. However, 10% of this total, \$8,274,600 is debt that serves enterprise funds and is abated by their charges for services. The remaining \$110,930,000 represents revenue bonds secured solely by specific revenue sources.

City of Iowa City's Outstanding Debt
General Obligation and Revenue Bonds
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 77,015	\$ 79,345	\$ 8,275	\$ 9,640	\$ 85,290	\$ 88,985
Revenue bonds	-	-	110,930	115,710	110,930	115,710
Total	<u>\$ 77,015</u>	<u>\$ 79,345</u>	<u>\$ 119,205</u>	<u>\$ 125,350</u>	<u>\$ 196,220</u>	<u>\$ 204,695</u>

During the current fiscal year the City's total bonded debt decreased by \$8,475,000.

- The City issued \$7,020,000 in General Obligation bonds during FY05. The bonds were used to finance the cost of the City's 2005 Capital Improvements Program.

The City continues to have the same excellent bond rating on its General Obligation bonds that it has had for the past several years. This rating is given to those bonds judged to be of the best quality and carrying the smallest degree of investment risks. The City's bond ratings by Moody's Investors Services, Inc. as of June 30, 2005 were as follows:

General obligation bonds	Aaa
Parking revenue bonds	A
Wastewater treatment revenue bonds	A
Water revenue bonds	A

The City continues to operate well under the State debt capacity debt limitations. State statute limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in Iowa City. The current debt limitation for the City is \$160,748,652. With outstanding General Obligation Debt applicable to this limit of \$85,290,000 we are utilizing 53% of this limit.

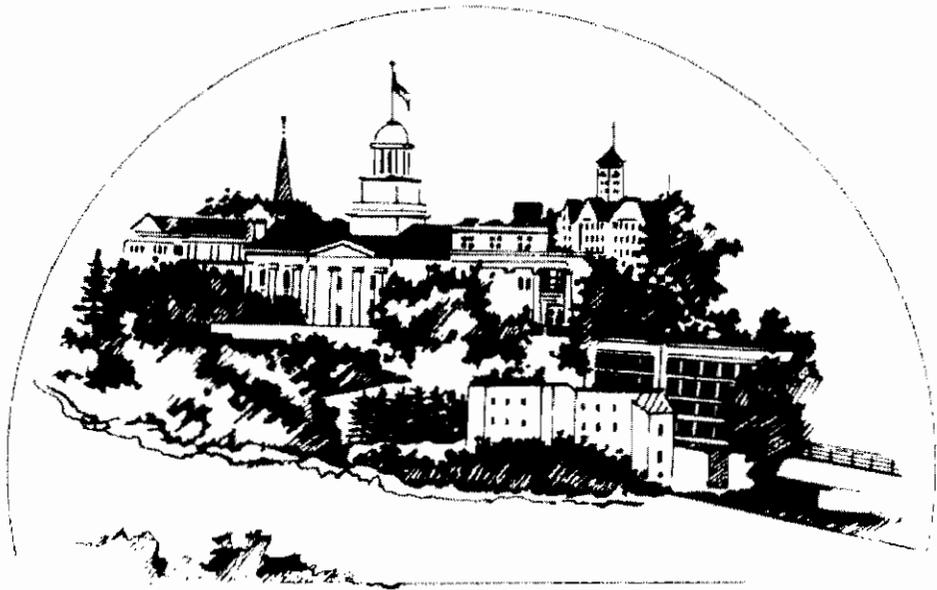
More detailed information on debt administration is provided in Note 6 of the financial statements.

Economic Factors and Next Year's Budget and Rates

The City's expectation is continued constraints by the State property tax formula. Therefore, the City will not have opportunities for new initiatives and will strive to maintain current service delivery levels.

Requests for Information

This report is designed to provide a general overview of the City of Iowa City's finances for all of 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 City of Iowa City, Finance Department, 410 E. Washington Street, Iowa City, IA, 52240.



CITY OF IOWA CITY, IOWA
STATEMENT OF NET ASSETS

June 30, 2005
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 38,495	\$ 45,747	\$ 84,242
Receivables:			
Property tax	36,645	-	36,645
Accounts and unbilled usage	231	3,457	3,688
Interest	529	799	1,328
Notes	9,334	1,313	10,647
Internal balances	(6,446)	6,446	-
Due from other governments	5,282	276	5,558
Prepaid insurance	5	-	5
Inventories	410	360	770
Restricted assets:			
Equity in pooled cash and investments	9,847	25,572	35,419
Capital assets:			
Land and construction in progress	29,124	25,540	54,664
Other capital assets (net of accumulated depreciation)	112,158	229,020	341,178
Total assets	235,614	338,530	574,144
Liabilities			
Accounts payable	2,191	899	3,090
Contracts payable	2,580	314	2,894
Accrued liabilities	2,599	276	2,875
Interest payable	326	2,750	3,076
Deposits	752	594	1,346
Due to other governments	-	116	116
Unearned revenue	42,510	-	42,510
Noncurrent liabilities:			
Due within one year:			
Employee vested benefits	923	218	1,141
Bonds payable	6,111	6,410	12,521
Due in more than one year:			
Employee vested benefits	883	203	1,086
Notes Payable	211	-	211
Bonds payable	70,994	111,710	182,704
Landfill closure/post-closure liability	-	8,425	8,425
Total liabilities	130,080	131,915	261,995

(continued)

CITY OF IOWA CITY, IOWA

STATEMENT OF NET ASSETS (continued)

June 30, 2005

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 84,768	\$ 150,797	\$ 235,565
Restricted for or by:			
Employee benefits	1,306	-	1,306
Capital projects	8,245	-	8,245
Debt service	3,067	-	3,067
Streets	4,307	-	4,307
Other purposes	48	-	48
Bond ordinance	-	12,540	12,540
State statute	-	431	431
Future improvements	-	54	54
Grant agreement	-	2,013	2,013
Unrestricted	3,793	40,780	44,573
 Total net assets	 \$ 105,534	 \$ 206,615	 \$ 312,149

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2005
(amounts expressed in thousands)

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Public safety	\$ 15,286	\$ 2,928	\$ 149	\$ 19
Public works	11,521	1,076	782	7,580
Culture and recreation	11,341	653	1	80
Community and economic development	6,960	-	1,660	-
General government	6,500	1,482	-	-
Interest on long-term debt	3,602	-	-	-
Total governmental activities	<u>55,210</u>	<u>6,139</u>	<u>2,592</u>	<u>7,679</u>
Business-type activities:				
Wastewater Treatment	12,214	12,145	-	761
Water	8,313	8,602	-	588
Sanitation	6,031	7,154	-	-
Housing Authority	7,466	181	7,012	-
Parking	3,989	4,045	-	-
Airport	520	220	-	283
Stormwater	1,452	592	-	755
Cable television	607	708	-	-
Total business-type activities	<u>40,592</u>	<u>33,647</u>	<u>7,012</u>	<u>2,387</u>
Total	<u>\$ 95,802</u>	<u>\$ 39,786</u>	<u>\$ 9,604</u>	<u>\$ 10,066</u>

General revenues:

Property taxes, levied for general purposes

Road use tax

Hotel/motel tax

Gas and electric tax

Earnings on investments

Gain on disposal of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets beginning of year (as restated)

Net assets end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (12,190)	\$ -	\$ (12,190)
(2,083)	-	(2,083)
(10,607)	-	(10,607)
(5,300)	-	(5,300)
(5,018)	-	(5,018)
(3,602)	-	(3,602)
<u>(38,800)</u>	<u>-</u>	<u>(38,800)</u>
-	692	692
-	877	877
-	1,123	1,123
-	(273)	(273)
-	56	56
-	(17)	(17)
-	(105)	(105)
-	101	101
-	<u>2,454</u>	<u>2,454</u>
<u>(38,800)</u>	<u>2,454</u>	<u>(36,346)</u>
35,327	-	35,327
5,269	-	5,269
602	-	602
749	-	749
1,576	1,771	3,347
95	304	399
3,994	418	4,412
645	(645)	-
<u>48,257</u>	<u>1,848</u>	<u>50,105</u>
9,457	4,302	13,759
96,077	202,313	298,390
<u>\$ 105,534</u>	<u>\$ 206,615</u>	<u>\$ 312,149</u>

CITY OF IOWA CITY, IOWA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2005
(amounts expressed in thousands)

	<u>General</u>	<u>Special Revenue Employee Benefits</u>	<u>Capital Projects Other Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets						
Equity in pooled cash and investments	\$ 16,899	\$ 1,255	\$ 344	\$ 2,345	\$ 6,709	\$ 27,552
Receivables:						
Property tax	19,837	8,135	-	8,673	-	36,645
Accounts and unbilled usage	135	-	-	-	-	135
Interest	211	17	67	23	94	412
Notes	95	-	-	401	8,838	9,334
Advances to other funds	-	-	-	256	18	274
Due from other governments	1,366	187	719	-	2,964	5,236
Inventories	170	-	-	-	-	170
Restricted assets:						
Equity in pooled cash and investments	<u>1,113</u>	<u>-</u>	<u>8,733</u>	<u>-</u>	<u>-</u>	<u>9,846</u>
Total assets	<u>\$ 39,826</u>	<u>\$ 9,594</u>	<u>\$ 9,863</u>	<u>\$ 11,698</u>	<u>\$ 18,623</u>	<u>\$ 89,604</u>

(continued)

CITY OF IOWA CITY, IOWA

**BALANCE SHEET (continued)
GOVERNMENTAL FUNDS**

June 30, 2005
(amounts expressed in thousands)

	<u>General</u>	<u>Special Revenue Employee Benefits</u>	<u>Capital Projects Other Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 680	\$ 4	\$ 49	\$ -	\$ 751	\$ 1,484
Contracts payable	-	-	910	-	1,670	2,580
Accrued liabilities	1,007	1	4	-	39	1,051
Advances from other funds	548	-	55	-	256	859
Deferred revenue	20,952	8,283	600	8,631	10,895	49,361
Liabilities payable from restricted assets:						
Deposits	752	-	-	-	-	752
Total liabilities	<u>23,939</u>	<u>8,288</u>	<u>1,618</u>	<u>8,631</u>	<u>13,611</u>	<u>56,087</u>
Fund balances:						
Reserved for:						
Inventories	170	-	-	-	-	170
Encumbrances	99	-	892	-	-	991
Debt service	-	-	-	3,067	-	3,067
Employee retirement commitments	-	1,306	-	-	-	1,306
Perpetual care	93	-	-	-	-	93
Unreserved						
Designated:						
For future improvements	-	-	7,353	-	-	7,353
Undesignated:						
General fund	15,525	-	-	-	-	15,525
Special revenue funds	-	-	-	-	6,222	6,222
Capital projects funds	-	-	-	-	(1,210)	(1,210)
Total fund balances	<u>15,887</u>	<u>1,306</u>	<u>8,245</u>	<u>3,067</u>	<u>5,012</u>	<u>33,517</u>
Total liabilities and fund balances	<u>\$ 39,826</u>	<u>\$ 9,594</u>	<u>\$ 9,863</u>	<u>\$ 11,698</u>	<u>\$ 18,623</u>	<u>\$ 89,604</u>

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2005
(amounts expressed in thousands)

Total governmental fund balances	\$ 33,517
Amounts reported for governmental activities in the statement of net assets are different because:	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	15,365
Prepaid insurance benefits future periods and is included in governmental activities in the statement of net assets.	5
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: Notes receivable - Earned but unavailable	6,851
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	135,017
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(1,718)
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(77,105)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.	(211)
Accrued interest on bonds	(326)
Internal balance due to integration of internal service funds	<u>(5,861)</u>
Total net assets of governmental activities	<u>\$ 105,534</u>

The notes to the financial statements are an integral part of this statement.

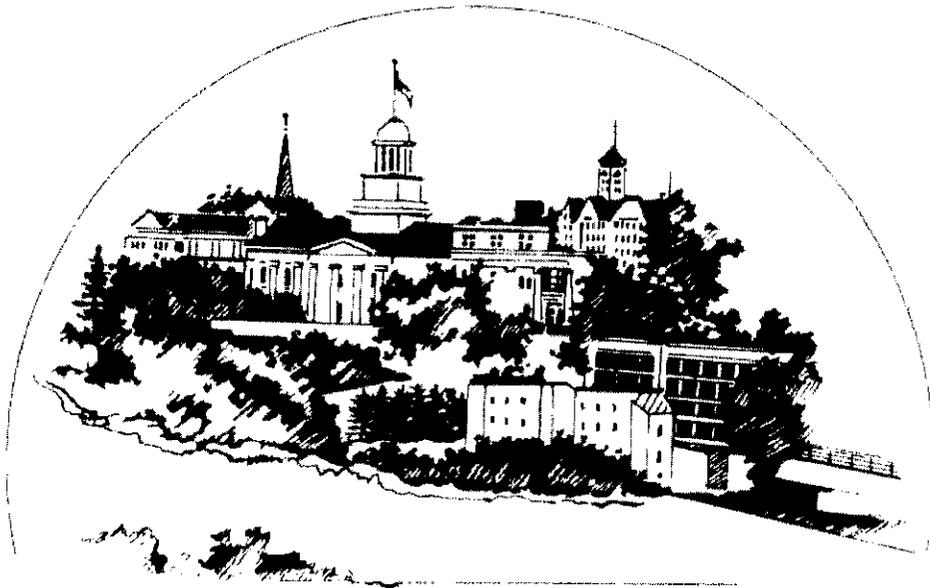
CITY OF IOWA CITY, IOWA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2005
(amounts expressed in thousands)

	<u>General</u>	<u>Special Revenue Employee Benefits</u>	<u>Capital Projects Other Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues						
Taxes	\$ 20,386	\$ 7,561	\$ -	\$ 8,183	\$ 547	\$ 36,677
Licenses and permits	1,255	-	-	-	-	1,255
Intergovernmental	1,655	-	5,602	-	8,289	15,546
Charges for services	3,091	183	-	-	27	3,301
Use of money and property	757	33	152	209	203	1,354
Miscellaneous	3,443	-	43	100	535	4,121
Total revenues	<u>30,587</u>	<u>7,777</u>	<u>5,797</u>	<u>8,492</u>	<u>9,601</u>	<u>62,254</u>
Expenditures						
Current:						
Public safety	14,519	71	11	-	-	14,601
Public works	8,340	-	291	-	1,067	9,698
Culture and recreation	8,968	-	215	-	-	9,183
Community and economic development	803	-	49	-	5,523	6,375
General government	5,969	189	124	-	-	6,282
Debt service:						
Principal	-	-	-	9,349	-	9,349
Interest	-	-	-	3,676	-	3,676
Capital outlay	1,582	-	7,427	-	4,930	13,939
Total expenditures	<u>40,181</u>	<u>260</u>	<u>8,117</u>	<u>13,025</u>	<u>11,520</u>	<u>73,103</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,594)</u>	<u>7,517</u>	<u>(2,320)</u>	<u>(4,533)</u>	<u>(1,919)</u>	<u>(10,849)</u>
Other Financing Sources (Uses)						
Issuance of debt	-	-	7,020	-	-	7,020
Sale of capital assets	397	-	9	-	-	406
Issuance of note payable	-	-	-	-	211	211
Premium (discount) on issuance of bonds	-	-	43	-	-	43
Transfers in	11,473	-	298	670	3,335	15,776
Transfers out	(668)	(7,755)	(1,667)	-	(5,147)	(15,237)
Total other financing sources and (uses)	<u>11,202</u>	<u>(7,755)</u>	<u>5,703</u>	<u>670</u>	<u>(1,601)</u>	<u>8,219</u>
Net change in fund balances	1,608	(238)	3,383	(3,863)	(3,520)	(2,630)
Fund Balances, Beginning (as restated)	<u>14,279</u>	<u>1,544</u>	<u>4,862</u>	<u>6,930</u>	<u>8,532</u>	<u>36,147</u>
Fund Balances, Ending	<u>\$ 15,887</u>	<u>\$ 1,306</u>	<u>\$ 8,245</u>	<u>\$ 3,067</u>	<u>\$ 5,012</u>	<u>\$ 33,517</u>

The notes to the financial statements are an integral part of this statement.



**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2005
(amounts expressed in thousands)

Net change in fund balances - total governmental funds		\$ (2,630)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset. Capital outlays and contributed capital assets exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	\$ 12,396	
Capital assets contributed	1,436	
Depreciation expense	<u>(4,654)</u>	9,178
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Debt issued	(7,020)	
Premium on bonds issued	(43)	
Repayments of debt	9,349	
Amortization of premium	<u>12</u>	2,298
The issuance of notes payable are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing notes increases long-term liabilities and does not affect the statement of activities.		
		(211)
Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds.		
		608
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in accrued compensated absences		(91)
Change in accrued interest on debt		62
In the statement of activities, only the gain on the sale of the capital assets is recognized, whereas in the governmental funds, the proceeds from the sale increased financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset sold.		
		(310)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		
		<u>553</u>
Change in net assets of governmental activities		<u>\$ 9,457</u>

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2005

(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental
							Activities -
	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	Internal Service Funds
Assets							
Current assets:							
Equity in pooled cash and investments	\$ 10,889	\$ 14,234	\$ 15,324	\$ 1,576	\$ 3,724	\$ 45,747	\$ 10,943
Receivables:							
Accounts and unbilled usage	1,472	1,025	612	4	344	3,457	96
Interest	197	218	278	45	61	799	117
Notes	-	-	-	1,063	250	1,313	-
Advances to other funds	-	-	1,862	-	-	1,862	-
Due from other governments	-	121	1	37	117	276	46
Inventories	-	360	-	-	-	360	240
Total current assets	<u>12,558</u>	<u>15,958</u>	<u>18,077</u>	<u>2,725</u>	<u>4,496</u>	<u>53,814</u>	<u>11,442</u>
Noncurrent assets:							
Restricted assets:							
Equity in pooled cash and investments	8,579	4,355	9,285	2,013	1,340	25,572	1
Capital assets:							
Land	695	6,296	325	928	14,044	22,288	45
Buildings and structures	59,486	23,306	898	5,750	29,186	118,626	847
Improvements other than buildings	7,365	2,253	121	-	408	10,147	50
Equipment and vehicles	9,844	10,243	153	115	744	21,099	12,158
Infrastructure	82,269	37,744	9,315	-	29,616	158,944	940
Accumulated depreciation	(42,117)	(10,839)	(6,335)	(3,022)	(17,483)	(79,796)	(7,864)
Construction in progress	274	2,516	93	-	369	3,252	89
Total noncurrent assets	<u>126,395</u>	<u>75,874</u>	<u>13,855</u>	<u>5,784</u>	<u>58,224</u>	<u>280,132</u>	<u>6,266</u>
Total assets	<u>138,953</u>	<u>91,832</u>	<u>31,932</u>	<u>8,509</u>	<u>62,720</u>	<u>333,946</u>	<u>17,708</u>

(continued)

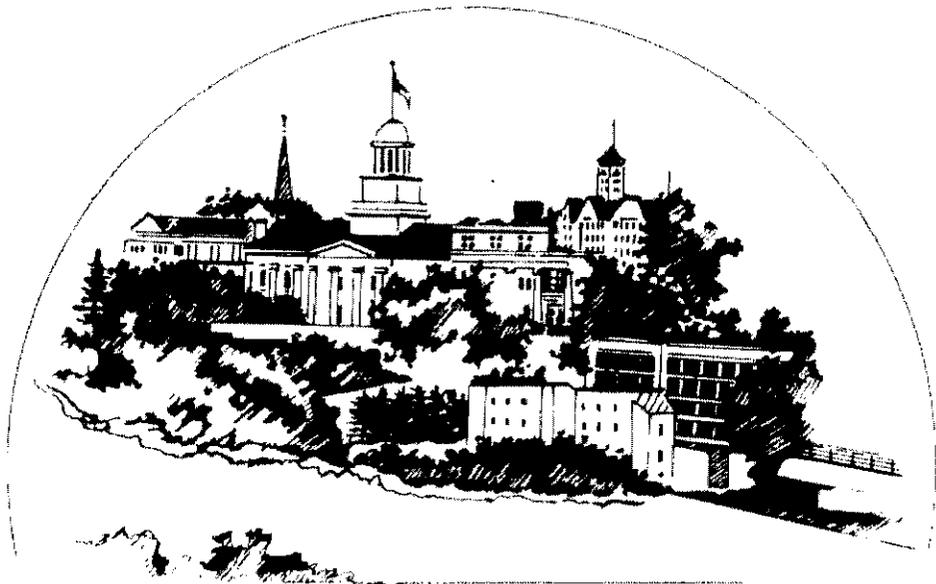
CITY OF IOWA CITY, IOWA

**STATEMENT OF NET ASSETS (continued)
PROPRIETARY FUNDS**

June 30, 2005
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental
	Wastewater		Sanitation	Housing Authority	Other Enterprise Funds	Total	Activities - Internal Service Funds
	Treatment	Water					
Liabilities							
Current liabilities:							
Accounts payable	\$ 199	\$ 451	\$ 47	\$ 68	\$ 134	\$ 899	\$ 707
Contracts payable	30	199	40	-	45	314	-
Accrued liabilities	125	190	160	52	170	697	1,636
Advances from other funds	-	-	-	-	1,259	1,259	-
Due to other governments	1	32	65	18	-	116	-
Bonded debt payable (net of unamortized discounts)	3,983	1,812	-	-	615	6,410	-
Total current liabilities	<u>4,338</u>	<u>2,684</u>	<u>312</u>	<u>138</u>	<u>2,223</u>	<u>9,695</u>	<u>2,343</u>
Noncurrent liabilities:							
Liabilities payable from restricted assets:							
Interest payable	1,734	687	-	-	329	2,750	-
Deposits	-	369	1	213	11	594	-
Advances from other funds	-	-	-	18	-	18	-
Bonded debt payable (net of unamortized discounts)	67,986	32,775	-	-	10,949	111,710	-
Landfill closure/postclosure liability	-	-	8,425	-	-	8,425	-
Total noncurrent liabilities	<u>69,720</u>	<u>33,831</u>	<u>8,426</u>	<u>231</u>	<u>11,289</u>	<u>123,497</u>	<u>-</u>
Total liabilities	<u>74,058</u>	<u>36,515</u>	<u>8,738</u>	<u>369</u>	<u>13,512</u>	<u>133,192</u>	<u>2,343</u>
Net Assets							
Invested in capital assets, net of related debt	53,758	42,187	4,570	3,771	46,511	150,797	6,265
Restricted by bond ordinance	8,578	2,685	-	-	1,277	12,540	-
Restricted by state statute	-	-	431	-	-	431	-
Restricted for future improvements	-	-	-	-	54	54	-
Restricted by grant agreement	-	-	-	2,013	-	2,013	-
Unrestricted	2,559	10,445	18,193	2,356	1,366	34,919	9,100
Total net assets	<u>\$ 64,895</u>	<u>\$ 55,317</u>	<u>\$ 23,194</u>	<u>\$ 8,140</u>	<u>\$ 49,208</u>	200,754	<u>\$ 15,365</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						5,861	
Net assets of business-type activities						<u>\$ 206,615</u>	

The notes to the financial statements are an integral part of this statement.



CITY OF IOWA CITY, IOWA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2005
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental
	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues:							
Charges for services	\$ 12,145	\$ 8,602	\$ 7,154	\$ 181	\$ 5,565	\$ 33,647	\$ 11,270
Miscellaneous	57	175	24	37	125	418	-
Total operating revenues	<u>12,202</u>	<u>8,777</u>	<u>7,178</u>	<u>218</u>	<u>5,690</u>	<u>34,065</u>	<u>11,270</u>
Operating Expenses:							
Personal services	1,676	1,920	1,853	741	2,059	8,249	1,402
Commodities	605	1,236	215	51	878	2,985	1,258
Services and charges	2,122	1,611	3,303	6,447	1,172	14,655	7,083
Depreciation	4,403	4,767	5,371	7,239	4,109	25,889	9,743
Total operating expenses	<u>4,299</u>	<u>1,890</u>	<u>672</u>	<u>243</u>	<u>1,794</u>	<u>8,898</u>	<u>1,355</u>
Operating income (loss)	<u>8,702</u>	<u>6,657</u>	<u>6,043</u>	<u>7,482</u>	<u>5,903</u>	<u>34,787</u>	<u>11,098</u>
	<u>3,500</u>	<u>2,120</u>	<u>1,135</u>	<u>(7,264)</u>	<u>(213)</u>	<u>(722)</u>	<u>172</u>
Nonoperating Revenues (Expenses):							
Gain (loss) on disposal of equipment	(31)	(16)	-	351	-	304	128
Operating grants	-	-	-	7,012	-	7,012	-
Interest income	398	510	531	115	217	1,771	235
Interest expense	(3,533)	(1,677)	-	-	(682)	(5,892)	-
Total nonoperating revenues (expenses)	<u>(3,166)</u>	<u>(1,183)</u>	<u>531</u>	<u>7,478</u>	<u>(465)</u>	<u>3,195</u>	<u>363</u>
Income (loss) before capital contributions and transfers	334	937	1,666	214	(678)	2,473	535
Capital contributions	761	588	-	-	1,038	2,387	-
Transfers in	172	336	20	-	408	936	201
Transfers out	(177)	(670)	(71)	(306)	(453)	(1,677)	-
Change in net assets	1,090	1,191	1,615	(92)	315	4,119	736
Net Assets, Beginning (as restated)	<u>63,805</u>	<u>54,126</u>	<u>21,579</u>	<u>8,232</u>	<u>48,893</u>		<u>14,629</u>
Net Assets, Ending	<u>\$ 64,895</u>	<u>\$ 55,317</u>	<u>\$ 23,194</u>	<u>\$ 8,140</u>	<u>\$ 49,208</u>		<u>\$ 15,365</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						183	
Change in net assets of business-type activities						<u>\$ 4,302</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2005
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Funds
	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds		
Cash Flows From Operating Activities							
Receipts from customers and users	\$ 12,264	\$ 8,648	\$ 7,187	\$ 115	\$ 5,584	\$ 33,798	\$ 11,226
Payments to suppliers	(2,607)	(2,659)	(2,976)	(6,450)	(1,243)	(15,935)	(8,070)
Payments to employees	(1,672)	(1,877)	(1,835)	(731)	(2,056)	(8,171)	(1,374)
Net cash flows from operating activities	<u>7,985</u>	<u>4,112</u>	<u>2,376</u>	<u>(7,066)</u>	<u>2,285</u>	<u>9,692</u>	<u>1,782</u>
Cash Flows From Noncapital Financing Activities							
Grants received	-	-	-	7,012	-	7,012	-
Transfers from other funds	172	336	20	-	408	936	201
Transfers to other funds	(156)	(670)	(71)	(306)	(453)	(1,656)	-
Repayment of notes receivable	-	-	-	-	194	194	-
Issuance of notes receivable	-	-	-	(140)	-	(140)	-
Advances from other funds	-	-	-	18	-	18	-
Repayment of advances from other funds	-	-	-	-	(122)	(122)	-
Repayment of advances to other funds	-	-	405	-	-	405	-
Net cash flows from noncapital financing activities	<u>16</u>	<u>(334)</u>	<u>354</u>	<u>6,584</u>	<u>27</u>	<u>6,647</u>	<u>201</u>
Cash Flows From Capital and Related Financing Activities							
Capital grants received	-	-	-	-	283	283	-
Acquisition and construction of property and equipment	(460)	(1,609)	(176)	(58)	(381)	(2,684)	(1,305)
Proceeds from sale of property	18	-	-	720	-	738	252
Principal paid on bonded debt	(3,799)	(1,753)	-	-	(595)	(6,147)	-
Interest paid on bonded debt	(3,550)	(1,676)	-	-	(686)	(5,912)	-
Net cash flows from capital and related financing activities	<u>(7,791)</u>	<u>(5,038)</u>	<u>(176)</u>	<u>662</u>	<u>(1,379)</u>	<u>(13,722)</u>	<u>(1,053)</u>
Cash Flows From Investing Activities							
Interest on investments	<u>264</u>	<u>360</u>	<u>318</u>	<u>85</u>	<u>166</u>	<u>1,193</u>	<u>160</u>
Net increase (decrease) in cash and cash equivalents	474	(900)	2,872	265	1,099	3,810	1,090
Cash and Cash Equivalents, Beginning	<u>18,994</u>	<u>19,489</u>	<u>21,737</u>	<u>3,324</u>	<u>3,965</u>	<u>67,509</u>	<u>9,854</u>
Cash and Cash Equivalents, Ending	<u>\$ 19,468</u>	<u>\$ 18,589</u>	<u>\$ 24,609</u>	<u>\$ 3,589</u>	<u>\$ 5,064</u>	<u>\$ 71,319</u>	<u>\$ 10,944</u>

CITY OF IOWA CITY, IOWA

**STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS**

For the Year Ended June 30, 2005
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental
	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash flows from operating activities:							
Operating income (loss)	\$ 3,500	\$ 2,120	\$ 1,135	\$ (7,264)	\$ (213)	\$ (722)	\$ 172
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:							
Depreciation expense	4,299	1,890	672	243	1,794	8,898	1,355
Changes in:							
Receivables:							
Accounts and unbilled usage	62	(12)	8	(3)	(111)	(56)	(42)
Due from other governments	-	(107)	-	(20)	(2)	(129)	(2)
Inventories	-	(37)	-	-	-	(37)	(30)
Accounts payable	120	214	(11)	50	807	1,180	301
Accrued liabilities	4	43	18	10	3	78	28
Due to other governments	-	11	3	(2)	-	12	-
Deposits	-	(10)	1	(80)	7	(82)	-
Landfill closure/postclosure liability	-	-	550	-	-	550	-
Total adjustments	<u>4,485</u>	<u>1,992</u>	<u>1,241</u>	<u>198</u>	<u>2,498</u>	<u>10,414</u>	<u>1,610</u>
Net cash flows from operating activities	<u>\$ 7,985</u>	<u>\$ 4,112</u>	<u>\$ 2,376</u>	<u>\$ (7,066)</u>	<u>\$ 2,285</u>	<u>\$ 9,692</u>	<u>\$ 1,782</u>
Noncash Investing, Capital, and Financing Activities:							
Contributions of capital assets from government and others	\$ 761	\$ 588	\$ -	\$ -	\$ 755	\$ 2,104	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA
STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES
 June 30, 2005
 (amounts expressed in thousands)

	Agency Funds
Assets	
Equity in pooled cash and investments	\$ 353
Accounts receivable	16
Interest receivable	3
Total assets	\$ 372
Liabilities	
Accounts payable	\$ 69
Accrued liabilities	3
Due to agency	300
Total liabilities	\$ 372

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

1. Accounting Policies

The City of Iowa City, Iowa, (the City) was incorporated April 6, 1853, and operates under the Council/Manager form of government. The City provides a broad range of services to its citizens including general government, a mass transportation system, public safety, streets, parks, and cultural facilities. It also operates an airport, parking facilities, water treatment, wastewater treatment, stormwater collection, sanitation collection and disposal (including landfill operations), cable television, and a housing authority.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

The Reporting Entity

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

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. *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.

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 as *general revenues*.

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

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.

Description of Funds

These financial statements include all funds owned or administered by the City, for which the City acts as custodian.

The City maintains its records on a modified cash basis of accounting under which only cash receipts, cash disbursements and encumbrances, investments, and bonded debt are recorded. These modified cash basis accounting records have been adjusted to the accrual or modified accrual basis, as necessary, to prepare the accompanying financial statements in accordance with GAAP.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The fund categories are governmental, proprietary, and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures or expenses, as appropriate. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its "measurement focus." The government-wide financial statements, proprietary funds, and fiduciary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, except those that conflict with GASB pronouncements, in accounting and reporting for these funds.

All governmental funds are accounted for using a current financial resources measurement focus, which generally includes only current assets and current liabilities on the balance sheet. The modified accrual basis of accounting is used for these funds. Under the modified accrual basis, revenue is recognized when susceptible to accrual, which is in the period in which it becomes both available (collectible within the current period or soon thereafter to be used to pay liabilities of the current period) and measurable (the amount of the transaction can be determined). Revenue accrued includes property taxes, intergovernmental revenue, and interest earned on investments (if they are collected within 60 days after the year-end). Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

The *Employee Benefits Fund* is used to account for the employee benefits related to those employees who are paid through governmental fund types, which are funded by a separate property tax levy.

The *Capital Projects Other Construction Fund* accounts for the construction or replacement of certain City general capital assets, such as administrative buildings, with various funding sources including general obligation bonds, intergovernmental revenues and contributions.

The *Debt Service Fund* accounts for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.

The City reports the following major proprietary funds:

The *Wastewater Treatment Fund* is used to account for the operation and maintenance of the wastewater treatment facility and sanitary sewer system.

The *Water Fund* is used to account for the operation and maintenance of the water system.

The *Sanitation Fund* is used to account for the operation and maintenance of the solid waste collection system and landfill.

The *Housing Authority Fund* is used to account for the operations and activities of the City's low and moderate income housing assistance and public housing programs.

Additionally, the City reports internal service funds to account for goods and services provided by one department to other City departments on a cost reimbursement basis. The funds in this category are the Equipment Maintenance Fund, Central Services Fund, Loss Reserve Fund, and the Information Technology Fund.

The City also reports fiduciary funds which 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 statement 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 four fiduciary funds which are maintained as agency funds, with no attempt to create an ongoing fund balance.

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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenditures and expenses, as appropriate, during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of landfill closure and postclosure care costs, total capacity of the landfill at closure, and calculation of the costs of claims incurred, but not reported.

Cash and Investments

The City maintains one primary demand deposit account through which the majority of its cash resources are processed. Substantially all investment activity is carried on by the City in an investment pool, except for those funds required to maintain their investments separately. The earnings on the pooled investments are allocated to the funds on a systematic basis. All investments are stated at fair value.

For the purpose of the Statement of Cash Flows, restricted and nonrestricted investments with a maturity of three months or less when purchased are considered cash equivalents.

Receivables and Revenue Recognition

Property tax receivable is recognized in governmental 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.

Federal and state grants, primarily capital grants, are recorded as receivables and the revenue is recognized during the period in which the City fulfills the requirements for receiving the grant awards, as long as the susceptible to accrual criteria are met.

Income from investments in all fund types and from charges for services in proprietary fund types is recognized when earned. Licenses and permits, fines and forfeitures, fees and refunds, charges for services (in governmental fund types), miscellaneous and other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Inventories

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. For the City, these are the General Fund, Water Fund, and the Equipment Maintenance Fund. Inventories are reported at the lower of cost (first-in, first-out) or market. The costs of governmental fund type inventories are recorded as expenditures when purchased.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

Capital Assets

Capital assets, which include property, buildings, 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. The City follows the policy of not capitalizing an asset with an initial, individual cost of less than \$50,000 for infrastructure assets and \$5,000 for remaining assets. Such assets are recorded at original purchase cost or at fair value at the date of donation when received as donated properties.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Infrastructure	3 – 100 years
Buildings and structures	20 – 50 years
Improvements other than buildings	15 – 50 years
Vehicles	2 – 20 years
Other equipment	5 – 30 years

Bond Premiums and Discounts

Debt issued at a premium or discount is recorded net of the unamortized premium or discount. In the governmental funds, premiums and discounts are recorded entirely as other financing sources or uses in the year of issuance. In the proprietary funds and the government-wide statements, they are amortized over the life of the bonds.

Compensated Absences

Permanent City employees accumulate vacation and sick leave hours for subsequent use or for payment upon death, resignation, or retirement. The City pays its employees (except firefighters) one-half of the accumulated sick leave at the time of termination on the basis of the employee's then effective hourly base salary, provided that the dollar amount of the payment may be up to, but not exceed, the amount that an employee would be paid if the employee had terminated on June 28, 1985. Employees hired on or after June 29, 1985, are not eligible for payment of accumulated sick leave upon termination, death, or retirement.

Pensions

The provision for pension cost is recorded on the accrual basis (based on statutorily determined contribution rates), and the City's policy is to fund pension costs as they accrue.

Landfill Closing Costs

Costs expected to be incurred in ultimately closing the present landfill site are being systematically provided for through charges to expense over the estimated useful life of the landfill on the basis of capacity used (see Note 13).

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

Budgetary and Legal Appropriation and Amendment Policies

The City prepares and adopts an annual function budget, as prescribed by Iowa statutes, for all funds except internal service and agency funds. This is formalized in a separate budgetary report, the Financial Plan. This budget is adopted on or before March 15 of each year to become effective July 1, and constitutes the City's appropriation for each program and purpose specified therein until amended. The adopted budget must include the following:

- a. Expenditures for each function:
 - Public safety
 - Public works
 - Health and social services
 - Culture and recreation
 - Community and economic development
 - General government
 - Debt service
 - Capital outlay
 - Business-type
- b. The amount to be raised by property taxation
- c. Income from sources other than property taxation
- d. Transfers in and transfers out

The legal level of control (the level at which expenditures may not legally exceed appropriations) is the function level for all funds combined, rather than at the individual fund level. Management can transfer appropriations within a function, within a fund type, and between fund types, without the approval of the governing body so long as the total budget by function area will not be exceeded. It is necessary, therefore, to aggregate the expenditures of the budgeted activities within the governmental fund types with the expenditures of the budgeted activities within the enterprise funds on a function basis, and to compare such function totals to function budgeted totals in order to demonstrate legal compliance with the budget. The City's budget for revenue focuses on the individual fund revenue rather than on aggregated fund totals.

The City formally adopts budgets for several funds that are not required by state law to be included in the annual function budget. Annual operating budgets are adopted for the internal service funds for management control purposes. Such budgets, however, are not legally required to be adopted under state statutes. These budgets are adopted and amended at the same time and in the same manner as the City's annual function budget.

A City budget for the current fiscal year may be amended for any of the following purposes as prescribed by Iowa statute:

- a. To permit the appropriation and expenditure of unexpended, unencumbered cash balances on hand at the end of the preceding fiscal year.
- b. To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation.
- c. To permit transfers between funds.
- d. To permit transfers between programs.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

A budget amendment must be prepared and adopted in the same manner as the original budget. The City's budget was amended as prescribed, and the effects of those amendments are shown in the accompanying budgetary comparison schedule. The original budget was increased by \$11.7 million in revenues and other financing sources and by \$26.2 million in expenditures and other financing uses. Appropriations as adopted or amended, and not encumbered, lapse at the end of the fiscal year.

As allowed by GASB Statement No. 41, Budgetary Comparison Schedules – Perspective Differences, the City presents budgetary comparison schedules as required supplementary information based on the program structure of nine functional areas as required by state statute for its legally adopted budget.

Restricted Assets

Assets within the individual funds, which can be designated by the City Council for any use within the fund's purpose, are considered to be unrestricted assets. Assets, which are restricted for specific uses by bonded debt requirements, grant provisions, or other requirements, are classified as restricted assets. Liabilities which are payable from restricted assets, are classified as such.

2. Compliance and Accountability

At June 30, 2005, the Capital Project Fund for bridge, street, and traffic control construction reported a deficit fund balance of \$1,210,000. The deficit is due to capital expenditures. The City anticipates receiving funds from the Iowa Department of Transportation. If not, bonds will be issued in 2006 to cover the capital expenditures.

3. Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance, national credit union administration, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured Iowa depository institutions approved by City Council and secured pursuant to the limitations set forth in Chapter 12C of the Code of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; Iowa Public Agency Investment Trust (IPAIT); certain registered open-end management investment companies registered with the Securities & Exchange Commission under the federal Investment Company Act of 1940; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

At June 30, 2005 the City had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Van Kampen Mutual Fund	\$172,413	none

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,632,776 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The City's investment policy limits the investment of general and operating funds to one year, unless a temporary extension of maturities is approved by the City Council. In such cases, the average maturity of each fund's portfolio shall not exceed 397 days. Funds not identified as operating funds may be invested in instruments whose maturities do not exceed five years at the time of purchase.

Credit risk. The City's Van Kampen investment at June 30, 2005 is rated Aaa by Moody's Investors service. The investment in Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. The City investment policy limits the amount that may be invested in any one issuer to a maximum amount approved by the City Council.

The aforementioned Iowa Public Agency Investment Trust (IPAIT) and mutual funds represent investments in pools managed by others. IPAIT is a common trust established under Iowa law pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to safely and effectively invest their available operating and reserve funds. IPAIT is registered under the Investment Company Act of 1940.

The IPAIT portfolios have followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception and were registered with the Securities and Exchange Commission (SEC).

4. Interfund Balances and Transfers

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

	<u>Advances from</u>			<u>Total</u>
	<u>Debt Service</u>	<u>Sanitation</u>	<u>Nonmajor Governmental</u>	
Advances to:				
General	\$ -	\$ 547,937	\$ -	\$ 547,937
Capital projects - other	-	54,987	-	54,987
Nonmajor governmental	256,000	-	-	256,000
Housing Authority	-	-	18,000	18,000
Nonmajor enterprise	-	1,259,283	-	1,259,283
Total	\$ 256,000	\$ 1,862,207	\$ 18,000	\$ 2,136,207

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

Interfund balances at June 30, 2005, include advances due to/from other funds. Advances to/from other funds represent amounts for construction loans and land. \$1,223,571 of the \$1,259,283, \$376,813 of the \$547,937 and \$16,640 of the \$54,987 advances are not expected to be repaid within the next year. \$247,067 of the \$256,000 advance is not expected to be repaid within the next year. None of the \$18,000 advance is expected to be repaid within the next year.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

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

Transfer to:	Transfer From				
	General	Employee Benefits	Capital Projects - Other	Nonmajor Governmental	Wastewater Treatment
General	\$ -	\$ 7,754,835	\$ 9,479	\$ 3,356,265	\$ -
Capital projects – other	110,019	-	-	88,016	-
Debt service	-	-	657,000	12,855	-
Nonmajor governmental	350,500	-	566,072	1,317,794	143,886
Wastewater treatment	-	-	172,478	-	-
Water	-	-	-	336,290	-
Sanitation	20,000	-	-	-	-
Nonmajor enterprise	112,000	-	247,036	35,879	13,047
Internal service	<u>76,024</u>	<u>-</u>	<u>15,124</u>	<u>-</u>	<u>20,546</u>
Total transfer to	<u>\$ 668,543</u>	<u>\$ 7,754,835</u>	<u>\$ 1,667,189</u>	<u>\$ 5,147,099</u>	<u>\$ 177,479</u>

(continued)

Transfers are used to move revenues and bond proceeds from the fund that State statutes or the budget requires them to be collected into the fund that the State statutes or the budget requires them to be expended.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

		Transfer From				
Water	Sanitation	Housing	Nonmajor Enterprise	Total Transfer From		
\$ -	\$ -	\$ -	\$ 352,823	\$ 11,473,402		
-	-	-	100,000	298,035		
-	-	-	-	669,855		
647,121	4,332	305,994	-	3,335,699		
-	-	-	-	172,478		
-	-	-	-	336,290		
-	-	-	-	20,000		
-	-	-	-	407,962		
<u>22,593</u>	<u>66,637</u>	<u>-</u>	<u>-</u>	<u>200,924</u>		
<u>\$ 669,714</u>	<u>\$ 70,969</u>	<u>\$ 305,994</u>	<u>\$ 452,823</u>	<u>\$ 16,914,645</u>		

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

5. Capital Assets

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

	<u>Beginning July 1, 2004</u>	<u>Acquisitions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Balance June 30, 2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 12,380,722	\$ 1,103,309	\$ 561,494	\$ 12,922,537
Construction in progress	<u>11,295,272</u>	<u>10,027,091</u>	<u>5,120,757</u>	<u>16,201,606</u>
Total capital assets, not being depreciated	<u>23,675,994</u>	<u>11,130,400</u>	<u>5,682,251</u>	<u>29,124,143</u>
Capital assets, being depreciated:				
Buildings	44,229,908	2,243,089	1,190,586	45,282,411
Improvements other than buildings	3,736,093	173,382	19,009	3,890,466
Machinery and equipment	28,591,052	3,381,616	1,181,526	30,791,142
Infrastructure	<u>73,854,887</u>	<u>5,084,891</u>	<u>-</u>	<u>78,939,778</u>
Total capital assets being depreciated	<u>150,411,940</u>	<u>10,882,978</u>	<u>2,391,121</u>	<u>158,903,797</u>
Less accumulated depreciation for:				
Buildings	10,326,766	1,185,148	(4,426)	11,516,340
Improvements other than buildings	798,162	136,564	2,213	932,513
Machinery and equipment	17,365,595	3,069,778	765,221	19,670,152
Infrastructure	<u>13,009,287</u>	<u>1,617,026</u>	<u>(1,707)</u>	<u>14,628,020</u>
Total accumulated depreciation	<u>41,499,810</u>	<u>6,008,516</u>	<u>761,301</u>	<u>46,747,025</u>
Total capital assets, being depreciated, net	<u>\$108,912,130</u>	<u>\$ 4,874,462</u>	<u>\$ 1,629,820</u>	<u>\$ 112,156,772</u>
Governmental activities capital assets, net	<u>\$132,588,124</u>	<u>\$ 16,004,862</u>	<u>\$ 7,312,071</u>	<u>\$ 141,280,915</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

	<u>Beginning July 1, 2004 as Restated</u>	<u>Acquisitions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Balance June 30, 2005</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 22,227,324	\$ 61,245	\$ -	\$ 22,288,569
Construction in progress	<u>4,262,411</u>	<u>1,527,046</u>	<u>2,536,475</u>	<u>3,252,982</u>
Total capital assets, not being depreciated	<u>26,489,735</u>	<u>1,588,291</u>	<u>2,536,475</u>	<u>25,541,551</u>
Capital assets, being depreciated:				
Buildings	119,087,813	417,003	879,073	118,625,743
Improvements other than buildings	10,407,902	183,953	444,834	10,147,021
Machinery and equipment	20,916,583	472,612	290,214	21,098,981
Infrastructure	<u>154,282,937</u>	<u>4,681,483</u>	<u>19,476</u>	<u>158,944,944</u>
Total capital assets being depreciated	<u>304,695,235</u>	<u>5,755,051</u>	<u>1,633,597</u>	<u>308,816,689</u>
Less accumulated depreciation for:				
Buildings	\$ 28,140,952	\$ 3,448,065	\$ 176,484	\$ 31,412,533
Improvements other than buildings	1,032,012	424,212	6,218	1,450,006
Machinery and equipment	6,587,008	1,265,532	89,786	7,762,754
Infrastructure	<u>35,409,976</u>	<u>3,760,109</u>	<u>(2,080)</u>	<u>39,172,165</u>
Total accumulated depreciation	<u>71,169,948</u>	<u>8,897,918</u>	<u>270,408</u>	<u>79,797,458</u>
Total capital assets, being depreciated, net	<u>233,525,287</u>	<u>(3,142,867)</u>	<u>1,363,189</u>	<u>229,019,231</u>
Business-type activities capital assets, net	<u>\$260,015,022</u>	<u>\$ (1,554,576)</u>	<u>\$ 3,899,664</u>	<u>\$ 254,560,782</u>
Depreciation expense was charged to functions as follows:				
Governmental activities:				
Public safety				\$ 499,218
Public works				1,983,372
Culture and recreation				1,786,075
Community and economic development				54,699
General government				330,469
Internal service funds				<u>1,354,683</u>
Total depreciation expense – governmental activities				<u>\$ 6,008,516</u>
Business-type activities:				
Wastewater treatment				\$ 4,298,747
Water				1,889,970
Sanitation				672,085
Housing authority				242,927
Nonmajor enterprise				<u>1,794,189</u>
Total depreciation expense – business-type activities				<u>\$ 8,897,918</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

6. Bonded and Other Long-Term Debt

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	July 1, 2004	Issues	Retirements	June 30, 2005	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 79,344,600	\$ 7,020,000	\$ 9,349,221	\$ 77,015,379	\$ 6,099,222
Plus: Unamortized					
Premium (discount)	<u>58,607</u>	<u>42,929</u>	<u>11,510</u>	<u>90,026</u>	<u>11,510</u>
Total general obligation bonds	<u>79,403,207</u>	<u>7,062,929</u>	<u>9,360,731</u>	<u>77,105,405</u>	<u>6,110,732</u>
Note payable	<u>-</u>	<u>211,000</u>	<u>-</u>	<u>211,000</u>	<u>-</u>
Employee vested benefits	<u>1,721,900</u>	<u>933,551</u>	<u>849,841</u>	<u>1,805,610</u>	<u>922,823</u>
	<u>\$ 81,125,107</u>	<u>\$ 8,207,480</u>	<u>\$ 10,210,572</u>	<u>\$ 79,122,015</u>	<u>\$ 7,033,555</u>
Business-type activities:					
General obligation bonds	\$ 9,640,400	\$ -	\$ 1,365,778	\$ 8,274,622	\$ 1,395,778
Less: Unamortized discounts	<u>78,235</u>	<u>-</u>	<u>6,609</u>	<u>71,626</u>	<u>6,609</u>
Total general obligation bonds	<u>9,562,165</u>	<u>-</u>	<u>1,359,169</u>	<u>8,202,996</u>	<u>1,389,169</u>
Revenue bonds	115,710,000	-	4,780,000	110,930,000	5,015,000
Less: Unamortized discounts	<u>1,083,810</u>	<u>-</u>	<u>72,049</u>	<u>1,011,761</u>	<u>72,049</u>
Total revenue bonds	<u>114,626,190</u>	<u>-</u>	<u>4,707,951</u>	<u>109,918,239</u>	<u>4,942,951</u>
Landfill closure/post-closure	7,875,879	549,609	-	8,425,488	-
Employee vested benefits	<u>386,700</u>	<u>223,112</u>	<u>189,259</u>	<u>420,553</u>	<u>217,920</u>
	<u>\$132,450,934</u>	<u>\$ 772,721</u>	<u>\$ 6,256,379</u>	<u>\$ 126,967,276</u>	<u>\$ 6,550,040</u>

A note payable was issued to Greater Iowa City Housing Fellowship for the purchase of an 11 unit apartment building for low income and disabled housing in the Peninsula Neighborhood. The terms of the loan are 1%, interest only payments for twenty years with a final balloon payment of \$211,000 due on August 1, 2025.

For the governmental activities, employee vested benefits are generally liquidated by the General Fund and Community Development Block Grant Fund.

General Obligation Bonds

Various issues of general obligation bonds totaling \$85,290,000 are outstanding as of June 30, 2005. The bonds have interest rates ranging from 2.5% to 5.5% and mature in varying annual amounts ranging from \$275,000 to \$2,195,000 per issue, with the final maturities due in the year ending June 30, 2023. Interest and principal payments on all general obligation bonds, except tax abated portions recorded in the enterprise funds, are accounted for through the Debt Service Fund.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

Portions of several general obligation bond issues have been used to acquire or expand the enterprise fund facilities. In some instances, revenue generated by the enterprise funds is used to pay the general long-term debt principal and interest. The liability for those bonds that are expected to be paid by enterprise funds is included in those funds.

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

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 6,099,222	\$ 3,457,819	\$ 1,395,778	\$ 326,409
2007	6,155,525	3,184,066	1,429,475	284,314
2008	5,958,235	2,939,219	561,765	238,554
2009	6,118,235	2,699,084	561,765	216,001
2010	6,214,538	2,450,516	580,462	192,794
2011-2015	28,704,624	8,247,062	3,145,377	573,801
2015-2020	14,475,000	2,754,451	600,000	45,000
2020-2023	3,290,000	274,895	-	-
Total	\$ 77,015,379	\$ 26,007,112	\$ 8,274,622	\$ 1,876,873

Revenue Bonds

As of June 30, 2005, the following unmatured revenue bond issues are outstanding:

	Parking	Wastewater Treatment	Water
Original issue amount	\$ 13,850,000	\$ 83,935,000	\$ 30,700,000
Interest rates	5.9% to 7.4%	3.5% to 5.8%	2.0% to 5.6%
Annual maturities	\$ 305,000 to \$ 895,000	\$ 270,000 to \$ 3,010,000	\$ 245,000 to \$ 910,000
Amount outstanding	\$ 11,045,000	\$ 72,300,000	\$ 27,585,000

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2006	\$ 5,015,000	\$ 5,340,208
2007	5,155,000	5,128,064
2008	5,415,000	4,905,893
2009	5,625,000	4,668,765
2010	5,875,000	4,413,216
2011-2015	29,450,000	17,826,046
2016-2020	30,380,000	10,687,538
2021-2025	22,260,000	3,055,853
2026	1,755,000	48,831
	\$ 110,930,000	\$ 56,074,414

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

The revenue bond ordinances required that wastewater treatment, parking system, and water revenues be set aside into separate and special accounts as they are received. The use and the amounts to be included in the accounts are as follows:

<u>Account</u>	<u>Amount</u>
(a) Revenue Bond and Interest Sinking Reserve	Amount sufficient to pay current bond and interest maturities.
(b) Revenue Debt Service Reserve	Amount required to be deposited in the Revenue Bond and Interest Reserve until the reserve fund equals: Parking Revenue and Water Revenue bonds – maximum debt service due on the bonds in any succeeding fiscal year. Wastewater Revenue bonds – 125% of the average principal and interest payments over the life of all the Wastewater Revenue bonds.
(c) Improvement Reserve	\$20,000 per month until the reserve balance equals or exceeds \$2,000,000 for Wastewater Revenue bonds, \$5,000 per month until the reserve balance equals or exceeds \$300,000 for Parking Revenue bonds and \$450,000 for Water Revenue bonds, with no further deposits once the minimum balance is reached. If the reserve falls below the required minimum, monthly transfers in the aforementioned amounts will resume.

Summary of Bond Issues

General obligation and revenue bonds payable at June 30, 2005, are comprised of the following issues:

	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2005</u>
General Obligation Bonds:					
Multi-Purpose	Mar. 1997	\$5,200,000	4.5 – 4.7	6/07	\$1,000,000
Water Construction (1)	Nov. 1997	5,540,000	4.875 – 5.0	6/17	3,600,000
Multi-Purpose	Apr. 1998	8,500,000	4.35 – 4.75	6/13	4,475,000
Multi-Purpose	Mar. 1999	9,000,000	4.125 – 4.7	6/18	6,175,000
Multi-Purpose	Jul. 2000	14,310,000	5.0 – 5.5	6/18	11,605,000
Multi-Purpose	Jun. 2001	11,500,000	4.0 – 4.9	6/16	8,895,000
Multi-Purpose and Library Construction	May 2002	29,100,000	3.5 – 5.0	6/21	24,240,000
Refunded Multi-Purpose (3)	Oct. 2002	10,600,000	2.5 – 4.0	6/15	5,960,000
Multi-Purpose	Nov. 2003	5,570,000	2.5 – 3.6	6/14	5,015,000
Taxable – Urban Renewal	Mar. 2004	7,305,000	4.0 – 5.4	6/23	7,305,000
Multi-Purpose	Mar. 2005	7,020,000	3.0 – 4.0	6/15	<u>7,020,000</u>
Total General Obligation Bonds					<u>85,290,000</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2005</u>
Revenue Bonds:					
Parking Bonds	Dec. 1999	\$ 11,350,000	5.875 – 6.0	7/24	\$11,045,000
Wastewater Treatment Bonds	Mar. 1996	18,300,000	5.0 – 5.75	7/21	15,050,000
Wastewater Treatment Bonds	May 1997	10,600,000	5.15 – 5.5	7/22	8,875,000
Wastewater Treatment Bonds	Jan. 1999	7,000,000	4.25 – 4.87	7/24	5,750,000
Wastewater Treatment Bonds	Oct. 2000	12,000,000	5.125 – 5.5	7/25	10,845,000
Wastewater Treatment Bonds	Dec. 2001	10,250,000	4.5 – 5.0	7/20	10,250,000
Refunded Wastewater Treatment Bonds (2)	May 2002	25,785,000	3.25 – 4.1	7/13	21,530,000
Water Bonds	May 1999	9,200,000	4.75 – 5.0	7/25	8,140,000
Water Bonds	Dec. 2000	13,000,000	5.0 – 5.625	7/26	11,640,000
Water Bonds	Oct. 2002	8,500,000	2.0 – 4.65	7/22	<u>7,805,000</u>
Total Revenue Bonds					<u>110,930,000</u>
					<u>\$196,220,000</u>

- (1) These bond issues have a portion of the general obligation bonds payable shown as a liability on the balance sheet of the Water Fund.
- (2) This bond issue refunds the January 1993 Wastewater Revenue Bonds.
- (3) This bond issue has a portion of the general obligation bonds payable shown as a liability on the balance sheet of the Water Fund, Wastewater Fund, and Parking Fund.

Conduit Debt Obligations

From time to time, the City has issued Industrial Development Revenue Bonds and Facility Refunding Revenue Bonds to provide financial assistance to private sector entities for the acquisition, construction, and renovation of industrial and commercial facilities deemed to be in the public interest. The bonds are collateralized by the property financed and are payable solely from payments received on the underlying mortgage loans. All payments on the bonds are made by the private sector entities directly to a bond trustee, who is a third party financial institution, and in turn, disburses the payment to the respective bond holders. 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, 2005, there were two series of Industrial Development Revenue Bonds and Facility Refunding Revenue Bonds outstanding, with an aggregate principal amount payable of \$45,405,000.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

Debt Legal Compliance

Legal Debt Margin:

As of June 30, 2005, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Assessed valuation:	
Real property	\$3,159,737,914
Utilities	<u>55,235,123</u>
Total valuation	<u>\$3,214,973,037</u>
Debt limit, 5% of total assessed valuation	\$ 160,748,652
Debt applicable to debt limit:	
General obligation bonds	<u>85,290,000</u>
Legal debt margin	<u>\$ 75,458,652</u>

7. Segment Information

The City issued revenue bonds to finance construction of its parking facilities. Summary financial information for the parking department is presented below:

Condensed Statement of Net Assets

Assets:

Current assets	\$ 2,783
Restricted assets	1,333
Capital assets	<u>19,267</u>
Total assets	<u>23,383</u>

Liabilities:

Current liabilities	843
Noncurrent liabilities payable from restricted assets	331
Other noncurrent liabilities	<u>10,949</u>
Total liabilities	<u>12,123</u>

Net assets:

Invested in capital assets, net of related debt	8,894
Restricted	1,331
Unrestricted	<u>1,035</u>
	<u>\$ 11,260</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

Operating revenue	\$	4,170
Depreciation expense		(944)
Other operating expenses		<u>(2,377)</u>
Operating income		<u>849</u>
Nonoperating revenues (expenses):		
Interest income		190
Interest expense		(682)
Transfer out		<u>(300)</u>
Change in net assets		57
Beginning net assets (as restated)		<u>11,203</u>
Ending net assets	\$	<u><u>11,260</u></u>

Condensed Statement of Cash Flows

Net cash flows from:		
Operating activities	\$	1,786
Noncapital financing activities		(106)
Capital and related financing activities		(1,286)
Investing activities		<u>153</u>
Net increase		547
Cash and cash equivalents, beginning		<u>3,151</u>
Cash and cash equivalents, ending	\$	<u><u>3,698</u></u>

8. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; workplace accidents, errors and omissions; and natural disasters. During fiscal year 1988 the City established the Loss Reserve Fund, an internal service fund, to account for and finance its uninsured risks of loss. During the year ended June 30, 2005, the City purchased property, liability, and workers' compensation insurance under the program that provides for a \$100,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$500,000 self-insured retention on workers' compensation losses. The liability insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$19,000,000 annual aggregate of losses paid. The operating funds pay annual premiums to the Loss Reserve Fund. Accumulated monies in the Loss Reserve Fund are available to cover the self-insured retention amounts and any uninsured losses. Settled claims have not exceeded this commercial coverage in any of the past seven fiscal years.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

The Housing Authority Fund is insured under a separate policy with the Assisted Housing Risk Management Association. The remaining funds participate in the Loss Reserve Fund. The funds make payments to the Loss Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. The Fund's accrued liabilities balance includes a claims liability at June 30, 2005, based on the requirements of GASB Statement No. 10, as amended, 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 the Loss Reserve Fund's claims liability amount for property, liability, and workers' compensation for the years ended June 30, 2005 and 2004 are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>		<u>Current-Year Claims and Changes in Estimates</u>		<u>Claim Payments</u>		<u>Balance at Fiscal Year-End</u>
2003 – 2004	\$ 808,000	\$	\$ 464,000	\$	\$ 464,000	\$	\$ 808,000
2004 – 2005	808,000		840,000		534,000		1,114,000

Also, the City is partially self-insured, through stop-loss insurance, for employee health care coverage, which is available to all of its permanent employees. This insurance provides stop-loss coverage for claims in excess of \$100,000 per employee with an aggregate stop-loss of \$4,771,297. For the year ended June 30, 2005, the aggregate stop-loss was approximately \$4,270,549; otherwise, there was no change in coverage from the prior year. The operating funds are charged premiums by the Loss Reserve Fund. The City reimburses a health insurance provider for actual medical costs incurred, plus a claims processing fee. Changes in the Loss Reserve Fund's claims liability amount for health care coverage for the years ended June 30, 2005 and 2004 are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>		<u>Current-Year Claims and Changes in Estimates</u>		<u>Claim Payments</u>		<u>Balance at Fiscal Year-End</u>
2003 – 2004	\$ 532,000	\$	\$ 4,552,000	\$	\$ 4,421,000	\$	\$ 663,000
2004 – 2005	663,000		3,577,000		3,851,000		389,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

9. Contractual Commitments and Contingencies

The total outstanding contractual commitments as of June 30, 2005 are as follows:

<u>Fund</u>	<u>Project</u>	<u>Amount</u>
Bridge, street and traffic control construction	Paving and bridge construction, engineering design and consulting	\$ 3,113,283
Other construction	Transportation center construction center	357,842
Wastewater treatment	Sanitary sewer construction	2,775
Water	Dam and pedestrian bridge construction, water main construction	278,104
Sanitation	Landfill consulting	207,188
Airport	Runway extension consulting	195,091
Cable TV	Refranchising consulting	44,290
Economic development	Hotel construction	<u>1,655,900</u>
		<u>\$ 5,854,473</u>

10. Contingent Liabilities

Litigation

The City is a defendant in a number of lawsuits arising principally from claims against the City for alleged improper actions by City employees, including improper police action, unlawful taking of property by zoning, negligence, appeals of condemnations, and discrimination. Total damages claimed are substantial; however, it has been the City's experience that such actions are settled for amounts substantially less than claimed amounts. The City's management estimates that the potential claims against the City, not covered by various insurance policies, would not materially affect the financial condition of the City. The City has the authority to levy additional taxes (outside the regular limit) to cover uninsured judgments against the City.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

11. Pension and Retirement Systems

Municipal Fire and Police Retirement System of Iowa

The City is a participating employer in the Municipal Fire and Police Retirement System of Iowa (MFPRSI or the Plan), which is a cost-sharing multiple-employer defined benefit public police and fire employees retirement system. All fire fighters and police officers appointed under civil service participate in the Plan. The Plan provides retirement, disability, and death benefits that are established under state statute. 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, Urbandale, Iowa 50322. A member may retire at age 55 with 22 years of employment, and receive full benefits that are equal to 66% of the member's average final compensation for a member retiring after July 1, 2000. Additionally, members retiring on or after July 1, 2000, with more than 22 years of service will receive an additional 2% of the member's average final compensation for up to 8 years of additional service. Other benefits are also calculated as varying percentages of the average final compensation. Benefits vest after four years of service.

Member contribution rates are established by statute. For the fiscal year ended June 30, 2005, members contributed 9.35%. The City's contribution rate is based upon an actuarially determined normal contribution rate. The normal contribution rate is provided by state statute to be the actuarial liabilities of the Plan less current plan assets, the total then being divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions. Legislatively appropriated contributions from the state to the Plan may further reduce the City's contribution rate. However, the City's contribution rate may not be less than 24.92% of earnable compensation.

The City was required to contribute 24.92% of earnable compensation of each member in 2005, 20.48% of earnable compensation in 2004. The contributions paid by the City for the years ended June 30, 2003, 2004, and 2005, were \$1,059,538, \$1,335,065, and \$1,750,377, respectively, and was equal to the required contributions for each year.

Iowa Public Employees Retirement System

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.

All employees, except temporary employees of six months or less of employment duration, who do not participate in any other public retirement system in the state are eligible and must participate in IPERS. The pension plan provides retirement and death benefits that are established by state statute. Generally, a member may retire at the age of 65, or any time after age 62 and 26 years or more of service, or when age plus years of service equals or exceeds 88, and receive unreduced (for age) benefits. Members may also retire at the age of 55 or more at reduced benefits. Benefits vest after four years of service or after attaining the age of 55. Full benefits are equal to 60% of the average of the highest three years of covered wages times years of service divided by 30.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

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, 2003, 2004, and 2005, were \$1,220,376, \$1,240,324, and \$1,247,065, respectively, and were equal to the required contributions for each year.

12. Post-Employment Benefits

All full-time employees who retire or become disabled are offered the following post-employment benefit options:

Health insurance – The option of continuing with the City's health insurance plan at the individual's own cost.

Life insurance – The option of converting the employee's City-paid policy from term insurance to whole life insurance at the individual's expense with the City's life insurance carrier.

Long-term disability – The option of converting the employee's City-paid group policy to a personal policy at the individual's expense with the City's long-term disability insurance carrier.

The above options, while at the individual's own expense, are included within the City's overall insurance package. Therefore, a portion of the above coverages is being subsidized by the City and its current employees. However, the City cannot reasonably estimate the amount of this subsidy and it is being expensed as incurred by the City.

13. Landfill Closure and Postclosure Care Costs

In August 1993, the GASB issued Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs* (the Statement). Under these rules, in addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year.

The estimated liability for landfill closure and postclosure care costs as of June 30, 2005, is approximately \$8,425,000, which is based on 70% usage (filled) of the landfill and is included in accrued liabilities within the Sanitation Fund. It is estimated that an additional amount of approximately \$3,658,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity by the year ended June 30, 2019. The estimated total current cost of the landfill closure and postclosure care costs at June 30, 2005, was determined by engineers from Howard R. Green Company and approximated \$12,083,000. It is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2005. These amounts are based on an estimated postclosure care and monitoring period of 30 years, consistent with current State Department of Natural Resources regulations. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

The City is required by federal and state laws and regulations to provide some form of financial assurance to finance closure and postclosure care. The City will meet its financial assurance obligations through the issuance of general obligation bonds. As of June 30, 2005, the Sanitation Fund had \$8,850,737 in related equity in pooled cash and investments, at fair value designated for satisfaction of postclosure costs. The City estimates that these cash reserves will only provide a fraction of the dollars needed to close and monitor the landfill. The remaining portion of postclosure care costs, anticipated future inflation costs and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users as well as City taxpayers.

14. Restatement of Beginning Balances

The restatements of fund balances and net assets were due to the following:

An error was discovered in the recording of interfund loan activity.

There was an item discovered that had been incorrectly recorded in the wrong fund in the prior year.

There was a building discovered in capital assets that had no accumulated depreciation.

Restatements of fund balances and net assets previously reported are as follows:

(Amounts in thousands)

<u>Fund</u>	<u>Fund Balance/ Net Assets June 30, 2004, as Previously Reported</u>	<u>Properly Recording Interfund Loan Activity</u>	<u>Effect of Reclassification of Item into the Proper Funds</u>	<u>Effect of Recording Accumulated Depreciation</u>	<u>Fund Balance/ Net Assets June 30, 2005, as Restated</u>
General	\$ 14,697	\$ (418)	\$ -	\$ -	\$ 14,279
Capital projects- other construction	4,747	-	115	-	4,862
Other shared revenue and grants	4,431	-	(115)	-	4,316
Airport	10,384	(332)	-	-	10,052
Sanitation	20,829	750	-	-	21,579
Parking	11,303	-	-	(100)	11,203
Governmental activities	96,495	(418)	-	-	96,077
Business-type activities	201,995	418	-	(100)	202,313

15. New Governmental Accounting Standards Board (GASB) Standards

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2005

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.

Statement No. 46, *Net Assets Restricted by Enabling Legislation* issued December 2004, will be effective for the City for the fiscal year ended June 30, 2006. This statement clarifies the definition of a legally enforceable enabling legislation restriction. It also specifies the accounting and financial reporting requirements for the restrictions and for any changes in them.

Statement No. 47, *Accounting for Termination Benefits* issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45. For all other termination benefits, this Statement is effective for the fiscal year ended June 30, 2006.

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

City of Iowa City, Iowa
 Budgetary Comparison Schedule
 Budget and Actual - All Governmental Funds and Enterprise Funds - Budgetary Basis
 Required Supplementary Information
 For the Year Ended June 30, 2005
 (dollar amounts expressed in thousands)

	Governmental Fund Types Actual Budgetary Basis	Enterprise Fund Types Actual Budgetary Basis	Total Actual Budgetary Basis
Revenues:			
Property Tax	\$ 34,829	\$ -	\$ 34,829
Tax increment financing taxes	547	-	547
Other city taxes	1,350	-	1,350
Licenses and permits	1,259	-	1,259
Intergovernmental	17,160	7,448	24,608
Charges for services	3,625	31,936	35,561
Use of money and property	1,028	1,430	2,458
Miscellaneous	2,644	1,704	4,348
Total revenues	62,442	42,518	104,960
Expenditures/Expenses:			
Public safety	14,926	-	14,926
Public works	9,067	-	9,067
Culture and recreation	8,975	-	8,975
Community and economic development	8,235	-	8,235
General government	6,239	-	6,239
Debt service	14,769	-	14,769
Capital outlay	14,355	-	14,355
Business-type	-	37,321	37,321
Total expenditures/expenses	76,566	37,321	113,887
Excess (deficiency) of revenues over (under) expenditures/expenses	(14,124)	5,197	(8,927)
Other financing sources, net	9,503	(1,428)	8,075
Net change in fund balances	(4,621)	3,769	(852)
Balances, beginning of year	41,305	67,507	108,812
Balances, end of year	36,684	71,276	107,960

See Note to Required Supplementary Information.

Budgeted Amounts

Original	Final	Final to Actual Variance - Positive (Negative)
\$ 34,792	\$ 34,793	\$ 36
608	609	(62)
1,340	1,401	(51)
1,162	1,186	73
27,706	28,657	(4,049)
36,878	36,045	(484)
1,498	2,342	116
3,524	4,279	69
<u>107,508</u>	<u>109,312</u>	<u>(4,352)</u>
14,990	15,631	705
9,348	9,784	717
9,233	9,696	721
8,224	10,680	2,445
6,661	6,566	327
11,273	15,052	283
19,006	24,099	9,744
40,116	44,515	7,194
<u>118,851</u>	<u>136,023</u>	<u>22,136</u>
(11,343)	(26,711)	17,784
<u>6,836</u>	<u>7,660</u>	<u>415</u>
(4,507)	(19,051)	<u>18,199</u>
<u>109,256</u>	<u>108,812</u>	
<u>104,749</u>	<u>89,761</u>	

City of Iowa City, Iowa
 Budgetary Comparison Schedule
 Budget to GAAP Reconciliation
 Required Supplementary Information
 For the Year Ended June 30, 2005
 (dollar amounts expressed in thousands)

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 62,442	\$ (188)	\$ 62,254
Expenditures	76,566	(3,463)	73,103
Net	(14,124)	3,275	(10,849)
Other financing sources (uses)	9,503	(1,284)	8,219
Beginning Fund Balances	\$ 41,305	\$ (5,158)	\$ 36,147
Ending Fund Balances	\$ 36,684	\$ (3,167)	\$ 33,517

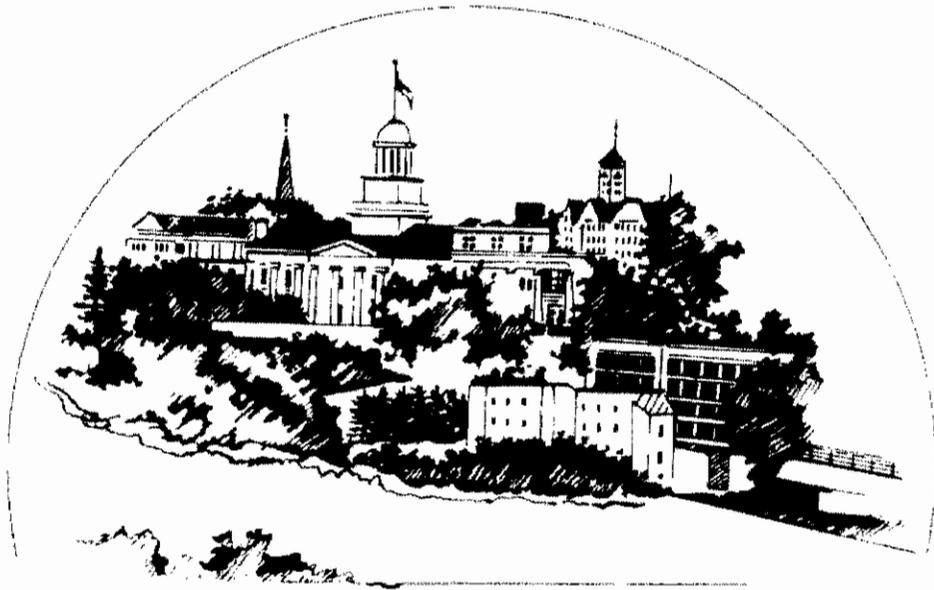
	Enterprise Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 42,518	\$ (5,258)	\$ 37,260
Expenditures	37,321	(2,534)	34,787
Net	5,197	(2,724)	2,473
Other financing sources (uses)	(1,428)	3,074	1,646
Beginning Fund Balances	67,507	\$ 129,128	196,635
Ending Fund Balances	\$ 71,276	\$ 129,478	\$ 200,754

See Note to Required Supplementary Information.

City of Iowa City, Iowa
Note to Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2005

In accordance with Code of Iowa, the City Council annually adopts a budget following required public notice and hearing which includes all funds, except internal service funds and agency funds. The budget basis of accounting is cash basis plus 30 days of payable and receivable accruals. 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 or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. The legal level control is at the aggregated function level, not at the fund or fund type level. During the year, budget amendments increased budgeted expenditures by \$17,172,000. The budget amendments were primarily due to changes in breadth and timing of capital improvement projects as well as changes necessitated by the loss of state revenue.



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues derived from specific sources that are required to be accounted for as separate funds. The funds in this category and their purpose are as follows:

Community Development Block Grant Fund – accounts for revenue from the U.S. Department of Housing and Urban Development's Community Development Block Grant programs.

Other Shared Revenue and Grants Fund – accounts for revenue from various sources, primarily road use tax monies from the State of Iowa and reimbursable programs funded by federal and state grants.

Economic Development Fund – accounts for revenue and expenditures of economic development activities.

Johnson County Council of Governments Fund – accounts for the financial activities of the metropolitan/rural cooperative planning organization.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities and other major fixed assets, with the exception of those that are financed by proprietary fund monies. The fund in this category is as follows:

Bridge, Street, and Traffic Control Construction Fund – accounts for the construction or replacement of infrastructure fixed assets, such as streets, bridges, dams, sidewalks, and lighting systems.

CITY OF IOWA CITY, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005
(amounts expressed in thousands)

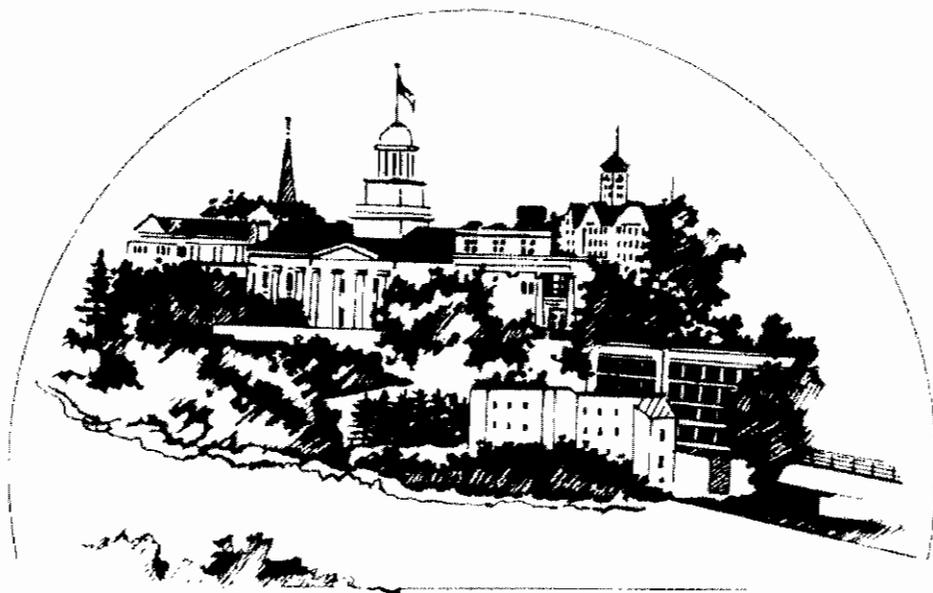
	Special Revenue				Capital Projects	Total
	Community Development Block Grant	Other Shared Revenue and Grants	Economic Development	Johnson County Council of Governments	Bridge, Street, and Traffic Control Construction	
Assets						
Equity in pooled cash and investments	\$ 11	\$ 4,409	\$ 2,169	\$ 31	\$ 89	\$ 6,709
Receivables:						
Interest	1	51	42	-	-	94
Notes	8,513	325	-	-	-	8,838
Advances to other funds	18	-	-	-	-	18
Due from other governments	201	432	-	32	2,299	2,964
 Total assets	<u>\$ 8,744</u>	<u>\$ 5,217</u>	<u>\$ 2,211</u>	<u>\$ 63</u>	<u>\$ 2,388</u>	<u>\$ 18,623</u>
 Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 110	\$ 118	\$ -	\$ 1	\$ 522	\$ 751
Contracts payable	-	-	603	-	1,067	1,670
Accrued liabilities	10	-	-	14	15	39
Advances from other funds	-	256	-	-	-	256
Deferred revenue	8,576	325	-	-	1,994	10,895
 Total liabilities	<u>8,696</u>	<u>699</u>	<u>603</u>	<u>15</u>	<u>3,598</u>	<u>13,611</u>
Fund balances:						
Unreserved, undesignated	48	4,518	1,608	48	(1,210)	5,012
 Total liabilities and fund balances	<u>\$ 8,744</u>	<u>\$ 5,217</u>	<u>\$ 2,211</u>	<u>\$ 63</u>	<u>\$ 2,388</u>	<u>\$ 18,623</u>

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2005
(amounts expressed in thousands)

	Special Revenue				Capital Projects	Total
	Community Development Block Grant	Other Shared Revenue and Grants	Economic Development	Johnson County Council of Governments	Bridge, Street, and Traffic Control Construction	
Revenues						
Property taxes	\$ -	\$ -	\$ 547	\$ -	\$ -	\$ 547
Intergovernmental	1,459	5,351	-	235	1,244	8,289
Charges for services	-	-	-	-	27	27
Use of money and property	2	51	150	-	-	203
Miscellaneous	464	13	7	1	50	535
Total revenues	<u>1,925</u>	<u>5,415</u>	<u>704</u>	<u>236</u>	<u>1,321</u>	<u>9,601</u>
Expenditures						
Current:						
Public works	-	2	-	-	1,065	1,067
Community and economic development	897	113	3,972	541	-	5,523
Capital outlay	999	961	-	4	2,966	4,930
Total expenditures	<u>1,896</u>	<u>1,076</u>	<u>3,972</u>	<u>545</u>	<u>4,031</u>	<u>11,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29</u>	<u>4,339</u>	<u>(3,268)</u>	<u>(309)</u>	<u>(2,710)</u>	<u>(1,919)</u>
Other Financing Sources (Uses)						
Issuance of note payable	-	211	-	-	-	211
Transfers in	-	432	-	304	2,599	3,335
Transfers out	-	(4,780)	-	-	(367)	(5,147)
Total other financing sources and (uses)	<u>-</u>	<u>(4,137)</u>	<u>-</u>	<u>304</u>	<u>2,232</u>	<u>(1,601)</u>
Net change in fund balances	29	202	(3,268)	(5)	(478)	(3,520)
Fund Balances, Beginning (as restated)	<u>19</u>	<u>4,316</u>	<u>4,876</u>	<u>53</u>	<u>(732)</u>	<u>8,532</u>
Fund Balances, Ending	<u>\$ 48</u>	<u>\$ 4,518</u>	<u>\$ 1,608</u>	<u>\$ 48</u>	<u>\$ (1,210)</u>	<u>\$ 5,012</u>



NONMAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations and activities of the City that are financed and operated in a manner similar to a private business enterprise, and where the costs of providing services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The funds in this category are as follows:

Parking Fund – accounts for the operation and maintenance of the “on” and “off” street public parking facilities.

Airport Fund – accounts for the operation and maintenance of the airport facility.

Stormwater Fund – accounts for the operation and maintenance of the stormwater operation.

Cable Television Fund – accounts for the operation and maintenance of the Broadband Telecommunications Commission that oversees the franchise agreement with the cable television company, including production and broadcasting on the government television channels.

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

June 30, 2005
(amounts expressed in thousands)

	<u>Parking</u>	<u>Airport</u>	<u>Stormwater</u>	<u>Cable Television</u>	<u>Total</u>
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 2,365	\$ 21	\$ 528	\$ 810	\$ 3,724
Receivables:					
Accounts and unbilled usage	121	-	59	164	344
Interest	47	1	5	8	61
Notes	250	-	-	-	250
Due from other governments	-	117	-	-	117
Total current assets	<u>2,783</u>	<u>139</u>	<u>592</u>	<u>982</u>	<u>4,496</u>
Noncurrent assets:					
Restricted assets:					
Equity in pooled cash and investments	1,333	7	-	-	1,340
Capital assets:					
Land	3,938	7,976	2,130	-	14,044
Buildings and structures	25,039	3,406	-	741	29,186
Improvements other than buildings	-	408	-	-	408
Equipment and vehicles	327	184	127	106	744
Infrastructure	-	1,860	27,756	-	29,616
Accumulated depreciation	(10,037)	(2,819)	(4,459)	(168)	(17,483)
Construction in progress	-	369	-	-	369
Total noncurrent assets	<u>20,600</u>	<u>11,391</u>	<u>25,554</u>	<u>679</u>	<u>58,224</u>
Total assets	<u>23,383</u>	<u>11,530</u>	<u>26,146</u>	<u>1,661</u>	<u>62,720</u>
Liabilities					
Current liabilities:					
Accounts payable	111	8	12	3	134
Contracts payable	-	38	4	3	45
Accrued liabilities	117	7	6	40	170
Advances from other funds	-	1,259	-	-	1,259
Bonded debt payable (net of unamortized discounts)	615	-	-	-	615
Total current liabilities	<u>843</u>	<u>1,312</u>	<u>22</u>	<u>46</u>	<u>2,223</u>
Noncurrent liabilities:					
Liabilities payable from restricted assets:					
Interest payable	329	-	-	-	329
Deposits	2	9	-	-	11
Bonded debt payable (net of unamortized discounts)	10,949	-	-	-	10,949
Total noncurrent liabilities	<u>11,280</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>11,289</u>
Total liabilities	<u>12,123</u>	<u>1,321</u>	<u>22</u>	<u>46</u>	<u>13,512</u>
Net Assets					
Invested in capital assets, net of related debt	8,894	11,384	25,554	679	46,511
Restricted by bond ordinance	1,277	-	-	-	1,277
Restricted for future improvements	54	-	-	-	54
Reserved by grant agreement	-	-	-	-	-
Unrestricted	1,035	(1,175)	570	936	1,366
Total net assets	<u>\$ 11,260</u>	<u>\$ 10,209</u>	<u>\$ 26,124</u>	<u>\$ 1,615</u>	<u>\$ 49,208</u>

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2005
(amounts expressed in thousands)

	<u>Parking</u>	<u>Airport</u>	<u>Stormwater</u>	<u>Cable Television</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 4,045	\$ 220	\$ 592	\$ 708	\$ 5,565
Miscellaneous	<u>125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125</u>
Total operating revenues	<u>4,170</u>	<u>220</u>	<u>592</u>	<u>708</u>	<u>5,690</u>
Operating Expenses:					
Personal services	1,505	69	83	402	2,059
Commodities	105	26	721	26	878
Services and charges	<u>767</u>	<u>205</u>	<u>57</u>	<u>143</u>	<u>1,172</u>
	2,377	300	861	571	4,109
Depreciation	<u>944</u>	<u>221</u>	<u>591</u>	<u>38</u>	<u>1,794</u>
Total operating expenses	<u>3,321</u>	<u>521</u>	<u>1,452</u>	<u>609</u>	<u>5,903</u>
Operating income (loss)	<u>849</u>	<u>(301)</u>	<u>(860)</u>	<u>99</u>	<u>(213)</u>
Nonoperating Revenues (Expenses):					
Interest income	190	1	9	17	217
Interest expense	<u>(682)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(682)</u>
Total nonoperating revenues (expenses)	<u>(492)</u>	<u>1</u>	<u>9</u>	<u>17</u>	<u>(465)</u>
Income (loss) before transfers	357	(300)	(851)	116	(678)
Capital contributions	-	283	755	-	1,038
Transfers in	-	174	234	-	408
Transfers out	<u>(300)</u>	<u>-</u>	<u>-</u>	<u>(153)</u>	<u>(453)</u>
Change in net assets	57	157	138	(37)	315
Net Assets, Beginning (as restated)	<u>11,203</u>	<u>10,052</u>	<u>25,986</u>	<u>1,652</u>	<u>48,893</u>
Net Assets, Ending	<u>\$ 11,260</u>	<u>\$ 10,209</u>	<u>\$ 26,124</u>	<u>\$ 1,615</u>	<u>\$ 49,208</u>

CITY OF IOWA CITY, IOWA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2005
(amounts expressed in thousands)

	Parking	Airport	Stormwater	Cable Television	Total
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 4,061	\$ 225	\$ 590	\$ 708	\$ 5,584
Payments to suppliers	(777)	(227)	(69)	(170)	(1,243)
Payments to employees	(1,498)	(78)	(82)	(398)	(2,056)
Net cash flows from operating activities	1,786	(80)	439	140	2,285
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	-	174	234	-	408
Transfers to other funds	(300)	-	-	(153)	(453)
Repayment of notes receivable	194	-	-	-	194
Repayment of advances from other funds	-	(112)	(10)	-	(122)
Net cash flows from noncapital financing activities	(106)	62	224	(153)	27
Cash Flows From Capital and Related Financing Activities					
Capital grants received	-	283	-	-	283
Acquisition and construction of property and equipment	(5)	(237)	(139)	-	(381)
Principal paid on bonded debt	(595)	-	-	-	(595)
Interest paid on bonded debt	(686)	-	-	-	(686)
Net cash flows from capital and related financing activities	(1,286)	46	(139)	-	(1,379)
Cash Flows From Investing Activities					
Interest on investments	153	-	4	9	166
Net increase (decrease) in cash and cash equivalents	547	28	528	(4)	1,099
Cash and Cash Equivalents, Beginning	3,151	-	-	814	3,965
Cash and Cash Equivalents, Ending	\$ 3,698	\$ 28	\$ 528	\$ 810	\$ 5,064
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 849	\$ (301)	\$ (860)	\$ 99	\$ (213)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation expense	944	221	591	38	1,794
Changes in:					
Receivables:					
Accounts and unbilled usage	(109)	-	(2)	-	(111)
Due from other governments	-	(2)	-	-	(2)
Accounts payable	95	4	709	(1)	807
Accrued liabilities	7	(9)	1	4	3
Deposits	-	7	-	-	7
Total adjustments	937	221	1,299	41	2,498
Net cash flows from operating activities	\$ 1,786	\$ (80)	\$ 439	\$ 140	\$ 2,285
Noncash Investing, Capital, and Financing Activities:					
Contributions of capital assets from government and others	\$ -	\$ -	\$ 755	\$ -	\$ 755

INTERNAL SERVICE FUNDS

Internal Service Funds account for goods and services provided by one department to other City departments on a cost-reimbursement basis. The funds in this category are:

Equipment Maintenance Fund – accounts for the provision of maintenance for City vehicles and equipment and vehicle rental to other City departments from a central vehicle pool.

Central Services Fund – accounts for the support services of photocopying, paper supplies, mail, overnight shipping, and two-way radios provided to other City departments.

Loss Reserve Fund – accounts for the property, liability, Workers' Compensation and health insurance premiums and claims activity for City departments, including the self-insured retention portion.

Information Technology Fund – accounts for the accumulation and allocation of costs associated with telecommunications and data processing, including the operation and replacement of equipment.

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS**

June 30, 2005

(amounts expressed in thousands)

	<u>Equipment Maintenance</u>	<u>Central Services</u>	<u>Loss Reserve</u>	<u>Information Technology</u>	<u>Total</u>
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 3,698	\$ 329	\$ 4,864	\$ 2,052	\$ 10,943
Receivables:					
Accounts and unbilled usage			96	-	96
Interest	42	3	48	24	117
Due from other governments	46	-	-	-	46
Inventories	240	-	-	-	240
Total current assets	<u>4,026</u>	<u>332</u>	<u>5,008</u>	<u>2,076</u>	<u>11,442</u>
Noncurrent assets:					
Restricted assets:					
Equity in pooled cash and investments	1	-	-	-	1
Capital assets:					
Land	45	-	-	-	45
Buildings and structures	578	-	-	269	847
Improvements other than buildings	50	-	-	-	50
Equipment and vehicles	10,321	263	-	1,574	12,158
Infrastructure	-	-	-	940	940
Accumulated depreciation	(6,583)	(147)	-	(1,134)	(7,864)
Construction in progress	89	-	-	-	89
Total noncurrent assets	<u>4,501</u>	<u>116</u>	<u>-</u>	<u>1,649</u>	<u>6,266</u>
Total assets	<u>8,527</u>	<u>448</u>	<u>5,008</u>	<u>3,725</u>	<u>17,708</u>
Liabilities					
Accounts payable	188	2	464	53	707
Accrued liabilities	75	2	1,509	50	1,636
Total liabilities	<u>263</u>	<u>4</u>	<u>1,973</u>	<u>103</u>	<u>2,343</u>
Net Assets					
Invested in capital assets, net of related debt	4,500	116	-	1,649	6,265
Unrestricted	<u>3,764</u>	<u>328</u>	<u>3,035</u>	<u>1,973</u>	<u>9,100</u>
Total net assets	<u>\$ 8,264</u>	<u>\$ 444</u>	<u>\$ 3,035</u>	<u>\$ 3,622</u>	<u>\$ 15,365</u>

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2005
(amounts expressed in thousands)

	<u>Equipment Maintenance</u>	<u>Central Services</u>	<u>Loss Reserve</u>	<u>Information Technology</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 3,021	\$ 291	\$ 6,245	\$ 1,713	\$ 11,270
Total operating revenues	<u>3,021</u>	<u>291</u>	<u>6,245</u>	<u>1,713</u>	<u>11,270</u>
Operating Expenses:					
Personal services	689	24	145	544	1,402
Commodities	1,100	9	5	144	1,258
Services and charges	297	159	5,963	664	7,083
	<u>2,086</u>	<u>192</u>	<u>6,113</u>	<u>1,352</u>	<u>9,743</u>
Depreciation	1,074	33	-	248	1,355
Total operating expenses	<u>3,160</u>	<u>225</u>	<u>6,113</u>	<u>1,600</u>	<u>11,098</u>
Operating income (loss)	<u>(139)</u>	<u>66</u>	<u>132</u>	<u>113</u>	<u>172</u>
Nonoperating Revenues (Expenses):					
Gain on disposal of equipment	125	-	-	3	128
Interest income	83	7	95	50	235
Total nonoperating revenues	<u>208</u>	<u>7</u>	<u>95</u>	<u>53</u>	<u>363</u>
Income before transfers	69	73	227	166	535
Transfers in	165	-	-	36	201
Change in net assets	234	73	227	202	736
Net Assets, Beginning	<u>8,030</u>	<u>371</u>	<u>2,808</u>	<u>3,420</u>	<u>14,629</u>
Net Assets, Ending	<u>\$ 8,264</u>	<u>\$ 444</u>	<u>\$ 3,035</u>	<u>\$ 3,622</u>	<u>\$ 15,365</u>

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2005
(amounts expressed in thousands)

	<u>Equipment Maintenance</u>	<u>Central Services</u>	<u>Loss Reserve</u>	<u>Information Technology</u>	<u>Total</u>
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 3,019	\$ 291	\$ 6,203	\$ 1,713	\$ 11,226
Payments to suppliers	(1,323)	(175)	(5,794)	(778)	(8,070)
Payments to employees	(686)	(24)	(113)	(551)	(1,374)
Net cash flows from operating activities	<u>1,010</u>	<u>92</u>	<u>296</u>	<u>384</u>	<u>1,782</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	<u>165</u>	<u>-</u>	<u>-</u>	<u>36</u>	<u>201</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of property and equipment	(1,198)	(7)	-	(100)	(1,305)
Proceeds from sale of property	<u>249</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>252</u>
Net cash flows from capital and related financing activities	<u>(949)</u>	<u>(7)</u>	<u>-</u>	<u>(97)</u>	<u>(1,053)</u>
Cash Flows From Investing Activities					
Interest on investments	<u>56</u>	<u>5</u>	<u>66</u>	<u>33</u>	<u>160</u>
Net increase in cash and cash equivalents	282	90	362	356	1,090
Cash and Cash Equivalents, Beginning	<u>3,417</u>	<u>239</u>	<u>4,502</u>	<u>1,696</u>	<u>9,854</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,699</u>	<u>\$ 329</u>	<u>\$ 4,864</u>	<u>\$ 2,052</u>	<u>\$ 10,944</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ (139)	\$ 66	\$ 132	\$ 113	\$ 172
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation expense	1,074	33	-	248	1,355
Changes in:					
Receivables:					
Accounts and unbilled usage	-	-	(42)	-	(42)
Due from other governments	(2)	-	-	-	(2)
Inventories	(30)	-	-	-	(30)
Accounts payable	104	(7)	174	30	301
Accrued liabilities	3	-	32	(7)	28
Total adjustments	<u>1,149</u>	<u>26</u>	<u>164</u>	<u>271</u>	<u>1,610</u>
Net cash flows from operating activities	<u>\$ 1,010</u>	<u>\$ 92</u>	<u>\$ 296</u>	<u>\$ 384</u>	<u>\$ 1,782</u>

AGENCY FUNDS

The Agency Funds account for assets held by the City in a trustee or custodial capacity for other entities, such as individuals, private organizations, or other governmental units. The funds in this category are:

Project Green Fund – accounts for donations that are received to plant and develop yards and lawns, both public and private, within Iowa City.

Library Foundation – accounts for donations that are made to support the library development office.

Parks and Recreation Foundation – accounts for donations that are received for park improvements.

PATV – accounts for investments made on behalf of Public Access Television.

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS**

For the Year Ended June 30, 2005
(amounts expressed in thousands)

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
Project Green				
Assets				
Equity in pooled cash and investments	\$ 251	\$ 58	\$ 106	\$ 203
Interest receivable	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>
Total assets	<u>\$ 252</u>	<u>\$ 60</u>	<u>\$ 107</u>	<u>\$ 205</u>
Liabilities				
Accounts payable	\$ 18	\$ 6	\$ 18	\$ 6
Due to agency	<u>234</u>	<u>54</u>	<u>89</u>	<u>199</u>
Total liabilities	<u>\$ 252</u>	<u>\$ 60</u>	<u>\$ 107</u>	<u>\$ 205</u>
Library Foundation				
Assets				
Equity in pooled cash and investments	\$ 1	\$ -	\$ 1	\$ -
Accounts receivable	<u>19</u>	<u>16</u>	<u>19</u>	<u>16</u>
Total assets	<u>\$ 20</u>	<u>\$ 16</u>	<u>\$ 20</u>	<u>\$ 16</u>
Liabilities				
Accounts payable	\$ 16	\$ 12	\$ 16	\$ 12
Accrued liabilities	4	3	4	3
Due to agency	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total liabilities	<u>\$ 20</u>	<u>\$ 16</u>	<u>\$ 20</u>	<u>\$ 16</u>
Parks and Recreation Foundation				
Assets				
Equity in pooled cash and investments	<u>\$ 50</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 51</u>
Liabilities				
Accounts payable	<u>\$ 50</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 51</u>

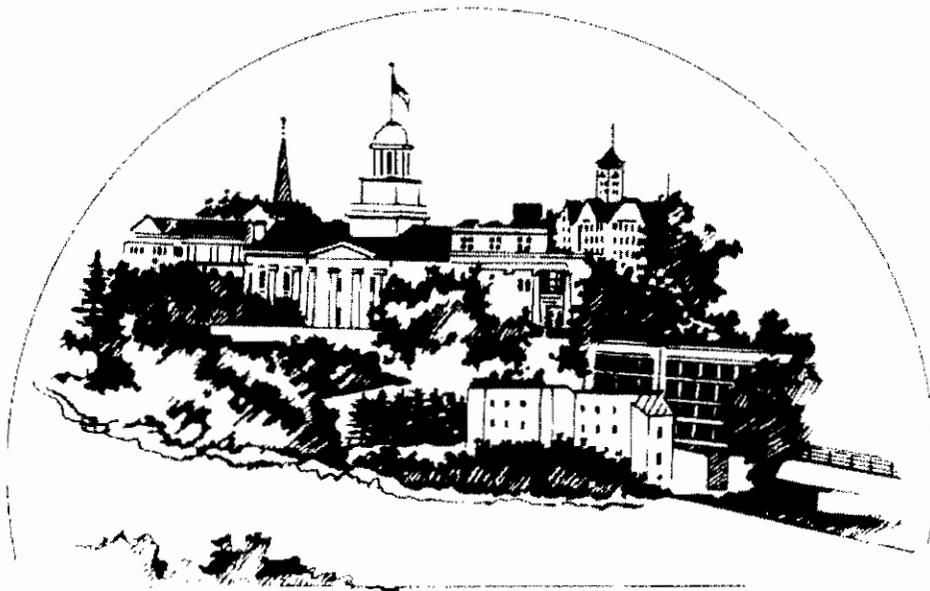
(continued)

CITY OF IOWA CITY, IOWA

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (continued)
AGENCY FUNDS**

For the Year Ended June 30, 2005
(amounts expressed in thousands)

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
PATV				
Assets				
Equity in pooled cash and investments	\$ 94	\$ 98	\$ 93	\$ 99
Interest receivable	-	1	-	1
	<u>\$ 94</u>	<u>\$ 99</u>	<u>\$ 93</u>	<u>\$ 100</u>
Liabilities				
Due to agency	\$ 94	\$ 99	\$ 93	\$ 100
	<u>\$ 94</u>	<u>\$ 99</u>	<u>\$ 93</u>	<u>\$ 100</u>
Total Agency Funds				
Assets				
Equity in pooled cash and investments	\$ 396	\$ 157	\$ 200	\$ 353
Accounts receivable	19	16	19	16
Interest receivable	1	3	1	3
Total assets	<u>\$ 416</u>	<u>\$ 176</u>	<u>\$ 220</u>	<u>\$ 372</u>
Liabilities				
Accounts payable	\$ 84	\$ 19	\$ 34	\$ 69
Accrued liabilities	4	3	4	3
Due to agency	328	154	182	300
Total liabilities	<u>\$ 416</u>	<u>\$ 176</u>	<u>\$ 220</u>	<u>\$ 372</u>

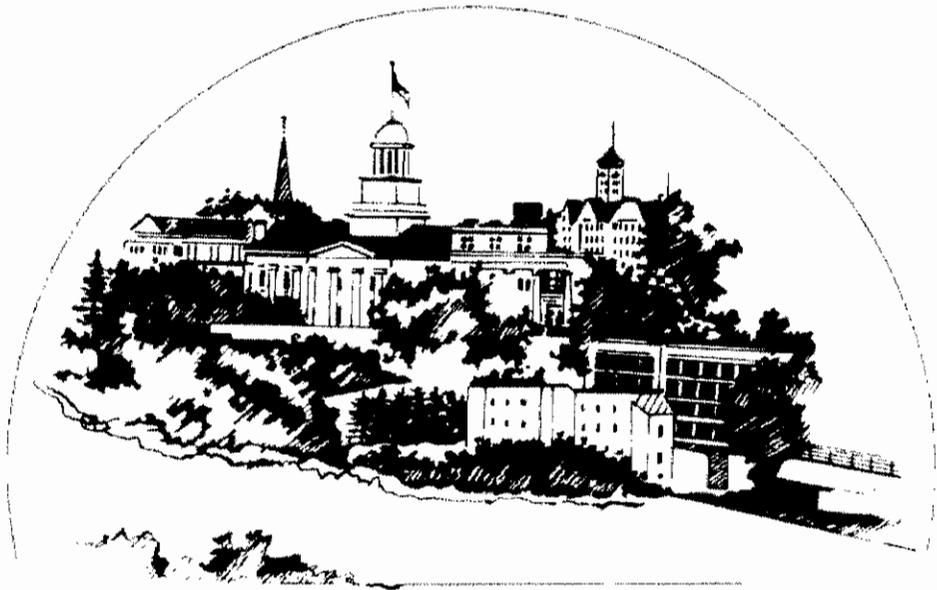


CITY OF IOWA CITY, IOWA

GOVERNMENT-WIDE REVENUES

(amounts expressed in thousands)

Fiscal Year Ended June 30	PROGRAM REVENUES			GENERAL REVENUES					Total
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Taxes	Gain on Disposal of Capital Assets	Unrestricted Investment Earnings	Miscellaneous		
2003	\$ 39,366	\$ 9,624	\$ 3,922	\$ 38,811	\$ -	\$ 1,090	\$ 4,168	\$ 96,981	
2004	40,177	9,109	8,451	41,093	1,074	2,047	4,081	106,032	
2005	39,786	9,604	10,066	41,947	399	3,347	4,412	109,561	



CITY OF IOWA CITY, IOWA

GENERAL GOVERNMENTAL* EXPENDITURES BY FUNCTION
AND TRANSFERS TO OTHER FUNDS

Last Ten Fiscal Years

(amounts expressed in thousands)

General Fund

Fiscal Year Ended June 30	Community Protection¹	Human Development²	Home and Community Environment³	Policy and Administration⁴	Capital Outlay
1996	\$ 9,389	\$ 5,849	\$ 2,876	\$ 4,682	\$ 2,181
1997	9,524	6,299	3,252	4,860	1,005
1998	10,310	6,405	3,245	5,477	1,451
** 1999	10,991	6,552	3,606	5,232	2,232
2000	12,085	7,765	4,499	5,453	2,900
2001	12,337	8,268	5,316	5,493	1,318
*** 2002	13,181	8,459	3,856	5,838	1,089

Notes:

* General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

** In FY99, Housing Authority was reported as an Enterprise Fund.

*** In FY02, Economic Development was added to the Special Revenue Funds.

¹Includes Police, Fire, Housing and Inspection Services and Traffic Engineering.

²Includes Recreation, Library, Senior Center, Parks and Animal Control.

³Includes Engineering, Streets Maintenance, Forestry and Cemetery and Public Works Administration.

⁴Includes Legislative, Executive, Financial Administration, Government Buildings, Escrows, Clearing Accounts and Planning and Community Development.

Fiscal Year Ended June 30	Public Safety⁵	Public Works⁶	Culture and Recreation⁷	Community and Economic Development⁸	General Government⁹
2003	\$ 13,115	\$ 8,149	\$ 8,061	\$ 3,715	\$ 5,887
2004	14,025	9,156	9,392	3,486	6,080
2005	14,601	9,698	9,183	6,375	6,282

Notes:

Includes all funds except for proprietary funds.

⁵Includes Police, Fire, Animal Control and Housing and Inspection Services.

⁶Includes Recreation, Library, Senior Center, Cemetery and Parks.

⁷Includes Engineering, Streets Maintenance, Traffic Engineering, Forestry, Transit and Public Works Administration.

⁸Includes Planning and Community Development, Community Development Block Grant and Johnson County Council of Governments.

⁹Includes Legislative, Executive, Financial Administration, Government Buildings, Escrows and Clearing Accounts.

Special Revenue Funds

Community Development <u>Block Grant</u>	Other Shared Revenue and Grants	Employee Benefits	*** Economic <u>Development</u>	** Housing <u>Authority</u>	Debt <u>Service</u>	Transfers to <u>Other Funds</u>	<u>Total</u>
\$ 2,615	\$ 150	\$ 159	\$ -	\$ 6,450	\$ 2,519	\$ 9,744	\$ 46,614
1,758	66	210	-	4,392	1,963	12,361	45,690
2,235	117	178	-	4,591	2,727	10,575	47,311
1,802	265	215	-	-	3,490	11,466	45,851
1,550	157	145	-	-	4,278	13,895	52,727
1,968	226	259	-	-	5,304	13,409	53,898
1,941	98	371	3	-	5,735	12,891	53,462

Debt <u>Service</u>	Capital <u>Outlay</u>	Transfers to Other Funds	<u>Total</u>
\$ 8,425	\$ 20,095	\$ 14,554	\$ 82,001
8,508	16,065	16,733	83,445
13,025	13,939	15,237	88,340

CITY OF IOWA CITY, IOWA

**GENERAL GOVERNMENTAL* REVENUES
BY SOURCE AND TRANSFERS FROM OTHER FUNDS**

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended <u>June 30</u>	Property <u>Taxes</u>	Licenses and <u>Permits</u>	Intergov- ernmental <u>Revenue</u>	Charges for <u>Services</u>
1996	\$ 19,255	\$ 559	\$ 15,001	\$ 2,657
1997	19,659	625	12,980	2,804
1998	20,635	651	12,881	2,488
** 1999	22,153	676	8,372	2,807
2000	24,271	707	9,158	2,850
2001	27,071	689	11,793	2,895
2002	28,623	874	9,054	3,180
*** 2003	31,977	961	12,193	4,663
2004	35,538	1,361	12,058	3,240
2005	36,677	1,255	15,546	3,301

Notes:

- * Includes General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
- ** In FY99, Housing Authority was reported as an Enterprise Fund.
- *** In FY03, Transit became part of the General Fund. Also in FY03, Capital Projects Funds are included.

Use of Money and <u>Property</u>	<u>Miscellaneous</u>	Transfers from <u>Other Funds</u>	<u>Total</u>
\$ 1,306	\$ 1,885	\$ 6,485	\$ 47,148
1,344	1,861	7,068	46,341
1,645	2,057	7,209	47,566
1,076	2,116	7,384	44,584
898	2,243	8,421	48,548
1,080	2,175	7,906	53,609
860	2,833	9,090	54,514
986	2,569	15,172	68,521
1,002	4,377	14,614	72,190
1,354	4,121	15,776	78,030

CITY OF IOWA CITY, IOWA
PROPERTY TAX BUDGETS AND COLLECTIONS

Last Ten Fiscal Years
(Cash Basis)

(amounts expressed in thousands)

Assessment Year	Collection Year	Total Tax Budgeted	Current Tax Collections	Percent of		Delinquent Tax Collections	Total Tax Collections	Total as a Percent of Current Budget
				Budget Collected	%			
1994	1995-96	\$ 19,264	\$ 19,234	99.8	%	14	\$ 19,248	99.9 %
1995	1996-97	19,766	19,765	100.0		17	19,782	100.1
1996	1997-98	20,807	20,521	98.6		8	20,529	98.7
1997	1998-99	21,735	21,842	100.5		22	21,864	100.6
1998	1999-00	23,945	23,989	100.2		5	23,994	100.2
1999	2000-01	26,089	25,684	98.4		31	25,715	98.6
2000	2001-02	27,920	28,423	101.8		5	28,428	101.8
2001	2002-03	31,975	31,863	99.6		16	31,879	99.7
2002	2003-04	34,073	34,009	99.8		23	34,032	99.9
2003	2004-05	34,403	34,814	101.2		15	34,829	101.2

CITY OF IOWA CITY, IOWA
PROPERTY TAX RATES AND TAX DOLLARS BUDGETED

Fiscal Year Ended June 30	Tax Rates¹									
	General	Library	Employee Benefits	Emergency	Tort Liability	Debt Service	Transit	Total City Tax Rate	Agri- cultural Land Tax Rate	
1996	\$ 8,100	\$ 0.270	\$ 1,963	\$ -	\$ -	\$ 1,709	\$ 0.950	\$ 12,992	\$ 3,004	
1997	8,100	0.270	2,133	-	-	1,200	0.950	12,653	3,004	
1998	8,100	0.270	2,026	-	-	1,704	0.950	13,050	3,004	
1999	8,100	0.270	1,834	-	0.111	1,868	0.950	13,133	3,004	
2000	8,100	0.270	2,009	-	0.222	2,300	0.950	13,851	3,004	
2001	8,100	0.270	1,955	0.270	0.222	2,990	0.950	14,757	3,004	
2002	8,100	0.270	2,111	0.270	0.206	2,945	0.949	14,850	3,004	
2003	8,100	0.270	2,847	0.270	0.216	4,161	0.950	16,814	3,004	
2004	8,100	0.270	3,192	0.270	0.244	4,570	0.950	17,596	3,004	
2005	8,100	0.270	3,423	0.270	0.347	3,954	0.950	17,314	3,004	

Fiscal Year Ended June 30	Tax Dollars Budgeted²									
	General	Library	Employee Benefits	Emergency	Tort Liability	Debt Service	Transit	Agri- cultural Land	Total	
1996	\$ 11,998	\$ 400	\$ 2,908	\$ -	\$ -	\$ 2,545	\$ 1,407	\$ 6	\$ 19,264	
1997	12,637	421	3,327	-	-	1,892	1,482	7	19,766	
1998	12,893	430	3,225	-	-	2,740	1,512	7	20,807	
1999	13,380	446	3,030	-	183	3,120	1,569	7	21,735	
2000	13,982	466	3,468	-	381	4,002	1,640	6	23,945	
2001	14,296	477	3,451	477	392	5,312	1,677	7	26,089	
2002	15,191	506	3,963	506	402	5,563	1,782	7	27,920	
2003	15,391	513	5,409	513	410	7,927	1,805	7	31,975	
2004	15,654	522	6,169	522	471	8,892	1,836	7	34,073	
2005	16,231	541	6,859	541	696	8,015	1,904	6	34,793	

Notes:

¹ Tax rate per \$1,000 of taxable valuation.

² Amounts expressed in thousands.

CITY OF IOWA CITY, IOWA

PROPERTY TAX, ROAD USE TAX AND HOTEL/MOTEL TAX REVENUES

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	<u>Property Tax</u>	<u>Road Use Tax</u>	<u>Hotel/Motel Tax</u>	<u>Total</u>
1996	\$ 19,255	\$ 4,106	\$ 464	\$ 23,825
1997	19,659	4,253	427	24,339
1998	20,635	4,087	501	25,223
1999	22,153	4,575	570	27,298
2000	24,271	4,928	554	29,753
2001	27,071	4,852	497	32,420
2002	28,623	5,077	646	34,346
2003	31,966	5,103	559	37,628
2004	35,538	5,311	580	41,429
2005	36,677	5,269	611	42,557

CITY OF IOWA CITY, IOWA

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
AND EXEMPT PROPERTY**

Last Ten Fiscal Years

(amounts expressed in thousands)

<u>Assessment January 1</u>	<u>Collection Year Ended June 30</u>	<u>Taxable Property Assessed Value/ Estimated Actual Value</u>	<u>Exempt Property Value</u>
1996	1998	\$ 2,185,167	\$ 111,672
1997	1999	2,373,523	114,154
1998	2000	2,423,557	123,068
1999	2001	2,597,827	128,115
2000	2002	2,699,944	136,493
2001	2003	2,920,580	137,713
2002	2004	2,975,254	152,991
2003	2005	3,214,973	155,407
2004	2006	3,322,001	176,188
2005	2007	3,829,754	181,186

Source: City of Iowa City Assessor's Office

Notes:

Property is reassessed in the odd numbered years to make adjustments to all property values, according to current market values.

As per the Code of Iowa, all real and tangible personal property subject to taxation shall be valued at its actual value and, except as otherwise provided, shall be reassessed at 100% of its actual value, and the value so assessed shall be taken and considered as the assessed value and taxable value of the property upon which the levy shall be made.

Taxable property includes real property, buildings and structures, industrial plant and fixtures, commercial equipment assessed as real property and utilities distribution property.

Exempt property includes all property that is owned by religious and educational institutions, charitable and benevolent societies, low-rent housing and associations for war veterans. Each must apply for property tax exempt status with the City Assessor, who determines if the property qualifies under state guidelines. Exempt property is assessed each year like other taxable property. Property owned by governmental entities is not

CITY OF IOWA CITY, IOWA

PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

(per \$1,000 assessed valuation)

Collection Year	Iowa City School District	City of Iowa City	Johnson County¹	Kirkwood Community College	State of Iowa	Total	Ratio of Iowa City to Total
1995-96	\$ 12.634	\$ 12.992	\$ 5.790	\$ 0.593	\$ 0.005	\$ 32.014	40.6 %
1996-97	12.130	12.653	5.515	0.589	0.005	30.892	41.0
1997-98	12.220	13.050	5.414	0.595	0.005	31.284	41.7
1998-99	12.075	13.133	5.747	0.567	0.005	31.527	41.7
1999-00	11.696	13.851	5.947	0.613	0.005	32.112	43.1
2000-01	11.833	14.757	5.901	0.607	0.005	33.104	44.6
2001-02	11.540	14.850	5.802	0.607	0.005	32.803	45.3
2002-03	12.210	16.813	6.061	0.666	0.004	35.754	47.0
2003-04	12.865	17.596	6.102	0.679	0.004	37.246	47.2
2004-05	12.875	17.314	6.166	0.668	0.004	37.027	46.8

Source: "Tax Levies for Johnson County, Iowa," compiled by the Johnson County Auditor.

Note:

¹Includes Johnson County, the City of Iowa City Assessor and Agricultural Extension levies.

CITY OF IOWA CITY, IOWA

PRINCIPAL TAXPAYERS AND EMPLOYERS

Fiscal Year Ended June 30, 2005

(amounts expressed in thousands)

<u>Ten largest taxpayers¹</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>% of Total Assessed Valuation</u>
Mid-American Energy Company ²	Public Gas and Electric Utility	\$ 46,919	1.46 %
ACT Inc. (formerly American College Testing Program)	Educational Testing Service	26,902	0.84
James & Loretta Clark	Apartments	26,252	0.82
Southgate Development Company	Real Estate Developer	18,475	0.57
NCS Pearson	Information Services	16,159	0.50
Moen Group	Real Estate Developer	11,824	0.37
M G D LC (Sycamore Mall)	Shopping Mall	11,457	0.36
Procter & Gamble Manufacturing Company	Personal Products Manufacturing	10,523	0.33
MIP Iowa City LLC (Sheraton Hotel)	Hotel	10,200	0.32
OC Group LC (Old Capitol Mall)	Shopping Mall	<u>9,262</u>	0.29
Total		<u>\$ 187,973</u>	<u>5.85 %</u>

<u>Ten major employers³</u>	<u>Employees</u>
University of Iowa	24,627
Iowa City Community School District	1,600
Veterans Administration Medical Center	1,241
ACT Inc. (formerly American College Testing Program)	1,200
Mercy Hospital	1,250
Hy-Vee	1,153
NCS Pearson	1,050
City of Iowa City	986
Lear Corporation	930
Gillette Canada (Oral B Laboratories)	500

Sources:

¹City of Iowa City Assessor's Office-2003 Annual Report - Assessment January 1, 2003, payable 2005

²State Department of Revenue

³Iowa Workforce Development and Iowa City Area Chamber of Commerce (including full- and part-time employees)

CITY OF IOWA CITY, IOWA

SPECIAL ASSESSMENT COLLECTIONS

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	Special Assessments Billed	Special Assessments Collected	Ratio of Collection to Amount Billed	Total Outstanding Assessments
1996	\$ 36	\$ 50	138.9	\$ 225
1997	22	80	363.6	145
1998	17	31	182.4	114
1999	15	21	140.0	89
2000	15	32	213.3	57
2001	9	12	133.3	48
2002	9	9	100.0	35
2003	9	7	77.8	27
2004	9	9	100.0	18
2005	9	13	144.4	5

Source: Johnson County Treasurer's Office

Note:

"Special Assessments Collected" includes amounts received on special assessments, past due assessments and future installments.

CITY OF IOWA CITY, IOWA

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT¹
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita)

Assessment as of January 1	Population	Assessed Value ²	Gross Bonded Debt	Debt Payable from Proprietary and		Debt Service Fund Balance	Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
				Expendable Trust Funds					
1996	59,738	\$ 2,185,167	\$ 29,430	\$ 20,399	\$ 655	\$ 8,376	3.83:1000	\$ 140	
1997	60,148	2,373,523	31,390	17,144	643	13,603	5.73:1000	226	
1998	60,148	2,423,557	41,675	20,903	616	20,156	8.32:1000	335	
1999	60,148	2,597,827	46,165	18,832	347	26,986	10.39:1000	449	
2000	60,148	2,699,944	41,190	16,762	192	24,236	8.98:1000	403	
2001	62,220	2,920,580	61,565	14,868	494	46,203	15.82:1000	743	
2002	62,220	2,975,254	85,260	13,061	464	71,735	24.12:1000	1,153	
2003	62,380	3,214,973	83,000	11,359	4,448	67,193	20.90:1000	1,077	
2004	62,380	3,322,001	85,085	9,640	6,930	68,515	20.62:1000	1,098	
2005	62,380	3,829,754	85,290	8,275	3,067	73,948	19.31:1000	1,185	

Notes:

¹General Obligation bonds.

²Obtained from the City of Iowa City Assessor's Office.

CITY OF IOWA CITY, IOWA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL* EXPENDITURES**

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service	Total General Governmental Expenditures and Transfers	Ratio of Debt Service to General Expenditures
1996	\$ 1,939	\$ 580	\$ 2,519	\$ 46,614	.05 : 1.00
1997	1,499	464	1,963	45,690	.04 : 1.00
1998	1,988	739	2,727	47,311	.06 : 1.00
1999	2,452	1,038	3,490	45,851	.08 : 1.00
2000	2,918	1,360	4,278	52,727	.08 : 1.00
2001	3,541	1,763	5,304	53,898	.10 : 1.00
2002	3,599	2,136	5,735	53,462	.11 : 1.00
** 2003	4,742	3,683	8,425	82,001	.10 : 1.00
2004	5,172	3,336	8,508	83,445	.10 : 1.00
2005	9,349	3,676	13,025	88,342	.15 : 1.00

* General Fund, Special Revenue Funds and Debt Service Fund.

** Beginning in FY03, Capital Projects Funds are also included.

CITY OF IOWA CITY, IOWA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2005

(amounts expressed in thousands, except per capita)

<u>Name of Governmental Unit</u>	<u>Total General Long-Term Bonded Debt Outstanding</u>	<u>% Applicable to the City of Iowa City</u>	<u>Amount Applicable to the City of Iowa City</u>	<u>Per Capita</u>
City of Iowa City	\$ 85,290	100.00%	\$ 85,290	\$ 1,364
Iowa City Community School District	<u>36,445</u>	61.18%	<u>22,296</u>	<u>357</u>
Total	<u>\$ 121,735</u>		<u>\$ 107,586</u>	<u>\$ 1,721</u>
Per capita assessed valuc				<u>\$ 53,254</u>

Source: Johnson County Auditor's Office

CITY OF IOWA CITY, IOWA
SCHEDULE OF REVENUE BOND COVERAGE

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	Revenue	Expenses ¹	Net Revenue Available for Debt Service	Annual Debt Service			Ratio of Coverage
				Principal	Interest	Total	
Parking Revenue²							
1996	\$ 3,252	\$ 1,465	\$ 1,787	\$ 310	\$ 316	\$ 626	2.85
1997	3,338	1,950	1,388	330	218	548	2.53
1998	3,822	1,770	2,052	390	195	585	3.51
1999	3,653	1,713	1,940	415	168	583	3.33
2000	3,716	1,861	1,855	455	139	594	3.12
2001	4,309	2,176	2,133	485	836	1,321	1.61
2002	4,272	1,960	2,312	510	746	1,256	1.84
2003	4,198	1,953	2,245	375	715	1,090	2.06
2004	4,164	2,319	1,845	395	687	1,082	1.71
2005	4,360	2,377	1,983	305	663	968	2.05
Wastewater Treatment Revenue³							
1996	\$ 9,656	\$ 2,506	\$ 7,150	\$ 1,230	\$ 2,205	\$ 3,435	2.08
1997	11,040	2,739	8,301	1,295	2,923	4,218	1.97
1998	11,066	2,809	8,257	1,490	3,382	4,872	1.69
1999	11,362	2,987	8,375	2,065	3,519	5,584	1.50
2000	11,872	3,259	8,613	2,160	3,691	5,851	1.47
2001	12,824	3,248	9,576	2,505	3,589	6,094	1.57
2002	12,501	3,389	9,112	3,005	4,236	7,241	1.26
2003	13,000	4,463	8,537	3,060	4,385	7,445	1.15
2004	12,947	4,523	8,424	3,280	3,672	6,952	1.21
2005	12,600	4,432	8,168	3,630	3,537	7,167	1.14
Water Revenue⁴							
1999	\$ 8,571	\$ 3,295	\$ 5,276	\$ -	\$ -	\$ -	0.00
2000	9,626	3,384	6,242	-	299	299	20.88
2001	10,629	3,410	7,219	140	445	585	12.34
2002	10,179	3,428	6,751	705	1,175	1,880	3.59
2003	10,241	4,361	5,880	500	1,088	1,588	3.70
2004	10,627	4,360	6,267	925	1,427	2,352	2.66
2005	9,287	4,783	4,504	845	1,340	2,185	2.06

Notes:

¹Excludes depreciation and interest.

²Parking Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.25.

³Wastewater Treatment Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.10.

⁴Water Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.10.

CITY OF IOWA CITY, IOWA
DEMOGRAPHIC STATISTICS

<u>Calendar Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>Median Family Income</u>	<u>Education Level¹</u>	<u>Retail Sales² (Approx.)</u>
1950	27,212	N/A	25.3	\$ 3,245	68.1 %	\$ 34,993,000
1960	33,443	\$ 1,914	24.1	5,769	69.5	46,607,000
1970	46,850	3,025	22.6	9,942	82.1	84,322,000
1974	47,744	4,465	23.4	9,942	82.1	125,920,000
1980	50,508	7,247	24.6	22,325	89.5	215,305,000
1990	59,738	13,277	24.8	39,259	93.9	464,800,000
1996	60,148	N/A	24.8	N/A	N/A	657,700,000
2000	62,380	20,269	25.4	57,568	94.8	756,100,000

Source: U.S. Department of Commerce, Bureau of the Census

Notes:

¹Percent of Population completing 12 years of formal schooling or more.

²Iowa Retail Sales & Use Report, Iowa Department of Revenue and Finance.

N/A - Not Available

<u>Fiscal Year Ended June 30</u>	<u>School Enrollment</u>		<u>Unemployment Rate⁵</u>
	<u>Public³</u>	<u>Private⁴</u>	
1996	10,448	921	2.7
1997	10,444	850	2.8
1998	10,562	868	2.4
1999	10,592	887	2.5
2000	10,619	924	2.0
2001	10,674	929	2.4
2002	10,785	912	3.2
2003	10,768	932	3.5
2004	10,943	942	4.0
2005	10,945	921	2.9

Sources:

³Iowa City Community School District

⁴Local private schools

⁵Iowa Workforce Development Center

CITY OF IOWA CITY, IOWA

PROPERTY VALUE, BUILDING PERMITS AND BANK DEPOSITS

Last Ten Fiscal Years

(dollar amounts expressed in thousands)

Fiscal Year Ended June 30	Property Value¹		New Construction	
	Real	Exempt	Number of Permits	Value of Permits²
	1996	\$ 2,185,167	\$ 111,672	145
1997	2,373,523	114,154	161	45,339
1998	2,423,557	123,068	224	34,966
1999	2,597,827	128,115	320	45,381
2000	2,699,944	136,493	277	125,129
2001	2,920,580	137,713	191	79,329
2002	2,975,254	152,991	215	93,977
2003	3,214,973	155,407	275	65,829
2004	3,322,001	176,188	304	145,129
2005	3,829,754	181,186	249	80,742

Notes:

¹Source: Iowa City Assessor's Office

²Permit values are based on estimated construction costs.

³Local bank offices - Hills Bank & Trust Company, Commercial Federal Savings Bank, Iowa State Bank & Trust Company, West Bank, U S Bank, Farmers & Merchants Savings Bank, Wells Fargo, Federal Employees Credit Union and the University of Iowa Community Credit Union.

Remodeling Repair and Additons		Total Building Permits		Bank and Credit Union Deposits³
<u>Number of Permits</u>	<u>Value of Permits²</u>	<u>Number of Permits</u>	<u>Value of Permits</u>	
478	\$ 10,249	623	\$ 43,192	\$ 928,208
512	12,536	673	57,875	1,050,620
739	14,880	963	49,846	1,073,583
579	22,618	899	67,999	1,140,367
678	28,677	955	153,806	1,183,757
579	25,101	770	104,430	1,107,410
577	24,660	792	118,637	1,060,390
606	44,336	881	110,165	1,140,410
654	39,840	958	184,969	1,267,156
690	28,870	939	109,612	1,344,023

CITY OF IOWA CITY, IOWA

PARKING RATES

Last Ten Fiscal Years

<u>Fiscal Year End June 30</u>	<u>On-Street Meters (per hour)</u>	<u>Off-Street Meters (per hour)</u>	<u>CBD Meters² (per hour)</u>	<u>Ramps (per hour)</u>	<u>Peripheral Lots¹ (per month)</u>	<u>Commercial Ramp Permits (per month)</u>	<u>Overtime Parking Violation</u>
1996	\$ 0.30	\$ 0.30	\$ 0.50	\$ 0.45 ³ 0.50 ⁴ 0.30 ⁵	\$ 35	\$ 45 ³ 55 ⁴ 35 ⁵	\$ 3
1997	0.40	0.40	0.60	0.50 ³ 0.50 ⁴ 0.40 ⁵	40	45 ³ 55 ⁴ 45 ⁵	3
1998	0.40	0.40	0.60	0.50 ³ 0.50 ⁴ 0.40 ⁵	40	45 ³ 55 ⁴ 45 ⁵	3
1999	0.40	0.40	0.60	0.50 ³ 0.50 ⁴ 0.40 ⁵	40	45 ³ 55 ⁴ 45 ⁵	3
2000	0.40	0.40	0.60	0.50 ³ 0.50 ⁴ 0.40 ⁵	40	45 ³ 55 ⁴ 45 ⁵	3
2001	0.40	0.60	0.60	0.60 ³ 0.60 ⁴ 0.50 ⁵ 0.60 ⁶	45	50 ³ 60 ⁴ 45 ⁵ 60 ⁶	3
2002	0.40	0.60	0.60	0.60 ³ 0.60 ⁴ 0.50 ⁵ 0.60 ⁶	45	50 ³ 60 ⁴ 45 ⁵ 60 ⁶	3
2003	0.40	0.60	0.60	0.60 ³ 0.60 ⁴ 0.50 ⁵ 0.60 ⁶	45	50 ³ 60 ⁴ 45 ⁵ 60 ⁶	3
2004	0.40	0.60	0.60	0.60 ³ 0.60 ⁴ 0.50 ⁵ 0.60 ⁶	55	60 ³ 70 ⁴ 55 ⁵ 70 ⁶	5
2005	0.40	0.60	0.60	0.60 ³ 0.60 ⁴ 0.50 ⁵ 0.60 ⁶	55	60 ³ 70 ⁴ 55 ⁵ 70 ⁶	5

Notes:

¹Employees of the City of Iowa City pay half-price for permits in the peripheral lots.

²CBD refers to Central Business District.

³Dubuque Street Ramp.

⁴Capitol Street Ramp.

⁵Chauncey Swan Ramp.

⁶Tower Place Ramp.

CITY OF IOWA CITY, IOWA

SCHEDULE OF LIABILITY AND PROPERTY INSURANCE IN FORCE

June 30, 2005

Insurance Company	Type of Coverage	Limits of Coverage	Term of Policy	Policy #	Annual Premium
Genesis Insurance Company	Comprehensive general liability, auto liability, law enforcement liability, public officials' errors and omissions liability.	\$10 million general occurrence; \$19 million aggregate; \$500,000 self-insured retention (SIR) for liability.	6/05-6/06	YXB300792E	\$269,650
Allianz Global Risks	Blanket building and contents, contractor's equipment, EDP, auto physical damage, flood and earthquake included at \$15 million sub-limit.	\$226,840,390 agreed amt. per occurrence; deductible on property section is \$100,000 per event.	6/05-6/06	CLP3006215	\$375,700
Midwest Employers Casualty Company	Workers' compensation	\$500,000 SIR	6/05-6/06	EWC007302	\$39,101
Old Republic Insurance Company	Airport premises liability and ground hangarkeeper's legal liability.	\$5 million/combined single limit; \$1 million/aircraft; \$1,000 deductible.	6/05-6/06	PR163104	\$7,798
Cincinnati Insurance Company	Boiler and machinery coverage at fifteen locations.	\$25,000,000 aggregate; \$10,000 deductible.	6/03-6/06	BEP 2663128	\$11,758
Selective Insurance Company of Southeast	Flood coverage on property located in flood zone A.	\$5,000 deductible on building; \$5000 on contents; maximum coverage-\$500,000 per building and \$500,000 contents per location.	6/05-6/06	RI00541951/953/954/956/957/959/961	\$14,433
Assisted Housing Risk Management Association	Public Housing Pool: general liability and property damage coverage.	\$1 million per occurrence on liability/\$2 million aggregate; \$25 million on property damage	1/05-1/06	P100188059 L100188058	\$14,193
Employee Dishonesty: Cincinnati Insurance Company	Public employees dishonesty coverage	\$1,000,000 per occurrence	6/03-6/06	B-80-444877	\$14,908

CITY OF IOWA CITY, IOWA
MISCELLANEOUS STATISTICAL DATA

Year ended June 30, 2005

Date of incorporation	April 6, 1853
Form of government	Council/Manager
Area	16,035
Miles of streets:	
Paved (approx.)	254
Unpaved (approx.)	8
Number of street lights	3,357
Police protection:	
Number of stations	1
Number of sworn personnel	70
Fire protection:	
Number of stations	3
Number of sworn personnel	57
Municipal water department:	
Number of active accounts	23,558
Average daily consumption (in gallons)	5,448,500
Miles of water mains (approx.)	272
Sewers:	
Sanitary lift stations (active)	11
Miles of sanitary sewers (approx.)	277
Cemetery	1
Recreation:	
Municipal parks:	
Number of parks/public open spaces	61
Number of acres	1,400
Golf courses non-municipal	5
Other municipal facilities:	
Recreation Center	2
Ball diamonds	29
Soccer fields	25
Tennis courts	12
Swimming pools	3
Senior Center	1
Parking:	
Parking ramps/spaces	4/2,537
Parking lots/spaces	6/331
On-street meters	1,125

(continued)

CITY OF IOWA CITY, IOWA
MISCELLANEOUS STATISTICAL DATA

Year ended June 30, 2005
(concluded)

Landfill:	
Number of charge customers	515
Tons (charge and cash)	113,356
Sanitation:	
Number of customers	14,158
Tons	8,667
Library:	
Number of volumes (approx.)	225,443
Registered cardholders	65,371
Educational Institutions¹:	
Elementary schools	18
Junior high schools	2
High schools	3
Alternative Learning Center	1
Vocational school	1
Community college	1
University	1
Hospitals	3
City Employees:	
Permanent	625
Temporary	611
Elections²:	
Last general election - 2004	
Registered voters	48,891
Number of votes cast	17,461
Percentage voting	35.7%
Last municipal election - 2003	
Registered voters	38,849
Number of votes cast	8,101
Percentage voting	20.9%

Source:

¹Iowa City Community School District and local private school offices.

²Johnson County Auditor

City of Iowa City, Iowa
Debt Limit Computation
June 30, 2005

Article XI, Section 3 of the State of Iowa Constitution limits the amount of debt outstanding at any time of any county, municipality or other political subdivision to no more than five percent (5%) of the actual value of all taxable property within the c

Total Assessed Valuation	\$ 3,214,973,037
Debt Limit - 5% of Total Assessed Valuation	160,748,652
Less: Amount of Debt Applicable to Debt Limit	<u>85,290,000</u>
Legal Debt Margin	<u><u>\$ 75,458,652</u></u>

CITY OF IOWA CITY, IOWA

**GENERAL OBLIGATION DEBT
ANNUAL MATURITY SCHEDULE**

Fiscal Year	Payments		Funding Source(s)						Principal Outstanding
	Principal	Interest	Total	Property Tax Revenue	Tax Increment Financing	Sewer Revenue	Parking Revenue	Water Revenue	
2005	\$6,815,000	\$3,840,431	\$10,655,431	\$8,474,286	\$442,941	\$181,401	\$313,150	\$1,243,652	\$85,085,000
2006	7,495,000	3,784,228	11,279,228	9,202,689	354,353	177,193	310,900	1,234,094	85,290,000
2007	7,585,000	3,468,380	11,053,380	8,985,238	354,353	172,984	318,525	1,222,281	77,795,000
2008	6,520,000	3,177,773	9,697,773	8,228,102	669,353	-	-	800,318	70,210,000
2009	6,680,000	2,915,085	9,595,085	8,145,567	671,753	-	-	777,766	63,690,000
2010	6,795,000	2,643,310	9,438,310	7,996,502	668,553	-	-	773,256	57,010,000
2011	7,025,000	2,359,228	9,384,228	7,946,988	669,953	-	-	767,287	50,215,000
2012	7,265,000	2,060,110	9,325,110	7,895,619	668,978	-	-	760,514	43,190,000
2013	6,220,000	1,743,660	7,963,660	6,544,569	666,403	-	-	752,689	35,925,000
2014	5,860,000	1,464,060	7,324,060	5,931,718	668,115	-	-	724,227	29,705,000
2015	5,480,000	1,193,805	6,673,805	5,290,465	668,878	-	-	714,462	23,845,000
2016	4,405,000	933,370	5,338,370	4,334,680	673,690	-	-	330,000	18,365,000
2017	3,560,000	712,418	4,272,418	3,280,328	677,090	-	-	315,000	13,960,000
2018	3,405,000	531,046	3,936,046	3,257,113	678,934	-	-	-	10,400,000
2019	1,805,000	356,434	2,161,434	1,482,000	679,434	-	-	-	6,995,000
2020	1,900,000	266,184	2,166,184	1,483,000	683,184	-	-	-	5,190,000
2021	2,005,000	170,490	2,175,490	1,485,750	689,740	-	-	-	3,290,000
2022	625,000	68,765	693,765	-	693,765	-	-	-	1,285,000
2023	660,000	35,640	695,640	-	695,640	-	-	-	660,000
Total	\$ 92,105,000	\$ 31,724,415	\$ 123,829,415	\$ 99,964,612	\$ 11,975,104	\$ 531,578	\$ 942,575	\$ 10,415,545	

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY SCHEDULE

Fiscal Year	Payments		Funding Source(s)				Principal Outstanding
	Principal	Interest	Total	Sewer Revenue	Parking Revenue	Water Revenue	
2005	\$4,780,000	\$5,541,021	\$10,321,021	\$7,167,305	\$968,463	\$2,185,253	\$115,710,000
2006	5,015,000	5,340,208	10,355,208	7,204,789	965,104	2,185,315	110,930,000
2007	5,155,000	5,128,064	10,283,064	7,138,686	960,863	2,183,515	105,915,000
2008	5,415,000	4,905,893	10,320,893	7,176,052	960,594	2,184,246	100,760,000
2009	5,625,000	4,668,765	10,293,765	7,156,949	954,298	2,182,519	95,345,000
2010	5,875,000	4,413,216	10,288,216	7,153,083	951,973	2,183,160	89,720,000
2011	6,195,000	4,139,939	10,334,939	7,205,109	948,473	2,181,358	83,845,000
2012	6,505,000	3,851,052	10,356,052	7,229,772	943,798	2,182,483	77,650,000
2013	6,640,000	3,548,294	10,188,294	7,059,487	942,801	2,186,007	71,145,000
2014	4,925,000	3,270,461	8,195,461	5,068,768	940,335	2,186,359	64,505,000
2015	5,185,000	3,016,299	8,201,299	5,076,744	936,401	2,188,155	59,580,000
2016	5,470,000	2,746,786	8,216,786	5,094,890	935,851	2,186,045	54,395,000
2017	5,745,000	2,460,824	8,205,824	5,087,734	933,468	2,184,623	48,925,000
2018	6,065,000	2,156,526	8,221,526	5,098,893	934,100	2,188,534	43,180,000
2019	6,365,000	1,833,193	8,198,193	5,082,558	927,815	2,187,820	37,115,000
2020	6,735,000	1,490,209	8,225,209	5,108,288	929,465	2,187,456	30,750,000
2021	6,560,000	1,138,071	7,698,071	4,582,400	928,400	2,187,271	24,015,000
2022	5,310,000	816,768	6,126,768	3,015,544	924,600	2,186,624	17,455,000
2023	4,215,000	556,432	4,771,432	1,662,975	923,250	2,185,207	12,145,000
2024	3,000,000	358,381	3,358,381	866,238	924,050	1,568,094	7,930,000
2025	3,175,000	186,200	3,361,200	868,475	921,850	1,570,875	4,930,000
2026	1,755,000	48,831	1,803,831	868,238	-	935,594	1,755,000
Total	\$ 115,710,000	\$ 61,615,434	\$ 177,325,434		\$ 19,755,949	\$ 45,596,511	



CPAs & BUSINESS ADVISORS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 28, 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 City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 City's 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 that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's 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 City of Iowa City, Iowa, and are reported in Part II of the accompanying Schedule of Findings and Questioned Costs. 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.

We noted certain matters that we reported to management of the City in a separate letter dated November 28, 2005.

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 Iowa City, Iowa, and other parties to whom the City of Iowa City, Iowa, may report, including federal awarding agencies and pass-through entities. 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 Iowa City, Iowa, 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.

Eide Bailly LLP

Dubuque, Iowa
November 28, 2005



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
ITS MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Iowa City, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The City's major federal program is identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Iowa City, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Iowa City, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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 Iowa City, Iowa, and other parties to whom the City of Iowa City, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Dubuque, Iowa
November 28, 2005

CITY OF IOWA CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Housing and Urban Development:			
Community Development Block Grants/ Entitlement Grants	14.218	B-02-MC-19-0009	\$ 319,840
Community Development Block Grants/ Entitlement Grants	14.218	B-03-MC-19-0009	704,000
Community Development Block Grants/ Entitlement Grants	14.218	B-04-MC-19-0009	209,565
Community Development Block Grants/ Entitlement Grants	14.218	B-05-MC-19-0009	<u>223</u>
			<u>1,233,628</u>
HOME Investment Partnerships Program	14.239	M-01-MC-19-0205	67,600
HOME Investment Partnerships Program	14.239	M-02-MC-19-0205	146,166
HOME Investment Partnerships Program	14.239	M-03-MC-19-0205	57,860
HOME Investment Partnerships Program	14.239	M-04-MC-19-0205	380,075
HOME Investment Partnerships Program	14.239	M-05-MC-19-0205	<u>6,037</u>
			<u>657,738</u>
Public and Indian Housing	14.850	IA022-305J	<u>207,763</u>
Resident Opportunity and Supportive Services	14.870	IA00RSF022P0017	1,486
Resident Opportunity and Supportive Services	14.870	IA022REF010A003	<u>67,610</u>
			<u>69,096</u>
Section 8 Housing Choice Vouchers	14.871	KC9033	<u>6,545,711</u>
Public Housing Capital Fund	14.872	IA05902250101	16,497
Public Housing Capital Fund	14.872	IA05902250102	104,463
Public Housing Capital Fund	14.872	IA05902250103	<u>68,463</u>
			<u>189,423</u>
Department of Justice:			
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-0986	<u>18,572</u>
Bulletproof Vest Partnership Program	16.607	2004BUBX04022217	<u>4,038</u>
Department of Transportation:			
Federal Transit-Capital Investment Grants	20.500	IA-03-0086	2,967,018
Federal Transit-Capital Investment Grants	20.500	IA-15-X001	2,176,260
Federal Transit-Formula Grants	20.507	IA-90-X258	46,618
Federal Transit-Formula Grants	20.507	IA-90-X242	6,611
Federal Transit-Formula Grants	20.507	IA-90-X289	7,185
Federal Transit-Formula Grants	20.507	IA-90-X293	444,955
Federal Transit-Formula Grants	20.507	IA-90-X265	<u>8,337</u>
			<u>5,656,984</u>

(continued)

CITY OF IOWA CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct: (continued)			
Department of Transportation: (continued)			
Airport Improvement Program	20.106	3-19-0047-10	\$ 159,192
Airport Improvement Program	20.106	3-19-0047-11	<u>30,785</u>
			<u>189,977</u>
Federal Emergency Management Agency:			
Fire Prevention Grants	83.554	EMW-2003-FP-01858	<u>7,000</u>
Total direct			<u>14,779,930</u>
Indirect:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Emergency Shelter Grants Program	14.231	04-ES-004	<u>81,252</u>
Department of Justice:			
Governor's Office of Drug Control Policy:			
Byrne Formula Grant Program	16.579	04A-0237	<u>54,995</u>
Violence Against Women Formula Grants	16.588	VW-05-44	<u>36,626</u>
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-1-5(69)- -2C-52	447,965
Highway Planning and Construction	20.205	STP-U-3715(620)- -70-52	266,492
Highway Planning and Construction	20.205	STP-U-3715(625)- -70-52	231,799
Highway Planning and Construction	20.205	STP-E-3715(624)- -8V-52	55,000
Highway Planning and Construction	20.205	STP-U-3715(629)- -70-52	233,411
Highway Planning and Construction	20.205	STP-E-3715(623)- -8V-52	99,864
Highway Planning and Construction	20.205	STP-U-3715(627)- -70-52	175,546
Highway Planning and Construction	20.205	BROS-3715(626)- -8J-52	<u>93,567</u>
			<u>1,603,644</u>
Iowa Department of Transportation and Johnson County Council of Governments:			
State Planning and Research	20.515	05MPO-JCCOG	<u>118,366</u>
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 05-04, Task 32	12,542
State and Community Highway Safety	20.600	PAP 04-04, Task 32	<u>4,878</u>
			<u>17,420</u>
			(continued)

CITY OF IOWA CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect: (continued)			
Department of Transportation: (continued)			
Iowa Department of Public Safety: (continued)			
Governor's Traffic Safety Bureau: (continued)			
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 05-163, Task 34	\$ 6,409
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 04-163, Task 34	<u>6,154</u>
			<u>12,563</u>
Department of Health and Human Services:			
University of Illinois at Chicago:			
Medical Library Assistance	93.879	N01-LM-1-3513	<u>82</u>
Total indirect			<u>1,924,948</u>
Total			<u>\$16,704,878</u>

See notes to the Schedule of Expenditures of Federal Awards.

CITY OF IOWA CITY, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City of Iowa City, Iowa, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 732,596
Emergency Shelter Grants Program	14.231	77,189
HOME Investment Partnerships Program	14.239	475,321

CITY OF IOWA CITY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA 14.871 – Section 8 Housing Choice Vouchers.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$501,146.
- (i) The City of Iowa City, Iowa, qualified as a low-risk auditee.

Part II: Other Findings Related to Statutory Reporting:

- II-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.
- II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005, did not exceed the amounts budgeted.
- II-C-05 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-E-05 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Randy Hartwig, Airport Commission, Owner of Hartwig Motors	City vehicles	\$ 53,739
Dee Vanderhoef, City Council Member, owner of Iowa Book and Supply	Supplies	\$ 5,998

CITY OF IOWA CITY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting: (continued)

In accordance with Chapter 362.5(4) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since they were entered into through competitive bidding.

- II-F-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-G-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-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.
- II-I-05 Revenue Bonds – We noted no instances of noncompliance with the provisions of the City’s revenue bond resolutions.