

CITY OF BETTENDORF, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2006

Prepared by:

City Finance Department
Carol A. Barnes, Finance Director

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Fiscal Year 2006/2007 Budget

Michael J. Freemire, Mayor

**Lisa M. Brown
Alderman at Large**

**Timothy A. Stecker
Alderman at Large**

**Norman P. Voelliger
First Ward Alderman**

**Joseph H. Douglas
Second Ward Alderman**

**Debe L. LaMar
Third Ward Alderman**

**Patricia A. Malinee
Fourth Ward Alderman**

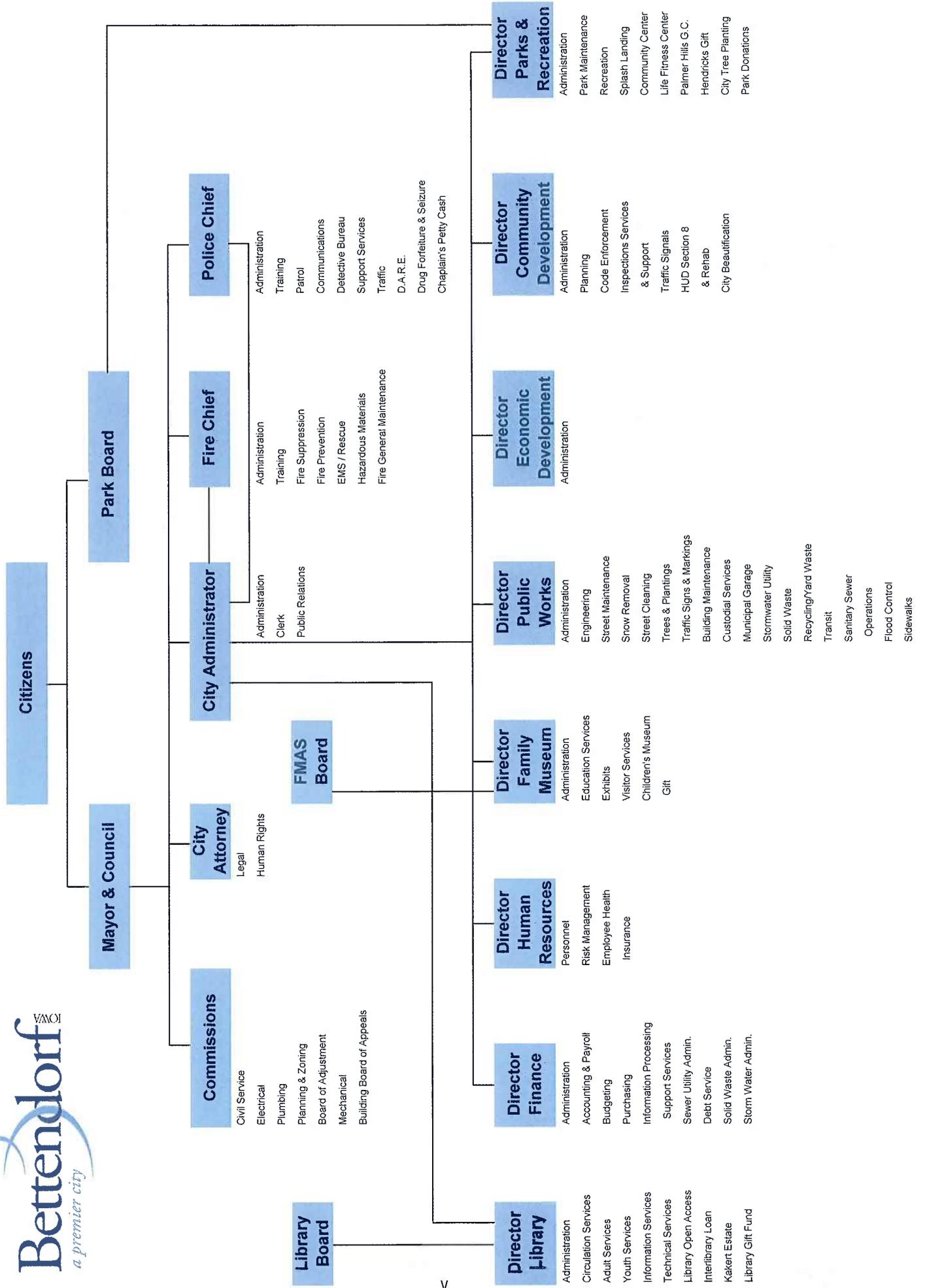
**Carolyn R. Koos
Fifth Ward Alderman**

Decker P. Ploehn, City Administrator

DEPARTMENT HEADS

- Carol A. Barnes.....Finance Director
- Faye E. Clow..... Library Director
- William M. Connors Community Development Director
- Steven M. Grimes Parks & Recreation Director
- Gregory S. Jager..... City Attorney
- Tracey K. KuehlFamily Museum of Arts & Science Director
- Wallace C. Mook Public Works Director
- Philip J. RedingtonPolice Chief
- Steven J. Van Dyke..... Economic Development Director
- Gerald A. Voelliger, Jr. Fire Chief
- Kathleen M. Eisbrener.....Human Resources Director

City of Bettendorf Organizational Structure





Bettendorf IOWA
a premier city

November 15, 2006

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

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for fiscal year ended June 30, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

McGladrey & Pullen, LLP, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of Bettendorf's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD & A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD & A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Bettendorf lies in the original Wisconsin Territory and was purchased from the Sauk and Fox Indians in the Blackhawk War of 1832. The original town name was Lillienthal and renamed Gilbert in 1858, honoring Elias Gilbert who originally plotted the town. At that time, the predominantly German residents were farmers, skilled laborers and small business operators.

At the turn of the century, William and Joseph Bettendorf moved their iron wagon business to Gilbert in exchange for the city purchasing the old Gilbert farm as a location for the Bettendorf's factory. In a pioneering example of economic development, the land was provided, the factory was built and hundreds of jobs were created. On June 5, 1903, the town of 440 residents petitioned for incorporation, requesting the town name be changed to Bettendorf to honor the brothers whose factory was so important to the early development of the city.

Bettendorf has a Mayor and a seven-member City Council, one for each of the five wards, and two at large members are elected for four-year terms on a staggered basis. Together, they form the law-making, policy-forming body, and are responsible for selecting a City Administrator to handle the day-to-day operations of government. All departments and department heads report to the City Administrator, with the exception of the Library Director who is supervised by an appointed Board of Trustees, and the City Attorney, who is recommended by the Mayor and approved by the Council.

The City is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Bettendorf provides a full range of services, including police and fire protection; the construction and maintenance of infrastructure, including streets, roads, bridges and sewer and storm water utilities; sanitation services; park and recreational programs and facilities; enforcement of building code regulations; traffic control; mass transportation; housing services; economic and community development; general administrative services; one public library; and other cultural opportunities through the Family Museum of Arts & Science.

Component Units: The CAFR includes all funds of the primary government, City of Bettendorf, its blended component unit, the Bettendorf Housing Authority, and its discretely presented component units, the Learning Campus Foundation and Family Museum Foundation. Component units are legally separate entities for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Blended component units, although legally separate entities are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Bettendorf Housing Authority, which oversees the Housing and Urban Development rent subsidy program, is reported as a special revenue fund of the primary government under the City's Housing and Urban Development Section 8 Fund.

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Learning Campus Foundation dissolved on August 15, 2005 and split into two separate legal entities – the Family Museum Foundation and the Library Foundation. Therefore, the Learning Campus as a whole was still considered a component unit of the City of Bettendorf for the period of July 1, 2005 to August 14, 2005 and is presented as such. As of August 15, 2005, only the Family Museum Foundation is still considered a component unit of the City of Bettendorf based on the significance of their operational or financial relationships with the City as well as the appointment of the Board of Trustees of the Family Museum Foundation by the Mayor of the City of Bettendorf. In the current year the financial statements for the Family Museum Foundation is presented for the period of August 15, 2005 to June 30, 2006.

Budgeting Control: In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The State of Iowa requires the passage of an annual budget of total City operating expenditures by major program service areas no later than March 15 each year for the fiscal year beginning July 1. Activities of the General Fund, Special Revenue Funds, Capital Projects Fund, Debt Service Fund and Business Type Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the total program service area level. The City also maintains administrative budgetary control beyond the state required program service area level at the major object of expenditure basis within each City department.

The Council is required to adopt a final budget by no later than March 15 each year for the fiscal year beginning July 1. This annual budget serves as the foundation for the City of Bettendorf's financial planning and control. The budget is prepared by fund, function (e.g., public safety) and department (e.g., police). Department heads may transfer resources within a department as they see fit.

Local Economy

Location and Population: Bettendorf, Iowa is one of the principal cities within the Quad Cities, a metropolitan area of nearly 360,000 located along the Mississippi River in eastern Iowa and western Illinois. Bettendorf is at the intersection of the nation's busiest interstate highway (Interstate 80) and its largest river – the majestic Mississippi. These transportation elements have helped create a broad-based economy. Of the 15 largest cities in the State of Iowa, Bettendorf was the third fastest growing city in the state with an 11.2 percent growth rate from 1990 to 2000. Citizenry grew by 3,143 to a total count of 31,275.

Employment Data: The Quad Cities has been historically known as an industrial, retail/service and transportation center. In the last 25 years the economy has shifted, showing a decline in the number of manufacturing sector jobs. In 1980, 30 percent of the area jobs were in manufacturing and 53 percent in the service sector. In 1990 that had changed to 18 percent manufacturing and 61 percent service sector. In 2004 the split was 13.5 percent manufacturing and 67 percent classified as service sector. The portion of government sector jobs has remained fairly even at 16.2 percent in 1980, to 16 percent in 1990 and 15 percent in 2004.

The shift in the Quad Cities area economy towards creation of service sector jobs in the professional, non-professional, retail and wholesale sectors of the economy has been significant. From 1990 until 2004 the number of service providing jobs in the QCA increased from 130,100 to 150,100. This is an increase of 15.4 percent, which offsets the loss of over 3,800 durable goods manufacturing sector jobs, a 19.5 percent decrease over that same time period. The number of total manufacturing sector jobs was down from 28,900 in 1990 to 24,300 in 2004, a 15.9 percent drop, with a decrease of 9.5 percent in jobs in the nondurable goods manufacturing sector. Construction and mining sector jobs have increased by 1300 jobs, a 19.4 percent increase from 1990 to 2004.

The labor force in the Quad Cities MSA was 211,477 in August 2006, which was an 18 percent increase from the 1990 annual average figure of 179,426. The labor force for Scott County was 92,080 in August 2006, which was a 17 percent increase over the 1990 annual average labor force of 78,660 for the County. During the years 1980-2000, the unemployment figures for the Quad Cities MSA hit a high of 14.8 percent in 1983. Unemployment has steadily declined in Bettendorf since the mid-eighties with an unemployment rate of only 2.8 percent in August 2006. This is the lowest in the Quad Cities MSA which averaged 4.0 percent, and is well below the national average of 4.6 percent for the same period. This reduction in unemployment is attributed, in part, to the creation of jobs in the service sectors and the manufacturing of nondurable goods. The total number of jobs in Bettendorf has been growing since the mid-eighties and of the approximate 18,530 in the current labor force, 18,010 were employed in August of 2006. Today, Bettendorf's retail market generates more than \$317,000,000 in annual sales.

New Housing Starts: Construction of new homes in Bettendorf has been very strong over the last decade and the Quad Cities remains one of the most affordable housing markets in the country. During fiscal year 2006, 1,488 building permits were issued for investment in new construction and renovation totaling \$105,551,442. The average selling price for a new or existing home in Bettendorf averaged \$216,100 in the 2005 calendar year, while in Davenport it averaged \$130,800 for the same period. Over the last decade, 2,676 dwelling units have been constructed within Bettendorf city limits.

Education: There are two public school systems serving the City of Bettendorf. The Bettendorf Community School District has six elementary schools, one middle school and one high school with a total enrollment of 4,304 in the 2005-2006 school year. The Pleasant Valley Community School District has four elementary schools, a junior high and one high school with enrollment totaling 3,330 in the 2005-2006 school year. There are also two private schools in Bettendorf. Lourdes Catholic elementary serves pre-kindergarten students and 308 kindergarten through eighth grade students. Rivermont Collegiate, an independent college preparatory day school provides a preschool through 12th grade with enrollment totaling 210. The City's school districts consistently rank in the top ten school districts in the state. 92.7 percent of Bettendorf's population over age 25 have graduated from high school or have attained higher education degrees compared to the national average of 80.3 percent.

The Eastern Iowa Community College District provides a comprehensive adult educational program and enrolled 7,243 students from Clinton, Muscatine and Scott Counties in 2005. Other institutions of higher education in the immediate area include: Augustana College in Rock Island, St. Ambrose University in Davenport; Western Illinois University offers junior and senior level courses at its Quad Cities Center in Moline; Palmer College of Chiropractic in Davenport; and the Quad Cities Graduate Studies Center located at Augustana College in Rock Island.

Quad City Economy: With the apparent improvement of the national economic indicators and the increase in consumer confidence the immediate outlook for the Quad Cities is positive. There have been some layoffs and production slow downs at some of the area's largest employers, while others have seen modest increases or have been hiring to replace retiring workers. Although the recent BRAC announcement will reduce positions at the Arsenal over the next six years, current production capacity at the Rock Island Arsenal is increasing with the increasing need for vehicle armor and other munitions. The Local Arsenal Redevelopment Task Force is working to attract new private jobs to the Arsenal in the future. Also, with interest and mortgage rates remaining low, building and construction activity is expected to remain steady. Economic development efforts for the Quad Cities continue to try to diversify the economy, while taking advantage of its unique location on major transportation corridors and the tremendous asset of the Mississippi River. A recent economic development task force recommendation is for the Quad Cities to continue to focus its regional economic development marketing efforts through a strengthened Quad City Development Group.

Economic Development: In support of existing businesses, and to attract businesses from outside the region, the City's Community Development Department administers a Tax Increment Financing (TIF) program. Bettendorf's economic development programs now include a total of ten TIF districts.

With the assistance of the Mayor, City Council and the Bettendorf Development Corporation, the City is undertaking the large effort of redeveloping our riverfront-downtown corridor. Discussions have resulted in the development of a conceptual plan which is now being utilized as a marketing tool to attract the various elements of the desired plan.

The City's Community Development Department also provides coordination with other governmental and private efforts, including: Iowa Department of Economic Development, Iowa Department of Transportation, Eastern Iowa Community College District, MidAmerican Energy Company, Quad City Development Group, Bi-State Regional Commission and the Bettendorf Development Corporation. The Bettendorf Development Corporation (BDC) was established by several leading businessmen in the community and has received financing from several area businesses. The BDC is a private, non-profit organization designed to be an intermediary between the public and private sectors as necessary in order to assist in accomplishing high-quality development of industrial and commercial areas. Over the last five years the BDC has raised and spent \$1 million in implementing projects in nine commitment areas throughout Bettendorf. In the future they plan to go back out for a \$2 million campaign to continue the process.

Long-Term Financial Planning

Unreserved, undesignated fund balance in the General Fund totals \$4.8 million and equates to 26 percent of total General Fund expenditures. This current percentage of fund balance exceeds the City Council's policy guidelines of a range of 20-25 percent for budgetary and planning purposes. During FY 2006/07 the Council has budgeted to maintain that fund balance.

As part of the City's Capital Improvement plan for FY 2006/07, the City plans to issue \$4.5 million in General Obligation bonds for various street projects, a \$700,000 capital note is planned to pay for renovations to the existing Eagles building, and \$19.86 million in TIF revenue bonds is expected for the downtown RiversEdge project, which includes an Event Center.

Relevant Financial Policies

It is the City of Bettendorf's policy to limit the use of riverboat gaming proceeds used towards operating expenses and to primarily allocate gaming proceeds for one-time capital projects. During FY 2005/06, \$1,927,161 or 67 percent of gaming proceeds was allocated for capital projects and \$630,950 was used to subsidize operating expenses for various funds. For FY 2006/07, \$1,465,000 of gaming proceeds will be used for capital projects.

Major Initiatives

Major initiatives within the City limits over the last five years are listed below:

Riverfront-Downtown. Developments in this area include the construction of the Isle of Capri Casino Hotel and accompanying parking ramp and overpass, valued at approximately \$30 million. The next phase of redevelopment for this area is entitled RiversEdge. This development includes a 40,000-square-foot conference center with a hotel expansion of 256 rooms, a 500-stall parking ramp, and a skywalk to connect the proposed development to the existing facilities. Other developments for this area include the construction of three buildings by two local developers totaling \$4.5 million and Quad City Area Realtors has constructed new offices for an area-wide real estate agency totaling an additional \$1,750,000.

East Tanglefoot Lane. The new YMCA building was been constructed at a cost of \$4,500,000. Additions and improvements to the Genesis Medical Center at 4017 Devils Glen Road total \$2,300,000.

1-80 and Middle Road. Iowa American Water Company constructed both a \$4.5 million water reservoir and a \$1.5 million water main extension that will serve the northeastern half of Bettendorf. In addition, C.S. Technologies signed a 15-year lease with the City of Bettendorf to provide a community-wide, multi-redundant fiber optic network for broadband access to the Internet for businesses.

18th Street and 53rd Avenue. Genesis Gastroenterology Center was constructed at a cost of \$2,000,000. Crow Ridge Plaza is now under construction with the building slated for completion in 2006 at an estimated cost of \$3,000,000. Genesis O.R.A. Medical Center will soon begin construction of a \$7,000,000 medical building.

Golden Triangle. Within the last five years, over \$11 million of both commercial and residential development has occurred in this area. Another \$7 million of both commercial and residential development is being planned.

Riverside Development Park. Almost \$16 million of development occurred in this corridor. Olympic Steel, Graf Co, and Greystone Plastics developed over 300,000 square feet. 100,000 square feet of expansions took place between LeClaire Manufacturing and John M. Frey. Kansas City Life Insurance Company purchased the remaining undeveloped ground of this industrial park from the City and plans to develop a 60,000-square-foot office building.

Kimberly Road. The \$30 million redevelopment of this area is close to completion. New construction in this corridor includes a Walgreens drug store, a McDonald's restaurant, a Marshalls department store, a Home Depot hardware store and many smaller in-line retail stores. As part of this area's final phases of development, the construction of a Schnucks grocery store is also completed.

Centre Pointe. Four new commercial buildings valued at \$8 million have been constructed and are over 75 percent leased. Another vacated building was purchased by the City and a task force of private and public partners has been appointed to determine its best future usage.

State Street Industrial Area. Redevelopment of stormwater and transportation infrastructure is being focused on in this area.

Utica Ridge Road. Trinity Hospital was recently completed for a total of \$70 million. Significant improvements have been completed to this area's surrounding transportation system.

53rd Avenue. The approximately \$5 million extension of 53rd Avenue from Devil's Glen Road to Middle Road opened up significant areas for development. Most of the City's \$135 million housing growth over the past five years has occurred in this corridor. In addition, commercial development to serve the City's growing senior population is expanding with a \$30 million investment by Dial Highlands, LLC that encompasses a 40-acre site that contains 43 single family villas, 20 duplexes, four 24-unit apartment buildings, and a 70,000-square-foot assisted living center with 68 units.

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 to the City of Bettendorf, Iowa for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This was the 15th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to conform to the Certificate of Achievement Program requirements, and are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City of Bettendorf also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated March 15, 2006. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device. This was the tenth consecutive year that the City has received this award.

The preparation of this report on a timely basis could not have been accomplished without our auditors from McGladrey & Pullen, LLP; Lori Ulloa, the City's Manager of Accounting; and the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all those who assisted and contributed to its preparation accordingly. Credit also must be given to the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Bettendorf's finances.

Respectfully submitted,

Decker P. Ploehn
City Administrator

Carol A. Barnes
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bettendorf
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.



President

Executive Director



Bettendorf IOWA
a premier city

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bettendorf, Iowa as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bettendorf, Iowa as of June 30, 2006, 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.

As described in Note 12 to the basic financial statements, the City changed its method of accounting for net assets restricted by enabling legislation.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2006 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 on pages 3 through 14 and budgetary comparison information on pages 61 through 63 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 thereon.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Bettendorf, Iowa's basic financial statements. The combining nonmajor fund financial statements and other statements listed in the table of contents as supplementary information 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 the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Nonprofit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
November 7, 2006

City of Bettendorf, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

As management of the City of Bettendorf, we offer readers of the City of Bettendorf's financial statements this narrative overview and analysis of the financial activities of the City of Bettendorf for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the City of Bettendorf exceeded its liabilities as of June 30, 2006 and 2005 by \$86,896,124 and \$81,344,359 (net assets), respectively. Of this amount, \$13,316,945 and \$15,700,987 (unrestricted net assets) respectively, may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$5,551,765 and \$4,282,239 during the years ended June 30, 2006 and 2005, respectively.
- As of June 30, 2006, the City of Bettendorf's governmental funds reported combined ending fund balances of \$19,412,519, a decrease of \$1,541,235 in comparison with 2005. Approximately 70 percent of this total amount, \$13,595,691, is available for spending at the government's discretion (unreserved undesignated fund balance). As of June 30, 2005, the City of Bettendorf's governmental funds reported combined ending fund balances of \$20,953,754, an increase of \$3,725,176 in comparison with 2004. Approximately 74 percent of this total amount, \$15,463,681, is available for spending at the government's discretion (unreserved undesignated fund balance).
- As of June 30, 2006, unreserved undesignated fund balance for the General Fund was \$4,780,972 or 32 percent of total General Fund expenditures and \$4,749,446 or 34 percent for 2005.
- The City of Bettendorf's total long-term debt, excluding compensated absences, increased by \$1,180,000 (2.0 percent) during the fiscal year ended June 30, 2006. This increase is primarily due to the City issuing \$7,125,000 of general obligation bonds in June of 2006 net of scheduled debt payments on outstanding debt during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Bettendorf's basic financial statements. The City of Bettendorf's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the government'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).

City of Bettendorf, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Both of the government-wide financial statements distinguish functions of the City of Bettendorf 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 of Bettendorf include public safety, public works, culture and recreation, community and economic development, and general government. The business-type activities of the City of Bettendorf include the sanitary sewer system, recycling and solid waste collection system, Family Museum of Arts & Science, Palmer Hills Golf Course, Life Fitness Center, Splash Landing Aquatic Center, stormwater utility, transit system, Downtown Event Center, and the Educational Center.

The government-wide financial statements include the City of Bettendorf itself (known as the *primary government*). The financial statements also include the component units of the City of Bettendorf. These include the Bettendorf Housing Authority (blended component unit), the Learning Campus Foundation (discretely presented component unit) and the Family Museum Foundation (discretely presented component unit). These component units, although legally separate entities, are included in the City's reporting entity because of their significant operational or financial relationship with the City.

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 of Bettendorf, 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 of Bettendorf can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 between *governmental funds* and *governmental activities*.

The City of Bettendorf maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Tax Increment Fund, Debt Service Fund, and Capital Projects Reserve Fund, all of which are considered to be major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary funds. The City of Bettendorf 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. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Bettendorf's various functions. The City of Bettendorf uses internal service funds to account for risk management, employee benefits, maintenance garage and information services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

City of Bettendorf, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

The City of Bettendorf maintains ten enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Utility Fund, Family Museum of Arts & Science Fund and Stormwater Utility Fund as these are considered to be major funds of the City of Bettendorf. Data from the other five enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of *combining statements* elsewhere in this report. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in 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 reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Bettendorf's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one type of fiduciary fund: agency funds. The total assets held in the fiduciary funds as of June 30, 2006 were \$29,162.

Notes to basic 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.

Other information. The City's budgetary comparison schedule is presented as required supplementary information immediately following the notes to basic financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal service funds and agency funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's total net assets have increased from a year ago from \$81,344,359 to \$86,896,124.

By far the largest portion of the City of Bettendorf's net assets (77 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Bettendorf uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Bettendorf'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 sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Bettendorf, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006**

	City of Bettendorf's Net Assets					
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities	2006	2005
	2006	2005	2006	2005		
Current and other assets	\$ 43,443,228	\$ 44,232,928	\$ 9,669,542	\$ 7,874,955	\$ 53,112,770	\$ 52,107,883
Capital assets	81,810,186	77,181,314	33,756,779	31,782,950	115,566,965	108,964,264
Total assets	125,253,414	121,414,242	43,426,321	39,657,905	168,679,735	161,072,147
Noncurrent liabilities	44,116,206	45,011,206	8,354,081	6,752,024	52,470,287	51,763,230
Other liabilities	26,647,764	25,839,850	2,665,560	2,124,708	29,313,324	27,964,558
Total liabilities	70,763,970	70,851,056	11,019,641	8,876,732	81,783,611	79,727,788
Net assets:						
Invested in capital assets, net of related debt	37,919,071	32,359,207	29,262,706	26,983,506	67,181,777	59,342,713
Restricted	6,221,183	6,124,873	176,219	175,786	6,397,402	6,300,659
Unrestricted	10,349,190	12,079,106	2,967,755	3,621,881	13,316,945	15,700,987
Total net assets	\$ 54,489,444	\$ 50,563,186	\$ 32,406,680	\$ 30,781,173	\$ 86,896,124	\$ 81,344,359

An additional portion of the City of Bettendorf's net assets (7.4 percent for 2006 and 7.7 percent for 2005) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$13,316,945 for 2006 and \$15,700,987 for 2005, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Bettendorf is able to report positive balances in all three categories of net assets for the government as a whole.

The changes in net assets are highlighted in the following table which shows the City's revenues and expenses for the fiscal year. These two main components are subtracted to yield the change in net assets.

Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as charges for sales and services, operating grants and contributions, and capital grants and contributions. General revenue includes taxes, investment income and other unrestricted revenue sources.

City of Bettendorf, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006**

A summary of the City's changes in net assets follows:

	City of Bettendorf's Changes in Net Assets					
	Governmental Activities 2006	Governmental Activities 2005	Business-Type Activities 2006	Business-Type Activities 2005	Total 2006	Total 2005
	Revenues:					
Program revenues:						
Charges for services	\$ 1,394,127	\$ 1,025,257	\$ 6,273,076	\$ 6,192,614	\$ 7,667,203	\$ 7,217,871
Operating grants and contributions	3,773,198	3,893,944	417,959	442,522	4,191,157	4,336,466
Capital grants and contributions	1,192,895	2,854,604	1,326,612	938,920	2,519,507	3,793,524
General revenues:						
Property taxes	15,375,604	14,552,874	-	-	15,375,604	14,552,874
Tax increment financing	1,853,383	1,684,641	-	-	1,853,383	1,684,641
Other taxes	8,015,705	7,956,439	-	-	8,015,705	7,956,439
State shared revenues	34,604	41,903	-	-	34,604	41,903
Investment earnings	826,908	657,905	216,631	180,534	1,043,539	838,439
Miscellaneous and gain on sale of capital asset	352,050	395,137	185,380	202,873	537,430	598,010
Total revenues	32,818,474	33,062,704	8,419,658	7,957,463	41,238,132	41,020,167
Expenses:						
Public safety	8,474,260	8,034,864	-	-	8,474,260	8,034,864
Public works	5,762,806	6,146,647	-	-	5,762,806	6,146,647
Culture and recreation	3,722,405	3,557,691	-	-	3,722,405	3,557,691
Community and economic development	1,521,206	3,016,994	-	-	1,521,206	3,016,994
General government	3,566,384	3,202,786	-	-	3,566,384	3,202,786
Interest on long-term debt	2,349,192	2,565,864	-	-	2,349,192	2,565,864
Sewer utility	-	-	2,767,540	2,742,747	2,767,540	2,742,747
Family Museum of Arts & Science	-	-	1,725,794	1,958,342	1,725,794	1,958,342
Aquatic Center	-	-	412,494	426,330	412,494	426,330
Recycling/solid waste management	-	-	1,580,939	1,959,654	1,580,939	1,959,654
Palmer Hills Golf Course	-	-	1,146,586	909,314	1,146,586	909,314
Life Fitness Center	-	-	782,242	777,189	782,242	777,189
Stormwater utility	-	-	783,017	416,886	783,017	416,886
Transit	-	-	1,091,502	1,022,620	1,091,502	1,022,620
Downtown Event Center	-	-	-	-	-	-
Educational Center	-	-	-	-	-	-
Total expenses	25,396,253	26,524,846	10,290,114	10,213,082	35,686,367	36,737,928
Increase (decrease) in net assets before transfers						
	7,422,221	6,537,858	(1,870,456)	(2,255,619)	5,551,765	4,282,239
Transfers	(3,495,963)	(2,690,547)	3,495,963	2,690,547	-	-
Increase in net assets	3,926,258	3,847,311	1,625,507	434,928	5,551,765	4,282,239
Net assets, beginning	50,563,186	46,715,875	30,781,173	30,346,245	81,344,359	77,062,120
Net assets, ending	\$ 54,489,444	\$ 50,563,186	\$ 32,406,680	\$ 30,781,173	\$ 86,896,124	\$ 81,344,359

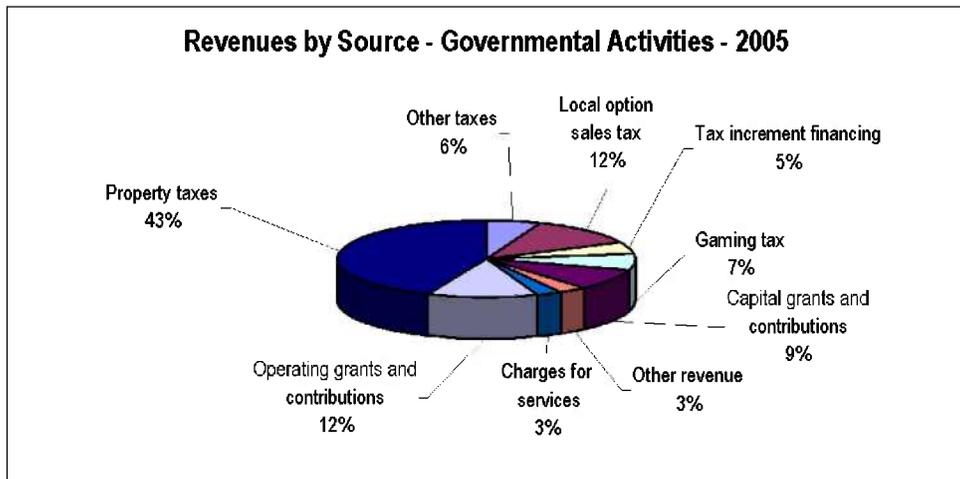
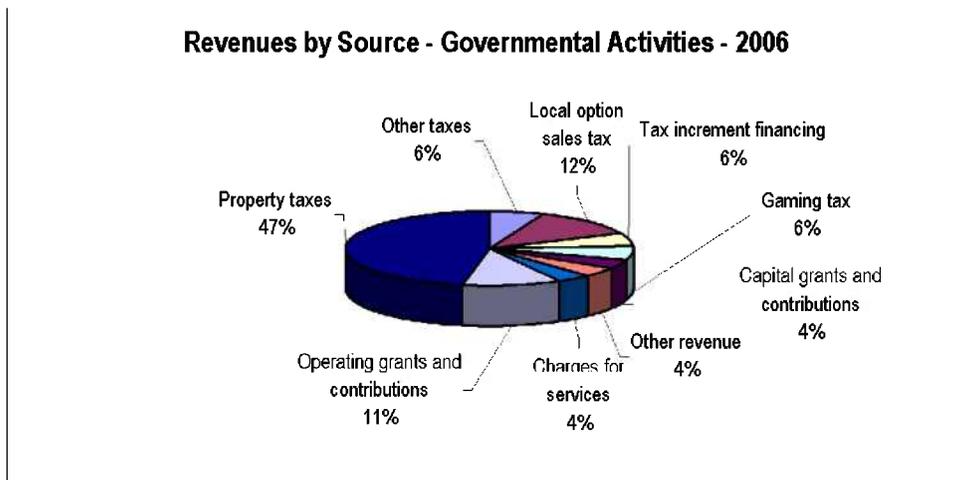
City of Bettendorf, Iowa

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006**

Total governmental activities' revenue for fiscal year 2006 was \$32,818,474 and for 2005 was \$33,062,704. The largest single revenue source for the City was property and TIF taxes of \$17,228,987 for 2006 and \$16,237,515 for 2005. Property and TIF taxes increased by \$991,472 from 2005 (6.0 percent) and \$1,055,845 from 2004 (7.0 percent). Most of the increase for 2006 and 2005 is a result of increased property tax values and increases in tax increment financing.

Certain revenues are generated that are specific to governmental program activities. These totaled \$6,360,220 for 2006 and \$7,773,805 for 2005.

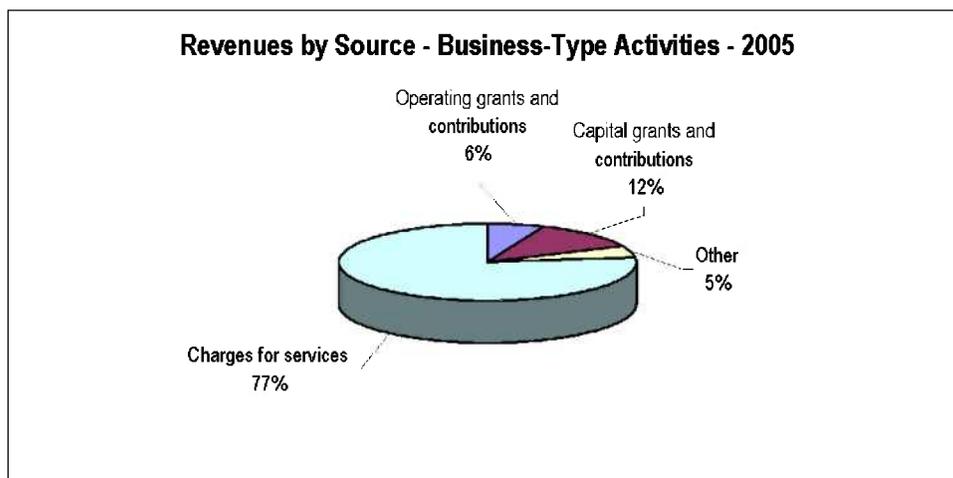
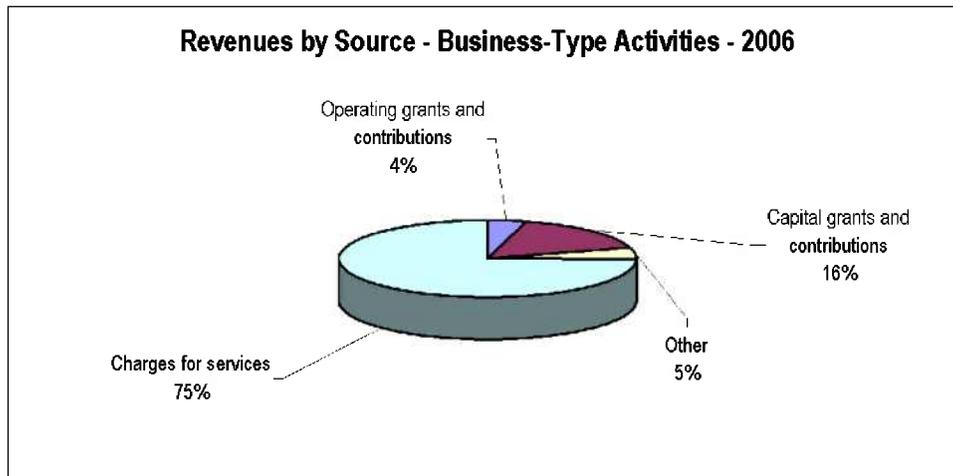
The graphs below show the percentage of the total governmental revenues allocated by each revenue type.



Total business-type activities' revenue for fiscal year 2006 was \$8,419,658 and for 2005 was \$7,957,463. All but \$402,011 for 2006 and \$383,407 for 2005 of this revenue was generated for specific business-type activity expenses.

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006

The graphs below show the breakdown of revenues by source for the business-type activities:



Business-type activities. Business-type activities increased the City of Bettendorf's net assets by \$1,625,507 in 2006, accounting for 29 percent of the growth in the government's net assets. Key elements of this increase are as follows:

- Net assets increased \$723,653 during fiscal year 2006 due to new funds being added.
 - Downtown Events Center increased \$289,684 due to transfers in from the Gaming Fund to pay for the architect fees for the new Events Center building.
 - Educational Center increased \$433,969 due to grants of \$250,000 from the Scott County Regional Authority and a transfer in of \$173,883 from the Eagles Remodeling Capital Projects fund. These monies will fund the remodel of the old Eagles building into an Educational Center next to the Library and Family Museum. The building will be leased to several local school agencies.
- The Palmer Hills Golf Course net assets increased \$483,126 mainly due to \$400,000 transfer in from the Gaming Fund to partially fund the new clubhouse.

City of Bettendorf, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

- The Family Museum of Arts & Science net assets increased \$427,646 due to the transfer in from the General Fund for 59 percent of the operating expenditures and a transfer in from Debt Service to fund the principal and interest payments due during the year.

For the fiscal year ended 2005, the business-type activities increased the City's net assets by \$434,928, accounting for 10 percent of the growth in the government's net assets. Key elements of this increase are as follows:

- The sewer utility recorded an increase of \$635,815 in net assets for the year, mostly due to an increase in contributed capital assets.
- The Palmer Hills Golf Course recorded an increase of \$290,195 due to a transfer in from the Gaming Fund to begin the replacement of the clubhouse.
- The Life Fitness Center and Aquatic Center funds both had a decrease in net assets, \$197,332 and \$235,938, respectively, both due to operating expenditures outpacing the revenues into the funds.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Bettendorf's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City of Bettendorf'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 June 30, 2006, the City of Bettendorf's governmental funds reported combined ending fund balances of \$19,412,519, a decrease of \$1,541,235 in comparison with 2005. Approximately 70 percent of this total amount \$13,595,691, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period \$1,287,777, 2) to pay debt service \$955,500 and 3) for a variety of other restricted purposes \$693,410.

As of June 30, 2005, the City of Bettendorf's governmental funds reported combined ending fund balances of \$20,953,754, a decrease of \$3,725,176 in comparison with 2004. Approximately 74 percent of this total amount, \$15,463,681, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period \$357,222, 2) to pay debt service \$955,500 and 3) for a variety of other restricted purposes \$821,098.

The General Fund is the chief operating fund of the City of Bettendorf. The unreserved fund balance of the General Fund was \$4,780,972 for 2006 and \$4,749,446 for 2005, while total fund balance was \$4,828,961 for 2006 and \$4,814,328 for 2005. 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. For 2006, unreserved fund balance represents 32 percent of total General Fund expenditures, while total fund balance represents 32.5 percent of that same amount. For 2005, unreserved fund balance represents 34 percent of total General Fund expenditures, while total fund balance represents 34.5 percent of that same amount.

City of Bettendorf, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

The fund balance of the City of Bettendorf's General Fund increased by \$14,663 for 2006 and \$286,484 for 2005. The change in net assets for 2006 was not significant. The increase for 2005 is primarily the result of the City's departments not spending all of their budgeted expenditures.

The Tax Increment Financing Fund (TIF) has a total fund balance of \$233,552 for 2006 and \$114,940 for 2005. The net increase in fund balance during the current year in the Tax Increment Fund was \$118,612, due to the payments of amounts owed to the City that are being paid back each year.

The Debt Service Fund has a total fund balance of \$1,202,569 for 2006 and \$1,605,452 for 2005. The net decrease in fund balance during the current year in the Debt Service Fund was \$402,833. This decrease is primarily due to a planned draw down of the fund to keep the property tax levy from fluctuating widely from year to year.

The Capital Projects Fund has a total fund balance of \$4,451,503 for 2006 and \$4,089,197 for 2005, all of which is unrestricted for capital projects. The Capital Projects Fund had a net increase in fund balance in the current year of \$362,306. The increase in fund balance is primarily a result of proceeds from bonds issued in June 2006 and unspent bond proceeds due to capital projects timing during the year.

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

Unrestricted net assets of the Sewer Utility were \$1,752,748 as of June 30, 2006 and \$1,726,879 as of June 30, 2005; those for the Family Museum of Arts & Science were \$16,908 for 2006 and \$(64,916) for 2005; and those for the Stormwater Utility were \$269,152 and \$410,508 for 2006 and 2005, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Bettendorf's business-type activities.

Budgetary Highlights

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay, business-type and non-program. Function expenditures/expenses required to be budgeted include expenditures for the General Fund, special revenue funds, Debt Service Fund, capital projects funds and permanent funds. The legal level of control is at the aggregated function level, not at the fund or fund type level. These budget amendments are reflected in the final budgeted amounts.

Differences between the original budget and the final amended budget for the City of Bettendorf can be summarized as follows:

- The total original revenue budget of \$45,024,917 was decreased to \$44,580,757 (a decrease of \$444,160).
- The total original expenditure budget of \$73,668,784 was decreased to \$51,995,280 (a decrease of \$21,673,504).
- The total original budget for other financing sources, net of \$25,150,000 was decreased to \$5,432,470.

The above changes to the expenditure budget was due to deferring construction of the Downtown Events Center to the next fiscal year.

City of Bettendorf, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

During the year, however, revenues, excluding transfers, were less than budgetary revenues by \$1,138,452. This was primarily attributable to incorrect budgeting in miscellaneous revenues that should have been other financing sources and intergovernmental revenues in the capital projects fund not received due to postponement of projects.

Expenditures were less than budgetary expenditures by \$2,792,225 primarily due to capital projects that were behind schedule and departments that did not spend all of their budgets.

See the *Budgetary Comparison Schedule – All Governmental Funds and Proprietary Funds*.

Capital Asset and Debt Administration

Capital assets. The City of Bettendorf's investment in capital assets for its governmental and business-type activities as of June 30, 2006 and 2005 amounts to \$115,566,965 and \$108,964,264 (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, improvements and equipment and vehicles.

Major capital asset events during fiscal year ended June 30, 2006, included the following:

- \$1,372,370 to pave Devils Glen Road from 53rd Street to Marynoel Avenue.
- \$1,290,453 for purchases of land downtown Bettendorf for use in economic development.
- Acceptance of various residential development streets, \$1,034,670.
- \$627,195 to update and install traffic signals at various locations throughout the City.
- \$233,213 to install a recreational trail along the Mississippi River in front of Grant Street.

Major capital asset events during fiscal year ended June 30, 2005, included the following:

- \$2,233,023 of street projects completed which includes 17th Street paving, 28th Street reconstruction, Bayberry Ct. paving, Oakory Lane and Estate Ct. reconstruction and paving a portion of Tanglefoot Rd.
- \$1,505,254 of disposals of land in downtown Bettendorf to promote economic development.
- Acceptance of various residential developed streets, \$2,158,183.
- \$484,639 for Bettendorf's share of improvements to the Wastewater Treatment Plant.
- \$517,746 in purchases of automated trucks to implement the new garbage program.

Additional information on the City of Bettendorf's capital assets can be found in Note 3 of this report.

	City of Bettendorf's Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 6,851,674	\$ 5,574,401	\$ 1,977,224	\$ 1,917,024	\$ 8,828,898	\$ 7,491,425
Construction-in-progress	3,166,979	1,571,553	1,275,840	483,733	4,442,819	2,055,286
Buildings	19,682,598	19,627,365	16,384,154	15,108,503	36,066,752	34,735,868
Equipment and vehicles	13,609,900	12,977,292	8,610,761	8,414,575	22,220,661	21,391,867
Improvements other than buildings	86,074,742	82,230,436	33,727,977	32,904,966	119,802,719	115,135,402
Accumulated depreciation	(47,575,707)	(44,799,733)	(28,219,177)	(27,045,851)	(75,794,884)	(71,845,584)
Total	\$ 81,810,186	\$ 77,181,314	\$ 33,756,779	\$ 31,782,950	\$ 115,566,965	\$ 108,964,264

City of Bettendorf, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Long-term debt. As of June 30, 2006, the City of Bettendorf had total bonded debt outstanding of \$58,465,000. Of this amount, \$52,405,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Bettendorf's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

As of June 30, 2005, the City of Bettendorf had total bonded debt outstanding of \$57,285,000. Of this amount, \$50,410,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Bettendorf's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Bettendorf's Outstanding Debt General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 43,972,916	\$ 43,737,074	\$ 8,632,084	\$ 6,672,926	\$ 52,605,000	\$ 50,410,000
Revenue bonds	5,120,000	5,865,000	740,000	1,010,000	5,860,000	6,875,000
Total	\$ 49,092,916	\$ 49,602,074	\$ 9,372,084	\$ 7,682,926	\$ 58,465,000	\$ 57,285,000

The City of Bettendorf's total debt increased by \$1,180,000 (2 percent) during the current fiscal year. The key factor in this increase was due to the City issuing \$7,125,000 in general obligation bonds to be used for various public improvements and sewer improvements in June 2006; however, as of June 30, 2006, no principal payments had been made on this debt. This increase is net of other scheduled debt payments on outstanding debt in the current year.

During 2005, the City of Bettendorf's total debt decreased by \$7,985,000 (12.2 percent) during the current fiscal year. The key factor in this decrease was due to scheduled debt payments made during the year. The City did issue \$4,590,000 in general obligation bonds to be used for various public improvements in June 2005; however, as of June 30, 2005, no principal payments had been made on this debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to five percent of its total assessed valuation. The debt limitation for the City of Bettendorf for 2006 was \$114,837,463 and for 2005 was \$106,901,798, which is significantly in excess of the City of Bettendorf's outstanding general obligation debt of \$52,405,000 and \$50,410,000 for 2006 and 2005, respectively, and other debt subject to the debt limitation of \$5,120,000 and \$5,865,000, respectively.

Additional information on the City of Bettendorf's long-term debt can be found in Note 4 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property taxes continue to be the major revenue source for the City of Bettendorf. In fiscal year 2006/2007, property taxes will represent 30.12 percent of total City operating revenues, net of transfers and bond proceeds. This compares to 29.43 percent five years ago in fiscal year 2002/2003. This increased reliance on property tax revenue is the result of other revenue streams either decreasing or remaining flat due to the current economy, especially lower interest rates. In addition, the City incurred a permanent reduction in state funding during fiscal year 2003/2004 that equates to an annual loss of \$570,000 that is now being paid through local property taxes. The City has aggressively been establishing user fees in eight enterprise funds to help offset the cost of the City providing services to citizens when feasible.

City of Bettendorf, Iowa

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

- The City Council increased the levy rate \$.25 per \$1,000/assessed valuation to \$12.60 to balance the fiscal year 2006/2007 budget, as a direct result of the state of Iowa reducing the rollback on taxable residential property values by 4.1 percent from 47.9642 percent down to 45.996 percent. As a result of this reduced rollback, total taxable valuations for the City actually decreased .32 percent below FY 2005/06 levels, and the increased levy was needed to generate enough property taxes to balance the budget. The increased levy rate of \$12.60 for FY 2006/07 will generate \$15.7 million in property taxes.
- The City's tax base has increased at an average rate of 2.88 percent annually over the past ten years. This moderate annual increase is due in part to the state phasing out machinery and equipment assessments, as well as the continued reduction in residential taxable valuations as a result of the state-imposed rollback computation, currently at 45.996 percent of fair market value. For FY 2006/07, the City's total taxable valuation base (including TIF increment values) totals \$1,293,964,072. The residential class of property represents 69.17 percent of the City's total tax base. Property taxes on utilities are now paid through excise taxes and are classified under Other City Taxes.
- Relatively favorable employment opportunities throughout the Quad Cities area continue to foster moderate City population and tax base growth. Overall, the City anticipates to collect \$15,663,030 in property taxes in FY 2006/07 which is 1.58 percent more than FY 2005/06 taxes of \$15,383,115.

All of these factors were considered in preparing the City of Bettendorf's budget for fiscal year 2006/07.

Requests for Information

This financial report is designed to provide a general overview of the City of Bettendorf's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Carol Barnes, Finance Director, City of Bettendorf, 1609 State Street, Bettendorf, Iowa 52722.



Bettendorf IOWA
a premier city

City of Bettendorf, Iowa

Statement of Net Assets
June 30, 2006

	Primary Government			Family
	Governmental Activities	Business-Type Activities	Total	Museum Foundation
Assets				
Current assets:				
Cash and investments	\$ 16,148,312	\$ 3,209,571	\$ 19,357,883	\$ 436,689
Restricted cash and investments	4,918,204	4,571,273	9,489,477	-
Prepays	12,700	-	12,700	-
Receivables:				
Property taxes	18,464,855	-	18,464,855	-
Accounts and unbilled usage	284,776	1,147,216	1,431,992	-
Accrued interest	160,543	25,809	186,352	-
Special assessments	52,312	170,876	223,188	-
Loans	33,409	-	33,409	-
Internal balances	575,254	(575,254)	-	-
Due from other governments	1,543,703	835,171	2,378,874	-
Inventories	6,490	-	6,490	9,042
Total current assets	42,200,558	9,384,662	51,585,220	445,731
Noncurrent assets:				
Restricted cash and investments	955,500	176,219	1,131,719	-
Bond discounts	93,706	37,428	131,134	-
Bond issuance costs	193,464	71,233	264,697	-
Capital assets:				
Nondepreciable:				
Land	6,851,674	1,977,224	8,828,898	-
Construction-in-progress	3,166,979	1,275,840	4,442,819	-
Depreciable:				
Buildings and structures	19,682,598	16,384,154	36,066,752	-
Equipment and vehicles	13,609,900	8,610,761	22,220,661	-
Improvements other than buildings	86,074,742	33,727,977	119,802,719	-
Accumulated depreciation	(47,575,707)	(28,219,177)	(75,794,884)	-
Net capital assets	81,810,186	33,756,779	115,566,965	-
Total noncurrent assets	83,052,856	34,041,659	117,094,515	-
Total assets	\$ 125,253,414	\$ 43,426,321	\$ 168,679,735	\$ 445,731

See Notes to Basic Financial Statements.

	Primary Government			Family
	Governmental Activities	Business-Type Activities	Total	Museum Foundation
Liabilities				
Current:				
Accounts payable	\$ 952,830	\$ 532,694	\$ 1,485,524	\$ 35,285
Claims payable	163,103	-	163,103	-
Compensated absences	183,176	48,421	231,597	-
Accrued liabilities	333,819	89,284	423,103	-
Due to other governments	200,633	225,515	426,148	-
Interest payable	199,090	28,558	227,648	-
Contracts payable	832,986	519,049	1,352,035	-
Unearned revenues	18,287,911	266,255	18,554,166	1,545
Current maturities, revenue bonds	800,000	280,000	1,080,000	-
Current maturities, general obligation bonds	4,694,216	675,784	5,370,000	-
Total current liabilities	26,647,764	2,665,560	29,313,324	36,830
Noncurrent:				
Compensated absences	513,933	135,858	649,791	-
Bond premiums	3,573	1,922	5,495	-
Revenue bonds, net of current maturities	4,320,000	460,000	4,780,000	-
General obligation bonds, net of current maturities	39,278,700	7,756,301	47,035,001	-
Total noncurrent liabilities	44,116,206	8,354,081	52,470,287	-
Total liabilities	70,763,970	11,019,641	81,783,611	36,830
Net Assets				
Invested in capital assets, net of related debt	37,919,071	29,262,706	67,181,777	-
Restricted for:				
Bond ordinance reserves	955,500	176,219	1,131,719	-
Debt service	1,202,569	-	1,202,569	-
Local option sales tax	2,203,224	-	2,203,224	-
Road use tax	735,887	-	735,887	-
Library	439,166	-	439,166	-
Other purposes	684,837	-	684,837	554
Unrestricted	10,349,190	2,967,755	13,316,945	408,347
Total net assets	54,489,444	32,406,680	86,896,124	408,901
Total liabilities and net assets	\$ 125,253,414	\$ 43,426,321	\$ 168,679,735	\$ 445,731

City of Bettendorf, Iowa

Statement of Activities
Year Ended June 30, 2006

Programs/Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety	\$ 8,474,260	\$ 18,546	\$ 436,083	\$ -
Public works	5,762,806	23,382	2,664,831	1,165,844
Culture and recreation	3,722,405	209,673	159,889	27,051
Community and economic development	1,521,206	1,037,467	512,395	-
General government	3,566,384	105,059	-	-
Interest on long-term debt	2,349,192	-	-	-
Total governmental activities	25,396,253	1,394,127	3,773,198	1,192,895
Business-type activities:				
Sewer utility	2,767,540	2,491,731	-	465,967
Family Museum of Arts & Science	1,725,794	516,211	149,273	-
Aquatic Center	412,494	167,157	-	-
Recycling/solid waste management	1,580,939	1,355,684	-	-
Palmer Hills Golf Course	1,146,586	738,340	-	300,000
Life Fitness Center	782,242	368,153	-	-
Stormwater utility	783,017	579,144	-	310,645
Transit	1,091,502	56,656	268,686	-
Educational Center	-	-	-	250,000
Total business-type activities	10,290,114	6,273,076	417,959	1,326,612
Total primary government	\$ 35,686,367	\$ 7,667,203	\$ 4,191,157	\$ 2,519,507
Component units:				
Learning Campus Foundation	\$ 14,623	\$ 7,005	\$ 24,578	\$ -
Family Museum Foundation	158,687	43,937	66,307	-
	\$ 173,310	\$ 50,942	\$ 90,885	\$ -

General Revenues

Taxes:

Property taxes

Tax increment financing taxes

Local option sales taxes

Other taxes

Gaming tax

Franchise tax

State replacement tax credits

State shared revenues, unrestricted

Investment earnings

Miscellaneous

Special items:

Transfer to Library Foundation

Transfers between Learning Campus and Family Museum

Transfers

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year

Net assets, end of year

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets				
Governmental Activities	Business-Type Activities	Total	Learning Campus Foundation	Family Museum Foundation
\$ (8,019,631)	\$ -	\$ (8,019,631)	\$ -	\$ -
(1,908,749)	-	(1,908,749)	-	-
(3,325,792)	-	(3,325,792)	-	-
28,656	-	28,656	-	-
(3,461,325)	-	(3,461,325)	-	-
(2,349,192)	-	(2,349,192)	-	-
<u>(19,036,033)</u>	<u>-</u>	<u>(19,036,033)</u>	<u>-</u>	<u>-</u>
-	190,158	190,158	-	-
-	(1,060,310)	(1,060,310)	-	-
-	(245,337)	(245,337)	-	-
-	(225,255)	(225,255)	-	-
-	(108,246)	(108,246)	-	-
-	(414,089)	(414,089)	-	-
-	106,772	106,772	-	-
-	(766,160)	(766,160)	-	-
-	250,000	250,000	-	-
-	<u>(2,272,467)</u>	<u>(2,272,467)</u>	<u>-</u>	<u>-</u>
<u>(19,036,033)</u>	<u>(2,272,467)</u>	<u>(21,308,500)</u>	<u>-</u>	<u>-</u>
-	-	-	16,960	-
-	-	-	-	(48,443)
-	-	-	<u>16,960</u>	<u>(48,443)</u>
15,375,604	-	15,375,604	-	-
1,853,383	-	1,853,383	-	-
3,968,600	-	3,968,600	-	-
1,557,262	-	1,557,262	-	-
2,121,774	-	2,121,774	-	-
345,734	-	345,734	-	-
22,335	-	22,335	-	-
34,604	-	34,604	-	-
826,908	216,631	1,043,539	18,170	17,640
352,050	185,380	537,430	-	-
-	-	-	(846,428)	-
-	-	-	(439,704)	439,704
<u>(3,495,963)</u>	<u>3,495,963</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>22,962,291</u>	<u>3,897,974</u>	<u>26,860,265</u>	<u>(1,267,962)</u>	<u>457,344</u>
3,926,258	1,625,507	5,551,765	(1,251,002)	408,901
50,563,186	30,781,173	81,344,359	1,251,002	-
<u>\$ 54,489,444</u>	<u>\$ 32,406,680</u>	<u>\$ 86,896,124</u>	<u>\$ -</u>	<u>\$ 408,901</u>

City of Bettendorf, Iowa

Balance Sheet
Governmental Funds
June 30, 2006

Assets	Tax Increment		
	General	Financing	Debt Service
Cash and investments	\$ 4,705,667	\$ 16,856	\$ 1,144,209
Restricted cash and investments	-	955,500	-
Receivables:			
Property taxes	9,058,486	2,595,160	5,291,138
Accounts	183,027	-	-
Special assessments	52,312	-	-
Loans	33,409	-	-
Accrued interest	47,208	5,081	15,135
Due from other funds	413,827	-	-
Due from other governments	1,278,073	-	58
Inventories	6,490	-	-
Advances to other funds	-	-	-
Total assets	\$ 15,778,499	\$ 3,572,597	\$ 6,450,540
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 533,994	\$ 6,903	\$ -
Accrued liabilities	265,409	-	-
Due to other governments	59,670	-	-
Due to other funds	747,812	114,860	-
Contracts payable	-	-	-
Deferred revenue	9,342,653	2,563,771	5,240,958
Matured interest payable	-	-	7,013
Advances from other funds	-	653,511	-
Total liabilities	10,949,538	3,339,045	5,247,971
Fund Equity:			
Fund balances:			
Reserved for future debt retirement	-	955,500	-
Reserved for encumbrances	8,090	-	-
Reserved for loans	33,409	-	-
Reserved for inventories	6,490	-	-
Reserved for advances	-	-	-
Unreserved:			
Designated for debt retirement, Debt Service Fund	-	-	1,202,569
Designated for pension contributions; special revenue funds	-	-	-
Undesignated, reported in:			
General Fund	4,780,972	-	-
Special revenue funds	-	(721,948)	-
Capital projects funds	-	-	-
Total fund equity	4,828,961	233,552	1,202,569
Total liabilities and fund equity	\$ 15,778,499	\$ 3,572,597	\$ 6,450,540

See Notes to Basic Financial Statements.

Capital Projects Reserve	Other Nonmajor Governmental	Total
\$ 29,370	\$ 7,658,411	\$ 13,554,513
4,918,204	-	5,873,704
-	1,520,071	18,464,855
27,051	71,870	281,948
-	-	52,312
-	-	33,409
257	68,786	136,467
40,148	995,494	1,449,469
6,285	238,987	1,523,403
-	-	6,490
603,543	49,968	653,511
<u>\$ 5,624,858</u>	<u>\$ 10,603,587</u>	<u>\$ 42,030,081</u>

\$ 137,185	\$ 155,325	\$ 833,407
11,489	35,039	311,937
1,637	136,208	197,515
147,140	48,906	1,058,718
806,019	26,967	832,986
69,885	1,505,208	18,722,475
-	-	7,013
-	-	653,511
<u>1,173,355</u>	<u>1,907,653</u>	<u>22,617,562</u>

-	-	955,500
1,224,701	54,986	1,287,777
-	-	33,409
-	-	6,490
603,543	49,968	653,511
-	-	1,202,569
-	1,677,572	1,677,572
-	-	4,780,972
-	1,824,433	1,102,485
2,623,259	5,088,975	7,712,234
<u>4,451,503</u>	<u>8,695,934</u>	<u>19,412,519</u>
<u>\$ 5,624,858</u>	<u>\$ 10,603,587</u>	<u>\$ 42,030,081</u>

City of Bettendorf, Iowa

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2006**

Total governmental fund balances		\$	19,412,519
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Land	\$	6,808,065	
Construction-in-progress		3,166,979	
Buildings and structures		19,259,137	
Equipment and vehicles		13,139,268	
Improvements other than buildings		86,074,742	
Accumulated depreciation		<u>(46,988,988)</u>	81,459,203
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds			434,564
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets:			
Capital assets		937,702	
Accumulated depreciation		(586,719)	
Other current assets		2,653,703	
Internal balances		3,287	
Other current liabilities		(319,658)	
Noncurrent liabilities		<u>(34,037)</u>	2,654,278
Internal service funds allocated to business-type activities			181,216
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Compensated absences, current		(171,044)	
Compensated absences, noncurrent		(479,896)	
Accrued interest payable		(192,077)	
General obligation bonds payable, current		(4,694,216)	
General obligation bonds payable, noncurrent		(39,278,700)	
TIF revenue bonds, current		(800,000)	
TIF revenue bonds, noncurrent		(4,320,000)	
Bond issuance costs		193,464	
Bond discounts		93,706	
Bond premiums		<u>(3,573)</u>	(49,652,336)
Net assets of governmental activities			<u><u>\$ 54,489,444</u></u>

See Notes to Basic Financial Statements.



Bettendorf IOWA
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City of Bettendorf, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2006

	Tax Increment		
	General	Financing	Debt Service
Revenues:			
Property taxes	\$ 8,972,892	\$ -	\$ 4,904,441
Tax increment financing taxes	-	1,853,383	-
Other taxes	5,112,936	-	209,365
Special assessments	18,497	-	-
Licenses and permits	865,209	-	-
Intergovernmental	679,276	-	3,527
Charges for services	394,575	-	-
Use of money and property	208,454	60,960	99,832
Miscellaneous	157,799	-	-
Total revenues	16,409,638	1,914,343	5,217,165
Expenditures:			
Current operating:			
Public safety	7,858,875	-	-
Public works	80,576	-	-
Culture and recreation	3,132,355	-	-
Community and economic development	318,591	94,623	-
General government	3,105,998	-	-
Debt service:			
Principal	-	1,105,000	3,984,158
Interest and other charges	-	596,108	1,735,827
Bond issuance costs	37,456	-	-
Capital outlay	318,126	-	-
Total expenditures	14,851,977	1,795,731	5,719,985
Excess (deficiency) of revenues over expenditures	1,557,661	118,612	(502,820)
Other financing sources (uses):			
Issuance of long-term capital debt	-	-	-
Premiums on long-term capital debt	-	-	-
Discounts on long-term capital debt	-	-	-
Proceeds from the sale of capital assets	-	-	-
Transfers in	2,198,838	-	576,650
Transfers out	(3,741,866)	-	(476,713)
Total other financing sources (uses)	(1,543,028)	-	99,937
Net changes in fund balance	14,633	118,612	(402,883)
Fund balances, beginning of year	4,814,328	114,940	1,605,452
Fund balances, end of year	\$ 4,828,961	\$ 233,552	\$ 1,202,569

See Notes to Basic Financial Statements.

Capital Projects Reserve	Other Nonmajor Governmental	Total
\$ -	\$ 1,505,782	\$ 15,383,115
-	-	1,853,383
-	2,189,551	7,511,852
1,450	-	19,947
-	-	865,209
131,174	3,138,524	3,952,501
-	-	394,575
98,773	293,527	761,546
138,292	433,753	729,844
<u>369,689</u>	<u>7,561,137</u>	<u>31,471,972</u>
-	36,814	7,895,689
-	2,646,761	2,727,337
-	167,991	3,300,346
-	844,927	1,258,141
-	291	3,106,289
-	-	5,089,158
-	-	2,331,935
-	-	37,456
5,430,293	2,598,913	8,347,332
<u>5,430,293</u>	<u>6,295,697</u>	<u>34,093,683</u>
(5,060,604)	1,265,440	(2,621,711)
4,580,000	-	4,580,000
3,190	-	3,190
(44,519)	-	(44,519)
-	90,972	90,972
884,239	3,266,188	6,925,915
-	(6,256,503)	(10,475,082)
<u>5,422,910</u>	<u>(2,899,343)</u>	<u>1,080,476</u>
362,306	(1,633,903)	(1,541,235)
4,089,197	10,329,837	20,953,754
<u>\$ 4,451,503</u>	<u>\$ 8,695,934</u>	<u>\$ 19,412,519</u>

City of Bettendorf, Iowa

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2006**

Net change in fund balances - governmental funds \$ (1,541,235)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following is the amount by which capital outlays exceeded depreciation in the current year:

Capital outlay	\$ 7,253,947	
Depreciation	(3,495,610)	
Capital assets contributed	1,034,670	4,793,007

Proceeds from the sale of capital assets		(90,972)
(Loss) on the sale of capital assets		(46,835)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Local option sales tax	135,784	
Grant revenues	7,963	
Property taxes	(7,511)	136,236

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 compensated absences		(5,862)
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The issuance of long-term debt (e.g., bonds, loan, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due.

The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Repayment of bond principal	5,089,158	
Interest	(36)	
Bond issuance costs	37,456	
Issuance of long-term debt	(4,580,000)	
Discounts	44,519	
Premiums	(3,190)	
Amortization of bond discounts, premiums, and bond issuance costs	(17,221)	570,686

Internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.		131,111
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Change in internal service fund allocation to business-type activities		(19,878)
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Changes in net assets of governmental activities		\$ 3,926,258
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See Notes to Basic Financial Statements.



Bettendorf IOWA
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City of Bettendorf, Iowa

Statement of Net Assets
 Proprietary Funds
 June 30, 2006

	Sewer Utility	Family Museum of Arts & Science	Stormwater Utility
Assets			
Current assets:			
Cash and investments	\$ 1,131,374	\$ 135,514	\$ 194,266
Restricted cash and investments	3,121,206	-	1,450,067
Prepaid items	-	-	-
Receivables:			
Accounts and unbilled usage	558,923	29,733	140,377
Accrued interest	8,531	-	2,081
Special assessments	108,342	-	16,018
Due from other funds	-	-	-
Due from other governments	696,452	-	-
Total current assets	5,624,828	165,247	1,802,809
Noncurrent assets:			
Restricted cash	176,219	-	-
Bond discounts	15,757	5,914	15,757
Bond issuance costs	50,207	11,810	9,216
Capital assets:			
Nondepreciable:			
Land	3,575	148,070	406,209
Construction-in-progress	822,547	32,653	35,437
Depreciable:			
Buildings and structures	2,040,620	5,247,539	-
Equipment and vehicles	3,334,560	867,908	329,357
Improvements other than buildings	32,240,343	192,458	525,303
Accumulated depreciation	(21,437,217)	(1,977,264)	(68,509)
Net capital assets	17,004,428	4,511,364	1,227,797
Total noncurrent assets	17,246,611	4,529,088	1,252,770
Total assets	\$ 22,871,439	\$ 4,694,335	\$ 3,055,579

(Continued)

Other Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ 1,748,417	\$ 3,209,571	\$ 2,593,799
-	4,571,273	-
-	-	12,700
418,183	1,147,216	2,828
15,197	25,809	24,076
46,516	170,876	-
-	-	3,287
138,719	835,171	20,300
<u>2,367,032</u>	<u>9,959,916</u>	<u>2,656,990</u>
-	176,219	-
-	37,428	-
-	71,233	-
1,419,370	1,977,224	43,609
385,203	1,275,840	-
9,095,995	16,384,154	423,461
4,078,936	8,610,761	470,632
769,873	33,727,977	-
(4,736,187)	(28,219,177)	(586,719)
<u>11,013,190</u>	<u>33,756,779</u>	<u>350,983</u>
11,013,190	34,041,659	350,983
<u>\$ 13,380,222</u>	<u>\$ 44,001,575</u>	<u>\$ 3,007,973</u>

City of Bettendorf, Iowa

Statement of Net Assets (Continued)
 Proprietary Funds
 June 30, 2006

	Sewer Utility	Family Museum of Arts & Science	Stormwater Utility
Liabilities and Net Assets			
Liabilities:			
Current:			
Accounts payable	\$ 43,850	\$ 74,819	\$ 48,700
Claims payable	-	-	-
Compensated absences	7,619	10,972	4,265
Accrued liabilities	13,924	24,219	8,303
Due to other governments	201,244	3,150	3,591
Due to other funds	-	-	-
Interest payable	17,399	4,395	6,764
Contracts payable	445,460	-	-
Unearned revenue	-	-	-
Current maturities, revenue bonds	280,000	-	-
Current maturities, general obligation bonds	195,000	390,784	90,000
Total current liabilities	1,204,496	508,339	161,623
Noncurrent:			
Compensated absences	21,378	30,784	11,967
Bond premiums	1,922	-	-
Revenue bonds, net of current maturities	460,000	-	-
General obligation bonds, net of current maturities	4,210,000	1,776,301	1,770,000
Total noncurrent liabilities	4,693,300	1,807,085	1,781,967
Total liabilities	5,897,796	2,315,424	1,943,590
Net assets:			
Invested in capital assets, net of related debt	15,044,676	2,362,003	842,837
Restricted for bond ordinance reserves	176,219	-	-
Unrestricted	1,752,748	16,908	269,152
Total net assets	16,973,643	2,378,911	1,111,989
Total liabilities and net assets	\$ 22,871,439	\$ 4,694,335	\$ 3,055,579

Total enterprise funds net assets:

Amounts reported for enterprise activities in the statement of net assets are different because:
 Internal service funds are used by management to charge the cost of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Net assets of business-type activities

See Notes to Basic Financial Statements.

Other Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Funds
\$ 365,325	\$ 532,694	\$ 119,423
-	-	163,103
25,565	48,421	12,132
42,838	89,284	21,882
17,530	225,515	3,118
394,038	394,038	-
-	28,558	-
73,589	519,049	-
266,255	266,255	-
-	280,000	-
-	675,784	-
<u>1,185,140</u>	<u>3,059,598</u>	<u>319,658</u>
71,729	135,858	34,037
-	1,922	-
-	460,000	-
-	7,756,301	-
<u>71,729</u>	<u>8,354,081</u>	<u>34,037</u>
<u>1,256,869</u>	<u>11,413,679</u>	<u>353,695</u>
11,013,190	29,262,706	350,983
-	176,219	-
1,110,163	3,148,971	2,303,295
<u>12,123,353</u>	<u>32,587,896</u>	<u>2,654,278</u>
<u>\$ 13,380,222</u>	<u>\$ 44,001,575</u>	<u>\$ 3,007,973</u>
	\$ 32,587,896	
	<u>(181,216)</u>	
	<u>\$ 32,406,680</u>	

City of Bettendorf, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets
 Proprietary Funds
 Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds		
	Sewer Utility	Family Museum of Arts & Science	Stormwater Utility
Operating revenues:			
Charges for services	\$ 2,379,021	\$ 516,211	\$ 567,532
Licenses and permits	112,710	-	11,612
Intergovernmental	-	-	-
Other	893	155,481	1,893
Total operating revenues	2,492,624	671,692	581,037
Operating expenses:			
Salaries and benefits	488,311	879,970	283,500
Supplies and services	1,201,576	541,354	372,920
Depreciation	956,762	217,800	44,365
Amortization	6,945	3,431	1,561
Total operating expenses	2,653,594	1,642,555	702,346
Operating income (loss)	(160,970)	(970,863)	(121,309)
Nonoperating revenues (expenses):			
Investment earnings	101,187	1,511	59,751
Interest expense	(116,695)	(84,715)	(83,644)
(Loss) on disposal of assets	-	-	-
Total nonoperating revenues (expenses)	(15,508)	(83,204)	(23,893)
Income (loss) before capital grants and contributions and transfers	(176,478)	(1,054,067)	(145,202)
Capital grants and contributions	465,967	-	310,645
Transfers in	-	1,481,713	-
	465,967	1,481,713	310,645
Changes in net assets	289,489	427,646	165,443
Net assets, beginning of year	16,684,154	1,951,265	946,546
Net assets, end of year	\$ 16,973,643	\$ 2,378,911	\$ 1,111,989

See Notes to Basic Financial Statements.

		Governmental Activities	
Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
\$ 2,685,990	\$ 6,148,754	\$ 4,753,814	
-	124,322	-	
266,886	266,886	-	
178,186	336,453	52,935	
<u>3,131,062</u>	<u>6,876,415</u>	<u>4,806,749</u>	
2,302,408	3,954,189	2,556,159	
1,919,767	4,035,617	2,210,453	
685,425	1,904,352	32,768	
-	11,937	-	
<u>4,907,600</u>	<u>9,906,095</u>	<u>4,799,380</u>	
(1,776,538)	(3,029,680)	7,369	
54,182	216,631	70,538	
-	(285,054)	-	
(118,843)	(118,843)	-	
<u>(64,661)</u>	<u>(187,266)</u>	<u>70,538</u>	
(1,841,199)	(3,216,946)	77,907	
550,000	1,326,612	-	
2,014,250	3,495,963	53,204	
<u>2,564,250</u>	<u>4,822,575</u>	<u>53,204</u>	
723,051	1,605,629	131,111	
11,400,302	30,982,267	2,523,167	
<u>\$ 12,123,353</u>	<u>\$ 32,587,896</u>	<u>\$ 2,654,278</u>	

City of Bettendorf, Iowa

Reconciliation of the Changes in Net Assets of Enterprise Funds to the Statement of Activities
Year Ended June 30, 2006

Net changes in net assets in enterprise funds	\$	1,605,629
Amounts reported for proprietary activities in the statement of activities are different because:		
Internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of internal service funds is reported with business-type activities.		<u>19,878</u>
Changes in net assets of business-type activities	\$	<u>1,625,507</u>

See Notes to Basic Financial Statements.



Bettendorf IOWA
a premier city

City of Bettendorf, Iowa

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds		
	Sewer Utility	Family Museum of Arts & Science	Stormwater Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 2,515,650	\$ 502,806	\$ 585,678
Receipts from other operating revenue	893	155,481	1,893
Payments to suppliers	(1,490,857)	(527,277)	(355,477)
Payments to claimants	-	-	-
Payments to employees	(486,852)	(878,729)	(269,958)
Net cash provided by (used in) operating activities	538,834	(747,719)	(37,864)
Cash flows from noncapital financing activities:			
Proceeds from (payments of) interfund accounts	-	-	-
Transfers in	-	1,481,713	-
Net cash provided by noncapital financing activities	-	1,481,713	-
Cash flows from capital and related financing activities:			
Proceeds from capital grants	-	-	-
Purchase of capital assets	(336,984)	(177,962)	(109,538)
Proceeds from bonds, net of bond issue costs and premiums of \$22,916	2,522,084	-	-
Payment on debt	(576,750)	(389,091)	(90,000)
Interest paid on debt	(108,677)	(87,622)	(83,869)
Net cash provided by (used in) capital and related financing activities	1,499,673	(654,675)	(283,407)
Cash flows from investing activities, interest received	96,355	1,614	62,545
Increase (decrease) in cash and cash equivalents	2,134,862	80,933	(258,726)
Cash and cash equivalents, beginning of year	2,293,937	54,581	1,903,059
Cash and cash equivalents, end of year	<u>\$ 4,428,799</u>	<u>\$ 135,514</u>	<u>\$ 1,644,333</u>

(Continued)

		Governmental Activities	
Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
\$ 2,940,762	\$ 6,544,896	\$ 4,734,875	
412,112	570,379	52,935	
(1,848,532)	(4,222,143)	(2,194,617)	
-	-	(1,797,807)	
(2,301,814)	(3,937,353)	(780,760)	
(797,472)	(1,044,221)	14,626	
365,405	365,405	(921)	
2,014,250	3,495,963	53,204	
2,379,655	3,861,368	52,283	
550,000	550,000	-	
(2,071,415)	(2,695,899)	(6,440)	
-	2,522,084	-	
-	(1,055,841)	-	
-	(280,168)	-	
(1,521,415)	(959,824)	(6,440)	
42,922	203,436	51,739	
103,690	2,060,759	112,208	
1,644,727	5,896,304	2,481,591	
\$ 1,748,417	\$ 7,957,063	\$ 2,593,799	

City of Bettendorf, Iowa

Statement of Cash Flows (Continued)
 Proprietary Funds
 Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds		
	Sewer Utility	Family Museum of Arts & Science	Stormwater Utility
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (160,970)	\$ (970,863)	\$ (121,309)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	956,762	217,800	44,365
Amortization	6,945	3,431	1,561
Change in assets and liabilities:			
Receivables and due from other governments	23,919	(13,405)	6,534
Prepaid items	-	-	-
Accounts payable and due to other governments	(289,281)	14,077	17,443
Claims payable	-	-	-
Compensated absences and accrued liabilities	1,459	1,241	13,542
Unearned revenue	-	-	-
Net cash provided by (used in) operating activities	\$ 538,834	\$ (747,719)	\$ (37,864)
Schedule of noncash items:			
Capital and related financing activities:			
Acquisition of capital assets through contracts or accounts payable	\$ 428,268	\$ -	\$ -
Capital assets contributed	465,967	-	310,645

See Notes to Basic Financial Statements.

		Governmental Activities	
Other Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
\$ (1,776,538)	\$ (3,029,680)	\$	7,369
685,425	1,904,352		32,768
-	11,937		-
(70,307)	(53,259)		(18,939)
-	-		(12,700)
97,099	(160,662)		15,836
-	-		(14,661)
594	16,836		4,953
266,255	266,255		-
<u>\$ (797,472)</u>	<u>\$ (1,044,221)</u>	<u>\$</u>	<u>14,626</u>

\$ 96,245	\$ 524,513	\$	-
-	776,612		-

City of Bettendorf, Iowa

Statement of Assets and Liabilities

Agency Funds

June 30, 2006

Assets , cash and investments	<u>\$ 29,162</u>
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Liabilities , accounts payable	<u>\$ 29,162</u>
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See Notes to Basic Financial Statements.

City of Bettendorf, Iowa

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies

Nature of operations:

The City of Bettendorf, Iowa (City) was incorporated in 1903. The form of City government is Mayor-Council, utilizing a professional City Administrator. The City of Bettendorf provides a wide variety of public services through ten professionally staffed departments and the office of the City Administrator, including police, fire, public works, parks, museum, library, community development, finance, legal and personnel.

Reporting entity:

The City is a municipal corporation governed by an elected mayor and a seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The blended component unit, although a legally separate entity, is, in substance, part of the City's operations and so data from this unit is combined with data of the City. The discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize they are legally separate from the City. Both the blended component unit and the discretely presented component units have a June 30 year-end.

Blended component unit: Bettendorf Housing Authority - The governing body of the Bettendorf Housing Authority consists of the same members as that of the City Council. The City approves the Authority's annual budgets and approves rentals. The Authority oversees a Housing and Urban Development rent subsidy program which is accounted for in the Housing and Urban Development Section 8 Fund, a special revenue fund of the City. Complete financial statements of the component unit can be obtained from Bettendorf City Hall at 1609 State Street, Bettendorf, Iowa.

Discretely presented component unit: The Learning Campus Foundation (The Foundation) - The Learning Campus Foundation was established to organize, sponsor and maintain a program for providing independent financial support for the Learning Campus of the City of Bettendorf. The Foundation raises funds to supplement the financing received from the City of Bettendorf. Complete financial statements of the component unit can be obtained from The Learning Campus Foundation at 2900 Learning Campus Drive, Bettendorf, Iowa. The Learning Campus Foundation dissolved on August 15, 2005 and split into two separate legal entities – the Family Museum Foundation and the Library Foundation. Therefore, the Learning Campus as a whole was still considered a component unit of the City of Bettendorf for the period of July 1, 2005 to August 14, 2005 and is presented as such. As of August 15, 2005, only the Family Museum Foundation is still considered a component unit of the City of Bettendorf based on the significance of their operational or financial relationships with the City as well as the appointment of the Board of Trustees of the Family Museum Foundation by the Mayor of the City of Bettendorf. In the current year, the financial statements for the Family Museum Foundation are presented for the period of August 15, 2005 to June 30, 2006.

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Basis of presentation:

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 City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. There are no indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Fund accounting: The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The City has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance." The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's major governmental funds:

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

Tax Increment Financing Fund: To account for the accumulation of resources for the repayment of City funds or bonds issued to cash flow various capital projects. Property tax revenue generated on increased assessed valuations within TIF districts are the resources accounted for in this fund.

Debt Service Fund: To account for the servicing of the general long-term debt not financed by a specific source.

Capital Projects Reserve Fund: To account for the acquisition and construction of major capital facilities.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

The other governmental funds of the City are considered nonmajor and are as follows:

Special Revenue Funds: To account for the proceeds of specific revenue sources (other than certain capital projects that are legally restricted to expenditures for specific projects).

Road Use Tax Fund: To account for the proceeds from road use tax monies.

Housing and Urban Development Section 8 Fund: To account for the U.S. Department of Housing and Urban Development Block Grant programs.

Economic Development Fund: To account for the proceeds to be used for general economic development and redevelopment purposes of the City, including low interest loans the City makes to private companies for economic development purposes, as well as the acquisition and sale of land.

Police Fund: To account for the Police Local Law Enforcement Block Grant by the U.S. Department of Justice, to financially assist the public who request it from the police department, to equip elementary students with the skills for recognizing and resisting social pressures to experiment with alcohol, tobacco and drugs and to account for revenue received from the sale or auction of items seized in law enforcement activities.

Library Fund: To account for reimbursements from the state of Iowa for library materials lent to noncity residents and other libraries in Iowa, and used for improvements to the Library. This fund also accounts for money received through donations and fundraising activities for the Library.

Park Fund: To account for the donations identified to specifically assist the park programs, annual tree planting and to account for the City's owner occupied residential painting program funded by the River Bend Regional Authority. This fund accounts for miscellaneous City beautification projects funded by gaming revenues.

Police Pension and Retirement Excess Fund: To account for the remaining balances of the self-administered pension plans after a transfer to a state administered plan which may be used by the City to meet future pension funding requirements as prescribed by law.

Old Fashioned Fourth of July Fund: To account for all of the revenues and expenditures for the annual Independence Day celebration in the City of Bettendorf.

Employee Benefits Fund: To account for the property tax revenues collected to be used for the City's employees' health insurance and pension costs.

Subdivision Deposits Fund: To account for the deposits made by developers for incomplete subdivision improvements such as sidewalks and street paving required when temporary occupancy permits are requested. Refunds are made when specific improvements are constructed.

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Capital Projects Funds: To account for all resources used in the acquisition and construction of capital facilities and other capital assets, with the exception of those that are financed through proprietary funds.

Vehicle Replacement Fund: To account for the replacement of vehicles currently owned by the City.

Riverboat Gaming Fund: To account for the revenue generated from admission and gaming taxes imposed on riverboat gaming operations and the corresponding expenditure of funds authorized by the City Council.

Electronic Equipment Replacement Fund: To account for the replacement of electronic equipment, such as copiers, computers and telephone systems currently owned by the City.

Performing Arts Center Fund: To account for the purchase of the site and the accumulation of funds for the future construction of a performing arts center in Bettendorf.

CIP/LOT & Interest Fund: To account for the 40 percent of local option tax revenues and interest earnings allocated to the capital projects fund and transfers these funds to specific projects, as needed.

GEO Thuenen Overpass Fund: To account for money received from the Isle of Capri for the repair and maintenance of the George Thuenen Overpass.

Future Projects Fund: To account for deposits received when a developer has an existing unpaved border road and the City requires the developer to pay the estimated cost of paving that road. Funds are used by the City when the border street is paved as part of a larger project to offset special assessments to property owners.

Proprietary Fund Types: Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector (business-type activities). The measurement focus is upon income determination, financial position and cash flows.

Enterprise Funds: To account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements. The following are the City's major enterprise funds:

Sewer Utility Fund: To account for the operations of the City's sewer utility, including the revenue from usage fees, the operating costs associated with it, any capital projects and all bond issues.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Family Museum of Arts & Science Fund: To account for the operations of the new museum at the Learning Center Campus, including fees and operational costs generated from classes, memberships and exhibits.

Stormwater Utility Fund: To account for the operations of the City's Stormwater Utility, including the revenue from fees and the operating costs associated with it.

The other enterprise funds of the City are considered nonmajor and are as follows:

Recycling/Solid Waste Management Fund: To account for the operations of the City's curbside recycling program, the drop-off recycling center and the yard waste/chipper service and the revenue generated from trash sticker and yard waste fees.

Palmer Hills Golf Course Fund: To account for the operations of the Palmer Hills Golf Course, including all fees generated, all operational costs and any improvements made to the course.

Life Fitness Center Fund: To account for the operations of the Life Fitness Center, including all fees generated, all operational costs and any capital purchases or improvements.

Aquatic Center Fund: To account for the operations of Splash Landing, including all fees generated, all operational costs and any capital purchases or improvements.

Transit Fund: To account for the mass transit program in the City, including grants received from the U.S. Department of Transportation and the Iowa Department of Transportation.

Downtown Event Center Fund: To account for the construction of the Downtown Events Center.

Educational Center: To account for the remodeling of the Eagles Building and operations of the Educational Center.

Internal Service Funds: To finance and account for services and commodities provided by designated departments or agencies to other departments and agencies of the City. The following are the City's internal service funds:

Employee Health Insurance Fund: To account for the health insurance premiums and claims for all City employees.

Risk Management Fund: To account for the general liability and property insurance for the City.

Municipal Garage Fund: To account for the maintenance cost related to the vehicles and equipment of the City.

Information Services Fund: To account for the operating costs to provide information and technology services to City-wide users. Services include maintenance of computer hardware and software, user training and support, disaster planning and recovery, telecommunications and GIS (Geographic Information System) development.

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Fiduciary Fund Types: Fiduciary fund types are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City has the following fiduciary fund type:

Agency Funds: To account for assets that the City holds for others in an agency capacity. The City has the following agency funds:

Explorers Fund: To account for money received through donations for the Boy Scouts Explorers program.

Section 125 Fund: To account for current payroll deductions of City employees for future use as group insurance premiums.

Police Property Account Fund: To account for money in inmates' possession at time of arrest and money held as evidence for investigations.

Measurement focus and basis of accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds follow accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are measurable and available.

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Property taxes are recognized at the time an enforceable legal claim is established. This is deemed to occur when the budget is certified. The current tax levy was certified in March 2006 based on the 2005 assessed valuations. These taxes are due in two installments, on September 30 and the following March 31, with a 2 percent per month penalty for delinquent payment. Since the 2006 tax levy is budgeted and levied for the fiscal year 2007, the revenue from this tax levy has been deferred.

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 proprietary funds are charges to customers for sales and services. Operating expenses for proprietary 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.

Summary of significant accounting policies:

The significant accounting policies followed by the City include the following:

Cash and investments: The City maintains a cash and investment pool to maximize investment opportunities. Income from investments purchased with pooled cash is allocated to individual funds based on the fund's average cash balance and legal requirements. Each fund's portion of total cash and investments is reported as such within this report. In addition, certain investments are separately held by several of the City's funds. Investments are reported at fair value. Securities traded on the national or international exchange are valued at the last reported sales price at current exchange rates.

Statement of cash flows: For purposes of the statement of cash flows for proprietary fund type funds, the City considers the pooled cash and investments to be cash equivalents as these pooled amounts have the same characteristics of demand deposits. Cash equivalents also include restricted and escrowed cash and investments.

Accounts receivable: Results primarily from services provided to citizens and are accounted for in the governmental funds. Sewer services are accounted for in the Sewer Utility Fund, admission to the museum is accounted for in the Family Museum of Arts & Sciences Fund and admission to Splash Landing pool is accounted for in the Aquatic Center Fund. All are net of an allowance for uncollectibles.

Inventory: Consists of consumable supplies and are valued at cost using the first-in first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Bond discount, premium and issuance costs: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

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

Capital assets: Including land, construction-in-progress, buildings and structures, improvements, equipment and vehicles and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an initial useful life of one year or greater.

Assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized in the current fiscal year.

Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives for each capital asset type are as follows:

	Years
Infrastructure	20 - 40
Buildings and structures	10 - 40
Improvements other than buildings	10 - 40
Vehicles and equipment	2 - 25
Computer equipment	5

The City's collection of works of art, library books and other similar assets are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to City policy that requires proceeds from the sale of these items to be used to acquire other collection items.

Deferred and unearned revenues: In the governmental funds, deferred revenues represent amounts due, which are measurable, but not available, or grants and similar items received, but for which the City has not met all eligibility requirements imposed by the provider. In the statement of net assets, unearned revenues represent the deferral of property tax receivables which are levied for a future period and unearned grants.

Interfund transactions: Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective fund's operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Noncurrent portions of long-term inter-fund loan receivables are reported as advances within the governmental funds and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Compensated absences: City employees accumulate vacation and sick leave hours for subsequent use or payment upon termination, death or retirement. All earned vacation hours vest and 20 percent of the sick leave hours accumulated over a 12-month period vest and are paid annually. An employee who either quits, resigns or is discharged from their service with the City is not compensated for the nonvested portion of sick leave. For proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations.

Fund equity: Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Designations of fund balance represents tentative management plans that are subject to change.

Net assets: Represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Unspent debt proceeds (which includes proceeds reserved for debt retirement) for the Sewer Utility, and Stormwater Utility enterprise funds were \$3,121,206, and \$1,450,067, respectively. Unspent proceeds for the Capital Projects Reserve Fund was \$4,918,204. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets include unspent bond proceeds, net of related debt.

Net assets restricted through enabling legislation consists of \$2,203,224 for local option sales tax; \$735,887 for road use tax and \$1,202,569 for debt service.

Net assets restricted for Library consists of \$129,800 for Kakert, \$255,252 for Open Access, \$35,664 for Enrich Iowa and \$18,450 for Interlibrary Loan.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Net assets restricted for other purposes consists of Housing and Urban Development Section 8 of \$73,617, federal drug seizure of \$105,857, Hendricks Gift of \$67,750, George Thuenen Overpass of \$293,380 and future projects of \$144,233.

The City first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Joint venture: The City is a participant in a joint venture to construct, acquire, maintain and use a sewage treatment facility. The Scott Area Solid Waste Management Commission (Commission) was created in 1975 for that purpose. The Commission is governed by a five-member board of which the City is one member. The City is billed monthly for its share of the operating costs and is billed annually for capital additions. If at any time the City chooses to withdraw membership, the City shall be responsible for its share of any debt attributed to its membership in the Commission. The original cost of the City's share of the facility, along with their share of any subsequent facility capital additions, has been included in capital assets and is being depreciated accordingly.

Complete financial statements for the Commission can be obtained from the Commission's administrative office at 226 West 4th Street, Davenport, Iowa 52801.

Use 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 general purpose financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary and appropriation data: 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.

Special items: The Learning Campus as a whole dissolved on August 15, 2005 and split into two separate legal entities – The Family Museum Foundation and The Library Foundation as described earlier in Note 1. As a result, \$846,428 of fund balance (assets less liabilities remaining as of August 14, 2005) was transferred to the Library Foundation and \$439,704 was transferred to The Family Museum Foundation on August 15, 2005.

Note 2. Cash and Investments

Interest rate risk: In accordance with the City's investment policy, portfolio maturities shall be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity. Risks of market price volatility shall be controlled through maturity diversification so that aggregate price losses on instruments with maturities approaching one year shall not be greater than coupon interest and investment income received from the balance of the portfolio. Operating funds may only be invested in instruments that mature within 397 days. Operating funds for the City are defined as those funds which are reasonably expected to be expended during a current budget year or within 15 months of receipt.

City of Bettendorf, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

As of June 30, 2006, the City had the following investments:

Investment name	Maturity	Fair value
Protective Life Insurance Co. Guaranteed Funding Agreement Contract	06/01/2009	\$ 417,000
Protective Life Insurance Co. Guaranteed Funding Agreement Contract	06/01/2011	538,500
FHLB	09/14/2006	499,865
FHLB	03/28/2007	499,385
FHLMC	12/01/2009	395,752
FHLB	12/17/2009	277,634
FNMA	03/22/2010	2,460,950
FNMA	01/01/2011	69,574
FHLB	10/10/2012	740,716
FHLB	02/22/2013	1,956,880
FNMA	03/01/2013	436,058
FHLB	07/16/2013	479,220
FHLMC	01/15/2014	535,332
FNMA	07/20/2015	1,920,600
FHLB	08/25/2015	986,550
FNMA	04/04/2016	2,468,750
FNMA	09/01/2018	2,307,035
FHLMC	01/01/2023	8,855
Total		<u>\$ 16,998,656</u>

Credit risk: The City is authorized by statute to invest in U.S. government, its agencies and instrumentalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances and repurchase agreements. The City's investment policy does limit them from investing in reverse repurchase agreements, futures and options contracts and zero-coupon bonds.

City of Bettendorf, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

As of June 30, 2006, the City's investments were rated as follows:

Investment	Rating	Company	Rating	Company
Protective Life Insurance Co. Guaranteed Funding Agreement Contract	AA	Standard & Poor's	Aa3	Moody's
Protective Life Insurance Co. Guaranteed Funding Agreement Contract	AA	Standard & Poor's	Aa3	Moody's
FHLB	AAA	Standard & Poor's	Aaa	Moody's
FHLB	AAA	Standard & Poor's	Aaa	Moody's
FHLMC	AAA	Standard & Poor's	Aaa	Moody's
FHLB	AAA	Standard & Poor's	Aaa	Moody's
FNMA	AAA	Standard & Poor's	Aaa	Moody's
FNMA	AAA	Standard & Poor's	Aaa	Moody's
FHLB	AAA	Standard & Poor's	Aaa	Moody's
FHLB	AAA	Standard & Poor's	Aaa	Moody's
FHLB	AAA	Standard & Poor's	Aaa	Moody's
FHLB	AAA	Standard & Poor's	Aaa	Moody's
FHLMC	AAA	Standard & Poor's	Aaa	Moody's
FNMA	AAA	Standard & Poor's	Aaa	Moody's
FHLB	AAA	Standard & Poor's	Aaa	Moody's
FHLB	AAA	Standard & Poor's	Aaa	Moody's
FNMA	AAA	Standard & Poor's	Aaa	Moody's
FHLMC	AAA	Standard & Poor's	AAA	Moody's

Concentration of credit risk: The City's investment policy is to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. However, the City's policy limits them from investing in prime bankers' acceptances or commercial paper of more than 10 percent of the investment portfolio and more than 5 percent of the investment portfolio with a single issuer. In addition, no more than 5 percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification. More than 5 percent of the City's investments are in FHLB, FNMA and FHLMC. These investments are 32, 57 and 6 percent of the City's total investments, respectively.

Custodial credit risk: Custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. It is the City's policy that all purchased investments shall be held pursuant to a written third party custodial agreement. As of June 30, 2006, the City's deposits were not exposed to custodial credit risk. As of June 30, 2006, \$16,043,157 of the City's investments were exposed to custodial credit risk as the investments were uninsured and unregistered with the securities held by the counterparty.

City of Bettendorf, Iowa

Notes to Basic Financial Statements

Note 2. Cash and Investments (Continued)

Component unit: The Family Museum Foundation (Foundation) has a separate formal written investment policy.

As of June 30, 2006, the Foundation had the following investments (duration in years):

Investment Type	Fair Value	Duration
Mutual Funds	\$ 95,159	N/A
Equity Investments	51,743	N/A
Fixed Income Securities:		
PIMCO Total Return Fund Instl	9,405	4.8
Vanguard FGNMA Adm	7,855	3.9
Vanguard IntTm US TrsAdm	7,901	5.0
Vanguard Sht-Tm InvGr Adm	7,942	1.8
	<u>\$ 180,005</u>	

Also included in the investment line on the Foundation's separate financial report is \$131,383 of certificates of deposits.

For reporting purposes, the Foundation selects duration to disclose the portfolio's exposure to changes in interest rates.

As of June 30, 2006, the Foundation's investments were rated as follows:

Investment Type	Moody's Investors Service	Standard & Poor's
Mutual Funds	NR	NR
Equities	NR	NR
Fixed Income Securities:		
PIMCO Total Return Fund Instl	AAA	AAA
Vanguard FGNMA Adm	AAA	AAA
Vanguard IntTm US TrsAdm	AAA	AAA
Vanguard Sht-Tm InvGr Adm	AA	AA

The Foundation had \$33,103 of uninsured and unregistered securities, which are held by the counterparty's trust department or agent in the Foundation's name.

The full disclosure regarding the investment policies of the Family Museum Foundation can be obtained from the Museum Foundation's separate financial statements.

City of Bettendorf, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2006:

	Ending Balance June 30, 2005	Additions	Deletions	Ending Balance June 30, 2006
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 5,574,401	\$ 1,290,453	\$ 13,180	\$ 6,851,674
Construction-in-progress	1,571,553	4,746,181	3,150,755	3,166,979
Total capital assets, not being depreciated	7,145,954	6,036,634	3,163,935	10,018,653
Capital assets, being depreciated:				
Buildings and structures	19,627,365	55,233	-	19,682,598
Equipment and vehicles	12,977,292	1,509,639	877,031	13,609,900
Improvements other than buildings	82,230,436	3,844,306	-	86,074,742
Total capital assets, being depreciated	114,835,093	5,409,178	877,031	119,367,240
Less accumulated depreciation for:				
Buildings and structures	5,570,128	491,959	-	6,062,087
Equipment and vehicles	8,236,788	1,183,039	752,404	8,667,423
Improvements other than buildings	30,992,817	1,853,380	-	32,846,197
Total accumulated depreciation	44,799,733	3,528,378	752,404	47,575,707
Total capital assets, being depreciated, net	70,035,360	1,880,800	124,627	71,791,533
Governmental activities capital assets, net	\$ 77,181,314	\$ 7,917,434	\$ 3,288,562	\$ 81,810,186

City of Bettendorf, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

	Ending Balance June 30, 2005	Additions	Deletions	Ending Balance June 30, 2006
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,917,024	\$ 60,200	\$ -	\$ 1,977,224
Construction-in-progress	483,733	2,844,243	2,052,136	1,275,840
Total capital assets, not being depreciated	2,400,757	2,904,443	2,052,136	3,253,064
Capital assets, being depreciated:				
Buildings and structures	15,108,503	1,371,213	95,562	16,384,154
Equipment and vehicles	8,414,575	470,790	274,604	8,610,761
Improvements other than buildings	32,904,966	1,302,714	479,703	33,727,977
Total capital assets, being depreciated	56,428,044	3,144,717	849,869	58,722,892
Less accumulated depreciation for:				
Buildings and structures	3,592,878	451,056	57,079	3,986,855
Equipment and vehicles	5,060,374	639,931	194,244	5,506,061
Improvements other than buildings	18,392,599	813,365	479,703	18,726,261
Total accumulated depreciation	27,045,851	1,904,352	731,026	28,219,177
Total capital assets, being depreciated, net	29,382,193	1,240,365	118,843	30,503,715
Business-type activities capital assets, net	\$ 31,782,950	\$ 4,144,808	\$ 2,170,979	\$ 33,756,779

City of Bettendorf, Iowa

Notes to Basic Financial Statements

Note 3. Capital Assets (Continued)

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

Governmental Activities

Public safety	\$ 558,122
Public works	2,154,491
Culture and recreation	427,741
Community and economic development	59,388
General government	295,868
Capital assets held by government's internal service funds are charged to the various functions based on their usage of the assets	32,768
	<u>\$ 3,528,378</u>

Business-Type Activities

Sewer utility	\$ 956,762
Family Museum of Arts & Science	217,800
Stormwater utility	44,365
Aquatic Center	159,819
Recycling/solid waste management	212,083
Palmer Hills Golf Course	93,594
Life Fitness Center	118,707
Transit	101,222
	<u>\$ 1,904,352</u>

Note 4. Bonded and Other Debt

The following is a summary of changes in bonded and other long-term debt for the year ended June 30, 2006:

	June 30, 2005	Increases and Issues	Decreases and Retirements	June 30, 2006	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 43,737,074	\$ 4,580,000	\$ 4,344,158	\$ 43,972,916	\$ 4,694,216
Revenue bonds	5,865,000	-	745,000	5,120,000	800,000
Compensated absences	689,475	190,810	183,176	697,109	183,176
	<u>50,291,549</u>	<u>4,770,810</u>	<u>5,272,334</u>	<u>49,790,025</u>	<u>5,677,392</u>
Business-type activities:					
Revenue bonds	1,010,000	-	270,000	740,000	280,000
General obligation bonds	6,672,926	2,545,000	785,841	8,432,085	675,784
Compensated absences	172,750	11,529	-	184,279	48,421
	<u>7,855,676</u>	<u>2,556,529</u>	<u>1,055,841</u>	<u>9,356,364</u>	<u>1,004,205</u>
Total long-term debt	<u>\$ 58,147,225</u>	<u>\$ 7,327,339</u>	<u>\$ 6,328,175</u>	<u>\$ 59,146,389</u>	<u>\$ 6,681,597</u>

Compensated absences attributable to governmental activities are generally liquidated by the General Fund.

City of Bettendorf, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

Summary of bond issues:

General obligation and revenue bonds outstanding as of June 30, 2006, consist of the following individual issues:

	Date of Issue	Amount Issued	Interest Rates	Outstanding June 30, 2006
General obligation bonds:				
Various public improvements	May 1996	\$ 3,060,000	4.20 - 4.80	\$ 670,000
Downtown public improvements	May 1996	1,535,000	4.125 - 4.70	185,000
Library expansion and various public improvements	January 1997	1,310,000	4.05 - 4.70	165,000
Refunding	January 1997	1,640,000	3.90 - 4.80	350,000
Olympic Steel TIF	November 1997	1,030,000	4.25 - 4.70	360,000
Various public improvements	April 1998	9,700,000	4.50 - 4.60	6,275,000
Various public improvements	April 2000	6,560,000	4.30 - 5.25	4,525,000
Various public improvements	June 2001	6,635,000	4.00 - 5.00	5,450,000
Various public improvements	June 2002	4,620,000	2.00 - 5.00	3,970,000
Trinity TIF	June 2002	1,360,000	3.00 - 4.90	1,210,000
Various public improvements	June 2003	4,080,000	1.25 - 3.85	3,545,000
Refunding	June 2003	2,840,000	1.05 - 2.00	1,180,000
Various public improvements and sewer and stormwater improvements	June 2004	7,650,000	2.25-5.00	6,980,000
Refunding	June 2004	7,160,000	3.00-4.00	5,715,000
Various public improvements	June 2005	4,590,000	3.00-4.50	4,400,000
Fire truck note	December 2001	600,000	4.16	300,000
Various public improvements and sewer improvements	June 2006	7,125,000	4.13-4.50	7,125,001
Total general obligation bonds				52,405,001
Revenue bonds:				
Lady Luck Overpass TIF (2)	July 1997	4,170,000	4.90 - 5.90	1,675,000
Lady Luck Ramp & Marina TIF (2)	July 1997	5,385,000	8.25 - 9.00	3,445,000
Sewer refunding (1)	June 2003	1,515,000	1.50 - 2.45	740,000
Total revenue bond				5,860,000
Total bonds				\$ 58,265,001

- (1) The revenue bond ordinances require that monies be deposited into various restricted reserve accounts and that these deposits be used only for the payment of principal and interest on the related bonds when due or for other purposes as set forth in the bond ordinances. These deposits may be invested in interest-bearing securities. As of June 30, 2006, the deposits in these restricted reserve accounts total \$176,219.
- (2) In July 1997, the City issued \$4,170,000 Urban Renewal Tax Increment Revenue Bonds and \$5,385,000 Taxable Urban Renewal Tax Increment Revenue Bonds. The revenue bond ordinances require that monies be deposited into project funds, interest funds and reserve funds. These deposits may be invested in interest-bearing securities. As of June 30, 2006, the deposits in the interest and reserve fund were \$955,500.

City of Bettendorf, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

Summary of principal and interest maturities:

Annual debt service requirements to service all outstanding indebtedness as of June 30, 2006, are as follows:

	Debt Service General Obligation Bonds		Debt Service Revenue Bonds	
	Principal	Interest	Principal	Interest
	<u>Year ending June 30:</u>			
2007	\$ 4,694,216	\$ 1,897,353	\$ 800,000	\$ 407,575
2008	4,580,000	1,698,327	855,000	349,600
2009	2,990,400	1,534,687	1,325,000	287,050
2010	2,993,100	1,411,948	960,000	192,600
2011	3,109,300	1,285,622	1,180,000	106,200
2012 - 2016	13,805,900	4,413,869	-	-
2017 - 2021	9,480,000	1,850,363	-	-
2022 - 2025	2,320,000	169,943	-	-
	<u>\$ 43,972,916</u>	<u>\$ 14,262,112</u>	<u>\$ 5,120,000</u>	<u>\$ 1,343,025</u>

	Enterprise General Obligation Bonds		Enterprise Revenue Bonds	
	Principal	Interest	Principal	Interest
	<u>Year ending June 30:</u>			
2007	\$ 675,784	\$ 319,397	\$ 280,000	\$ 16,030
2008	620,000	333,598	280,000	10,430
2009	644,600	304,246	180,000	4,410
2010	661,900	282,262	-	-
2011	680,700	257,429	-	-
2012 - 2016	2,144,100	949,245	-	-
2017 - 2021	2,140,000	511,649	-	-
2022 - 2026	865,001	66,425	-	-
	<u>\$ 8,432,085</u>	<u>\$ 3,024,251</u>	<u>\$ 740,000</u>	<u>\$ 30,870</u>

City of Bettendorf, Iowa

Notes to Basic Financial Statements

Note 4. Bonded and Other Debt (Continued)

Legal debt margin:

As of June 30, 2006, the outstanding general obligation debt of the City did not exceed its legal debt margin computed as follows:

January 2004 100% assessed valuation		\$	2,169,267,269
Plus: Public gas and electric utilities			60,744,311
Plus: Captured tax increment value			66,666,168
Less: Military exemption			<u>(4,457,764)</u>
Total assessed valuation of the property of the City of Bettendorf		\$	<u>2,292,219,984</u>
Debt limit, 5% of total actual valuation		\$	114,610,999
Debt applicable to debt limit:			
Debt service general obligation bonds	\$	43,972,916	
Debt service TIF revenue bonds		5,120,000	
Enterprise general obligation bonds		<u>8,432,085</u>	57,525,001
Legal debt margin			<u>\$ 57,085,998</u>

Note 5. Interfund Receivables and Payables

Individual interfund receivables and payables balances as of June 30, 2006, were:

	Total	
	Interfund Receivables	Interfund Payables
Major governmental funds:		
General	\$ 413,827	\$ 747,812
Special revenue fund, tax increment financing	-	114,860
Capital projects fund, capital projects reserve	40,148	147,140
Nonmajor governmental funds	995,494	48,906
Internal service funds	3,287	-
Nonmajor enterprise funds	-	<u>394,038</u>
Total	<u>\$ 1,452,756</u>	<u>\$ 1,452,756</u>

City of Bettendorf, Iowa

Notes to Basic Financial Statements

Note 5. Interfund Receivables and Payables (Continued)

Advances to and from other funds as of June 30, 2006, were as follows:

	Advances to Other Funds	Advances from Other Funds
Major governmental funds:		
Special revenue funds, tax increment financing	\$ -	\$ 653,511
Capital projects funds, capital projects reserve	603,543	-
Nonmajor governmental funds	49,968	-
Total	<u>\$ 653,511</u>	<u>\$ 653,511</u>

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. The interfund receivable and payables are scheduled to be collected in the subsequent year whereas the interfund advances are not.

Note 6. Interfund Transfers

The following is a schedule of transfers as included in the basic financial statements of the City:

	Transfers In	Transfers Out
Major governmental funds:		
General	\$ 2,198,838	\$ 3,741,866
Debt service	576,650	476,713
Capital projects reserve	884,239	-
Nonmajor governmental funds	3,266,188	6,256,503
Internal service funds	53,204	-
Major enterprise fund,		
Family Museum of Arts & Science	1,481,713	-
Other nonmajor enterprise funds	2,014,250	-
Total	<u>\$ 10,475,082</u>	<u>\$ 10,475,082</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 7. Loans Receivable

As of June 30, 2006, the City has the following outstanding loans receivable:

Loan receivables with employees for purchases of computer equipment, with payments made through payroll deductions, including interest at 0 percent, 3 percent and 5 percent for one year, two year and three year loans, respectively, up to a maximum of \$2,500. As of June 30, 2006, the outstanding balance of these loans is \$33,409 and an allowance for uncollectibles of none.

Note 8. Pension and Retirement Systems

Iowa Public 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.

Plan members are required to contribute 3.70 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$474,555, \$466,096 and \$445,136, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa:

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

Plan members are required to contribute 9.35 percent of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, cannot be less than 17 percent of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2006, 2005 and 2004 were \$949,162, \$817,787 and \$629,171, respectively, which met the required minimum contribution for each year.

Note 9. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan was amended to comply with IRC Section 457(g) which allowed for the plan to hold its assets in trust. Under these new requirements, the assets of the plan are no longer subject to the general creditors of the City, the City no longer owns the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the financial statements.

Note 10. Risk Management and Insurance

The City has established two internal service funds for its risk management program. The Employee Health Insurance Fund is to meet potential losses from medical and dental claims. The Risk Management Fund is to report premiums and deductibles for general liability and property claims.

The City purchases commercial insurance for general liability and property claims. Law enforcement liability and public official liability include a deductible up to \$10,000. The primary limits for each line of coverage are protected by an excess liability policy. Claims for these lines of coverage are adjusted by the carrier's representative.

Notes to Basic Financial Statements

Note 10. Risk Management and Insurance (Continued)

For medical and dental claims, self insurance is in effect up to an aggregate stop loss of approximately \$2,350,143 with a \$50,000 per claim stop loss amount. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claim handling procedures are performed by an independent claims administrator.

There has been no significant reduction in insurance coverage from coverage in the prior year. Settled claims have not exceeded the insurance coverage purchased for each of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims payable include all known claims and an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are estimated by considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. The changes in the aggregate liabilities for claims for the years ended June 30, 2006 and 2005 are as follows:

	Employee Health Insurance	
	2006	2005
Claims payable, beginning of year	\$ 177,764	\$ 188,564
Claims recognized	1,783,146	1,833,079
Claim payments	(1,797,807)	(1,843,879)
Claims payable, end of year	\$ 163,103	\$ 177,764

Note 11. Commitments and Contingencies

Regular City employees accumulate sick leave hours for subsequent use. The City's approximate maximum contingent liability for nonvested sick leave benefits as of June 30, 2006, is \$2,915,661.

The City has financial commitments relating to various construction projects that are estimated to be approximately \$4,998,000.

The City is involved in a lawsuit as to whether the collection of certain franchise fees in excess of regulatory costs by the City in conjunction with its cable franchise constitutes an illegal tax under Iowa law. The probability of outcome of this case is not determinable at this time; therefore, no accrual has been made to the financial statements.

The City is a member of the Scott Area Solid Waste Management Commission ("the Commission") for the acquisition, construction and equipping of a material recovery system, recovery facility and a new landfill. The Commission is obligated to establish rates, charges and fees sufficient to pay the cost of operations and maintenance of the Project and to leave net revenues sufficient to pay the semiannual debt service requirements.

In the event future net revenues or other Commission funds are insufficient to pay debt service requirements, each of the members of the Commission has obligated itself to repay the County of Scott, Iowa, its pro rata share of the deficiency from rates imposed on each property within its jurisdiction.

Note 12. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The City adopted the following statements during the year ended June 30, 2006:

GASB Statement No 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner. This Statement had no effect on the City in the current year.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, improves the understandability and usefulness of statistical section information by addressing the comparability problems that developed in practice and by adding information from the new financial reporting model required by Statement No. 34 and related statements.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34. This Statement is to help governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The effect of adopting this Statement was to reclassify \$4,224,743 previously reported as unrestricted to restricted net assets.

GASB Statement No. 47, *Accounting for Termination Benefits*. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources. The adoption of this Statement had no effect on the City in the current year.

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

GASB Statement No. 43, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the City beginning with its year ending June 30, 2008. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

Note 12. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, is effective for the City beginning with its year ending June 30, 2008. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

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

Note 13. Subsequent Event

On July 1, 2006, the City issued \$6,300,000 of General Obligation Refunding Bonds, Series 2006B to refund in advance of maturity the June 1, 2007 through June 1, 2015 maturities of the City's General Obligation Bonds, Series 1998A, dated April 1, 1998. The 1998A bonds were called and prepaid on August 1, 2006. Interest on the General Obligation Refunding Bonds, Series 2006B is at 4.0 percent and is payable each June 1 and December 1, with the principal payable each June 1 and maturing on June 1, 2015.



Bettendorf IOWA
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City of Bettendorf, Iowa

**Budgetary Comparison Schedule
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
For the Year Ended June 30, 2006**

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual
Revenues:			
Property tax	\$ 15,383,115	\$ -	\$ 15,383,115
Tax increment financing	1,853,383	-	1,853,383
Other City taxes	7,511,852	-	7,511,852
Special assessments	19,947	-	19,947
Licenses and permits	865,209	124,322	989,531
Intergovernmental	3,952,501	266,886	4,219,387
Charges for services	394,575	10,902,568	11,297,143
Use of money and property	761,546	287,169	1,048,715
Miscellaneous	729,844	389,388	1,119,232
Total revenues	31,471,972	11,970,333	43,442,305
Expenditures/Expenses:			
Public safety	7,895,689	-	7,895,689
Public works	2,727,337	-	2,727,337
Culture and recreation	3,300,346	-	3,300,346
Community and economic development	1,258,141	-	1,258,141
General government	3,106,289	-	3,106,289
Debt service	7,458,549	-	7,458,549
Capital outlay	8,347,332	-	8,347,332
Business-type	-	15,109,372	15,109,372
Total expenditures/expenses	34,093,683	15,109,372	49,203,055
(Deficiency) of revenues over (under) expenditures/expenses	(2,621,711)	(3,139,039)	(5,760,750)
Other financing sources, net	1,080,476	4,875,779	5,956,255
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(1,541,235)	1,736,740	195,505
Balances, beginning of year	20,953,754	33,505,434	54,459,188
Balances, end of year	\$ 19,412,519	\$ 35,242,174	\$ 54,654,693

See Note to Required Supplementary Information.

Budgeted Amounts			Final to Actual Variance - Positive (Negative)
Original	Final		
\$ 15,440,661	\$ 15,432,661	\$	(49,546)
1,843,956	1,894,308		(40,925)
7,724,283	7,514,791		(2,939)
31,800	20,330		(383)
667,560	788,712		200,819
5,504,997	4,852,189		(632,802)
12,164,416	11,481,654		(184,511)
470,252	992,141		56,574
1,176,992	1,603,971		(484,739)
45,024,917	44,580,757		(1,138,452)
8,198,089	8,136,525		240,836
2,822,174	2,878,433		151,096
3,378,008	3,378,667		78,321
1,273,456	1,356,584		98,443
3,125,287	3,249,874		143,585
7,462,916	7,483,075		24,526
32,069,691	9,963,195		1,615,863
15,339,163	15,548,927		439,555
73,668,784	51,995,280		2,792,225
(28,643,867)	(7,414,523)		1,653,773
25,150,000	5,432,470		523,785
\$ (3,493,867)	\$ (1,982,053)	\$	2,177,558

City of Bettendorf, Iowa

Note to Required Supplementary Information – Budgetary Reporting Year Ended June 30, 2006

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing which includes all funds, except agency funds. The budget basis of accounting is in accordance with accounting principles generally accepted in the United States of America. 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 disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. The legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, a budget amendment decreased budgeted expenditures by \$21,673,504. The budget amendment was primarily due to deferring the construction of the Downtown Event Center.



Bettendorf IOWA
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City of Bettendorf, Iowa

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2006

	Special Revenue			
	Road Use Tax	Housing and Urban Development Section 8	Economic Development	Police
Assets				
Cash and investments	\$ 632,001	\$ 206,463	\$ 40,309	\$ 85,470
Receivables:				
Property taxes	-	-	-	-
Accounts	32	-	6,668	150
Accrued interest	6,097	-	-	815
Due from other funds	-	-	37,782	-
Due from other governments	203,987	-	-	34,984
Advance to other funds	-	-	49,968	-
Total assets	\$ 842,117	\$ 206,463	\$ 134,727	\$ 121,419
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 45,019	\$ 307	\$ 4,074	\$ 101
Accrued liabilities	29,826	1,312	3,901	-
Contracts payable	26,967	-	-	-
Due to other governments	4,418	131,227	563	-
Due to other funds	-	-	29,117	-
Deferred revenue	-	-	-	-
Total liabilities	106,230	132,846	37,655	101
Fund Balances:				
Reserved for encumbrances	12,341	-	-	-
Reserved for advances	-	-	49,968	-
Unreserved:				
Designated for pension contributions	-	-	-	-
Undesignated reported in:				
Special revenue funds	723,546	73,617	47,104	121,318
Capital projects funds	-	-	-	-
Total fund balances	735,887	73,617	97,072	121,318
Total liabilities and fund balances	\$ 842,117	\$ 206,463	\$ 134,727	\$ 121,419

(Continued)

Special Revenue							
Library	Park	Police Pension and Retirement Excess	Old Fashioned Fourth of July	Employee Benefits	Subdivision Deposits		
\$ 579,497	\$ 194,448	\$ 1,316,054	\$ 29,546	\$ -	\$ 60,737		
-	-	-	-	1,520,071	-		
-	-	-	-	-	-		
5,526	1,854	11,570	281	-	-		
-	-	350,000	-	-	-		
-	-	-	-	16	-		
-	-	-	-	-	-		
<u>\$ 585,023</u>	<u>\$ 196,302</u>	<u>\$ 1,677,624</u>	<u>\$ 29,827</u>	<u>\$ 1,520,087</u>	<u>\$ 60,737</u>		
\$ 10,295	\$ 200	\$ 52	\$ 2,546	\$ -	\$ -		
-	-	-	-	-	-		
-	-	-	-	-	-		
-	-	-	-	-	-		
-	-	-	-	14,879	-		
-	-	-	-	1,505,208	-		
<u>10,295</u>	<u>200</u>	<u>52</u>	<u>2,546</u>	<u>1,520,087</u>	<u>-</u>		
-	-	-	-	-	-		
-	-	-	-	-	-		
-	-	1,677,572	-	-	-		
574,728	196,102	-	27,281	-	60,737		
-	-	-	-	-	-		
<u>574,728</u>	<u>196,102</u>	<u>1,677,572</u>	<u>27,281</u>	<u>-</u>	<u>60,737</u>		
\$ 585,023	\$ 196,302	\$ 1,677,624	\$ 29,827	\$ 1,520,087	\$ 60,737		

City of Bettendorf, Iowa

Combining Balance Sheet (Continued)
 Nonmajor Governmental Funds
 June 30, 2006

	Capital Projects			
	Vehicle Replacement	Riverboat Gaming	Electronic Equipment Replacement	CIP/LOT and Interest
Assets				
Cash and investments	\$ 909,732	\$ 590,276	\$ 933,299	\$ 1,647,099
Receivables:				
Property taxes	-	-	-	-
Accounts	-	65,020	-	-
Accrued interest	8,219	5,948	8,639	15,703
Due from other funds	-	67,290	-	540,422
Due from other governments	-	-	-	-
Advance to other funds	-	-	-	-
Total assets	\$ 917,951	\$ 728,534	\$ 941,938	\$ 2,203,224
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 46,984	\$ -	\$ 45,747	\$ -
Accrued liabilities	-	-	-	-
Contracts payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	4,910	-
Deferred revenue	-	-	-	-
Total liabilities	46,984	-	50,657	-
Fund Balances:				
Reserved for encumbrances	25,194	-	17,451	-
Reserved for advances	-	-	-	-
Unreserved:				
Designated for pension contributions	-	-	-	-
Undesignated reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	845,773	728,534	873,830	2,203,224
Total fund balances	870,967	728,534	891,281	2,203,224
Total liabilities and fund balances	\$ 917,951	\$ 728,534	\$ 941,938	\$ 2,203,224

Capital Projects			
GEO Thuenen			
Overpass	Future Projects		Total
\$ 290,610	\$ 142,870	\$	7,658,411
-	-		1,520,071
-	-		71,870
2,771	1,363		68,786
-	-		995,494
-	-		238,987
-	-		49,968
<u>\$ 293,381</u>	<u>\$ 144,233</u>	<u>\$</u>	<u>10,603,587</u>
\$ -	\$ -	\$	155,325
-	-		35,039
-	-		26,967
-	-		136,208
-	-		48,906
-	-		1,505,208
<u>-</u>	<u>-</u>		<u>1,907,653</u>
-	-		54,986
-	-		49,968
-	-		1,677,572
-	-		1,824,433
293,381	144,233		5,088,975
<u>293,381</u>	<u>144,233</u>		<u>8,695,934</u>
<u>\$ 293,381</u>	<u>\$ 144,233</u>	<u>\$</u>	<u>10,603,587</u>

City of Bettendorf, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2006

	Special Revenue			
	Road Use Tax	Housing and Urban Development Section 8	Economic Development	Police
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Intergovernmental	2,629,094	415,822	-	24,980
Use of money and property	15,790	7,087	33,522	2,689
Miscellaneous	8,379	18,741	20,982	116,947
Total revenues	2,653,263	441,650	54,504	144,616
Expenditures:				
Current operating:				
Public safety	-	-	-	36,814
Public works	2,646,761	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	462,867	261,331	-
General government	-	-	-	-
Capital outlay	-	-	1,277,987	22,796
Total expenditures	2,646,761	462,867	1,539,318	59,610
Excess (deficiency) of revenues over expenditures	6,502	(21,217)	(1,484,814)	85,006
Other financing sources (uses):				
Proceeds from sale of capital assets	-	-	13,020	-
Transfers in	55,586	-	953,818	-
Transfers out	(8,000)	-	-	(3,644)
Total other financing sources (uses)	47,586	-	966,838	(3,644)
Net changes in fund balance	54,088	(21,217)	(517,976)	81,362
Fund balances, beginning of year	681,799	94,834	615,048	39,956
Fund balances, end of year	\$ 735,887	\$ 73,617	\$ 97,072	\$ 121,318

(Continued)

Special Revenue						
Library	Park	Police Pension and Retirement Excess	Old Fashioned Fourth of July	Employee Benefits	Subdivision Deposits	
\$ -	\$ -	\$ -	\$ -	\$ 1,505,782	\$ -	
-	-	-	-	67,777	-	
65,490	2,000	-	-	1,138	-	
16,686	5,786	89,133	787	-	-	
94,399	14,839	-	19,400	-	38,816	
176,575	22,625	89,133	20,187	1,574,697	38,816	
-	-	-	-	-	-	
-	-	-	-	-	-	
103,746	-	-	64,245	-	-	
-	92,041	-	-	-	28,688	
-	-	291	-	-	-	
75,875	-	-	-	-	-	
179,621	92,041	291	64,245	-	28,688	
(3,046)	(69,416)	88,842	(44,058)	1,574,697	10,128	
-	-	-	-	-	-	
-	93,000	-	40,000	-	-	
-	(1,090)	(162,071)	-	(1,574,697)	-	
-	91,910	(162,071)	40,000	(1,574,697)	-	
(3,046)	22,494	(73,229)	(4,058)	-	10,128	
577,774	173,608	1,750,801	31,339	-	50,609	
\$ 574,728	\$ 196,102	\$ 1,677,572	\$ 27,281	\$ -	\$ 60,737	

City of Bettendorf, Iowa

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended June 30, 2006

	Capital Projects			
	Vehicle Replacement	Riverboat Gaming	Electronic Equipment Replacement	Performing Arts Center
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	2,121,774	-	-
Intergovernmental	-	-	-	-
Use of money and property	24,970	15,830	25,955	-
Miscellaneous	-	-	-	-
Total revenues	24,970	2,137,604	25,955	-
Expenditures:				
Current operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Capital outlay	1,004,449	-	214,292	-
Total expenditures	1,004,449	-	214,292	-
Excess (deficiency) of revenues over expenditures	(979,479)	2,137,604	(188,337)	-
Other financing sources (uses):				
Proceeds from sale of capital assets	77,952	-	-	-
Transfers in	345,658	-	245,000	-
Transfers out	(42,119)	(2,858,090)	(121,514)	(173,883)
Total other financing sources (uses)	381,491	(2,858,090)	123,486	(173,883)
Net changes in fund balance	(597,988)	(720,486)	(64,851)	(173,883)
Fund balances, beginning of year	1,468,955	1,449,020	956,132	173,883
Fund balances, end of year	\$ 870,967	\$ 728,534	\$ 891,281	\$ -

Capital Projects				
CIP/LOT and Interest	GEO Thuenen Overpass	Future Projects	Total	
\$ -	\$ -	\$ -	\$	1,505,782
-	-	-		2,189,551
-	-	-		3,138,524
44,001	7,504	3,787		293,527
-	50,000	51,250		433,753
44,001	57,504	55,037		7,561,137
-	-	-		36,814
-	-	-		2,646,761
-	-	-		167,991
-	-	-		844,927
-	-	-		291
-	3,514	-		2,598,913
-	3,514	-		6,295,697
44,001	53,990	55,037		1,265,440
-	-	-		90,972
1,533,126	-	-		3,266,188
(1,311,395)	-	-		(6,256,503)
221,731	-	-		(2,899,343)
265,732	53,990	55,037		(1,633,903)
1,937,492	239,391	89,196		10,329,837
\$ 2,203,224	\$ 293,381	\$ 144,233	\$	8,695,934

City of Bettendorf, Iowa

Combining Statement of Net Assets
 Nonmajor Enterprise Funds
 June 30, 2006

	Recycling/Solid Waste Management	Palmer Hills Golf Course	Life Fitness Center
Assets			
Current assets:			
Cash and investments	\$ 639,642	\$ 337,056	\$ 280,360
Receivables:			
Accounts and unbilled usage	392,604	16,011	6,004
Accrued interest	4,496	3,346	2,677
Special assessments	46,516	-	-
Due from other governments	-	-	-
Total current assets	1,083,258	356,413	289,041
Capital assets:			
Nondepreciable:			
Land	-	579,370	840,000
Construction-in-progress	-	-	1,251
Depreciable:			
Buildings and structures	-	1,473,691	3,441,871
Equipment and vehicles	2,107,520	623,672	223,794
Improvements other than buildings	-	675,868	85,885
Accumulated depreciation	(1,196,152)	(655,220)	(1,520,945)
Net capital assets	911,368	2,697,381	3,071,856
Total assets	\$ 1,994,626	\$ 3,053,794	\$ 3,360,897
Liabilities and Net Assets			
Liabilities:			
Current:			
Accounts payable	\$ 48,953	\$ 169,074	\$ 40,350
Contracts payable	-	73,589	-
Compensated absences	8,563	4,285	3,681
Accrued liabilities	15,556	2,413	7,606
Due to other governments	2,244	6,380	2,854
Due to other funds	-	350,000	-
Unearned revenue	-	-	142,518
Total current liabilities	75,316	605,741	197,009
Noncurrent, compensated absences	24,024	12,023	10,329
Total liabilities	99,340	617,764	207,338
Net assets:			
Invested in capital assets, net of related debt	911,368	2,697,381	3,071,856
Unrestricted	983,918	(261,351)	81,703
Total net assets	1,895,286	2,436,030	3,153,559
Total liabilities and net assets	\$ 1,994,626	\$ 3,053,794	\$ 3,360,897

		Downtown Event				
Aquatic Center	Transit	Center	Educational Center	Total		
\$ 132,425	\$ -	\$ -	\$ 358,934	\$ 1,748,417		
3,160	404	-	-	418,183		
1,255	-	-	3,423	15,197		
-	-	-	-	46,516		
-	138,719	-	-	138,719		
136,840	139,123	-	362,357	2,367,032		
-	-	-	-	1,419,370		
-	-	289,684	94,268	385,203		
4,180,433	-	-	-	9,095,995		
59,406	1,064,544	-	-	4,078,936		
8,120	-	-	-	769,873		
(805,435)	(558,435)	-	-	(4,736,187)		
3,442,524	506,109	289,684	94,268	11,013,190		
\$ 3,579,364	\$ 645,232	\$ 289,684	\$ 456,625	\$ 13,380,222		
\$ 58,134	\$ 26,158	\$ -	\$ 22,656	\$ 365,325		
-	-	-	-	73,589		
617	8,419	-	-	25,565		
990	16,273	-	-	42,838		
3,826	2,226	-	-	17,530		
-	44,038	-	-	394,038		
-	123,737	-	-	266,255		
63,567	220,851	-	22,656	1,185,140		
1,731	23,622	-	-	71,729		
65,298	244,473	-	22,656	1,256,869		
3,442,524	506,109	289,684	94,268	11,013,190		
71,542	(105,350)	-	339,701	1,110,163		
3,514,066	400,759	289,684	433,969	12,123,353		
\$ 3,579,364	\$ 645,232	\$ 289,684	\$ 456,625	\$ 13,380,222		

City of Bettendorf, Iowa

Combining Statement of Revenues, Expenses and Changes in Net Assets
 Nonmajor Enterprise Funds
 Year Ended June 30, 2006

	Recycling/Solid Waste Management	Palmer Hills Golf Course	Life Fitness Center
Operating revenues:			
Charges for services	\$ 1,355,684	\$ 738,340	\$ 368,153
Intergovernmental	-	-	-
Other, primarily concessions	-	169,824	150
Total operating revenue	1,355,684	908,164	368,303
Operating expenses:			
Salaries and benefits	650,199	543,591	396,440
Supplies and services	666,093	450,589	266,910
Depreciation	212,083	93,594	118,707
Total operating expenses	1,528,375	1,087,774	782,057
Operating (loss)	(172,691)	(179,610)	(413,754)
Nonoperating revenues (expenses):			
Investment earnings	15,945	19,159	5,398
(Loss) on disposal of assets	(59,601)	(59,242)	-
Total nonoperating revenues (expenses)	(43,656)	(40,083)	5,398
Income (loss) before capital grants and contributions and transfers	(216,347)	(219,693)	(408,356)
Capital grants and contributions	-	300,000	-
Transfers in	300,000	402,819	296,886
Changes in net assets	83,653	483,126	(111,470)
Net assets, beginning	1,811,633	1,952,904	3,265,029
Net assets, ending	\$ 1,895,286	\$ 2,436,030	\$ 3,153,559

		Downtown Event				
Aquatic Center	Transit	Center	Educational Center	Total		
\$ 167,157	\$ 56,656	\$ -	\$ -	\$ 2,685,990		
-	266,886	-	-	266,886		
6,464	1,748	-	-	178,186		
173,621	325,290	-	-	3,131,062		
138,389	573,789	-	-	2,302,408		
113,701	422,474	-	-	1,919,767		
159,819	101,222	-	-	685,425		
411,909	1,097,485	-	-	4,907,600		
(238,288)	(772,195)	-	-	(1,776,538)		
3,357	138	99	10,086	54,182		
-	-	-	-	(118,843)		
3,357	138	99	10,086	(64,661)		
(234,931)	(772,057)	99	10,086	(1,841,199)		
-	-	-	250,000	550,000		
1,830	549,247	289,585	173,883	2,014,250		
(233,101)	(222,810)	289,684	433,969	723,051		
3,747,167	623,569	-	-	11,400,302		
\$ 3,514,066	\$ 400,759	\$ 289,684	\$ 433,969	\$ 12,123,353		

City of Bettendorf, Iowa

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Year Ended June 30, 2006

	Recycling/Solid Waste Management	Palmer Hills Golf Course	Life Fitness Center
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,350,163	\$ 731,074	\$ 509,182
Receipts from other operating revenue	-	169,824	150
Payments to suppliers	(683,622)	(394,276)	(250,693)
Payments to employees	(653,359)	(549,306)	(395,541)
Net cash provided by (used in) operating activities	13,182	(42,684)	(136,902)
Cash flows from noncapital financing activities:			
Proceeds from interfund accounts	-	350,000	-
Transfers in	300,000	402,819	296,886
Net cash provided by noncapital financing activities	300,000	752,819	296,886
Cash flows from capital and related financing activities:			
Proceeds from capital grants	-	300,000	-
Purchase of capital assets	(197,653)	(1,487,579)	(24,887)
Net cash provided by (used in) capital and related financing activities	(197,653)	(1,187,579)	(24,887)
Cash flows from investing activities, interest received	12,687	17,702	3,065
Net increase (decrease) in cash and cash equivalents	128,216	(459,742)	138,162
Cash and cash equivalents:			
Beginning	511,426	796,798	142,198
Ending	<u>\$ 639,642</u>	<u>\$ 337,056</u>	<u>\$ 280,360</u>
Reconciliation of operating (loss) to net cash provided by (used in) operating activities:			
Operating (loss)	\$ (172,691)	\$ (179,610)	\$ (413,754)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:			
Depreciation	212,083	93,594	118,707
Change in assets and liabilities:			
Receivables and due from other governments	(31,385)	(7,266)	(1,489)
Accounts payable and due to other governments	8,335	56,313	16,217
Compensated absences and accrued liabilities	(3,160)	(5,715)	899
Unearned revenue	-	-	142,518
Net cash provided by (used in) operating activities	\$ 13,182	\$ (42,684)	\$ (136,902)
Schedule of noncash items, acquisition of capital assets through contracts or accounts payable.			
	\$ -	\$ 73,589	\$ -

		Downtown Event				
Aquatic Center	Transit	Center	Educational Center	Total		
\$ 169,782	\$ 180,561	\$ -	\$ -	\$ 2,940,762		
6,464	235,674	-	-	412,112		
(103,980)	(415,961)	-	-	(1,848,532)		
(138,544)	(565,064)	-	-	(2,301,814)		
(66,278)	(564,790)	-	-	(797,472)		
-	15,405	-	-	365,405		
1,830	549,247	289,585	173,883	2,014,250		
1,830	564,652	289,585	173,883	2,379,655		
-	-	-	250,000	550,000		
-	-	(289,684)	(71,612)	(2,071,415)		
-	-	(289,684)	178,388	(1,521,415)		
2,568	138	99	6,663	42,922		
(61,880)	-	-	358,934	103,690		
194,305	-	-	-	1,644,727		
\$ 132,425	\$ -	\$ -	\$ 358,934	\$ 1,748,417		
\$ (238,288)	\$ (772,195)	\$ -	\$ -	\$ (1,776,538)		
159,819	101,222	-	-	685,425		
2,625	(32,792)	-	-	(70,307)		
9,721	6,513	-	-	97,099		
(155)	8,725	-	-	594		
-	123,737	-	-	266,255		
\$ (66,278)	\$ (564,790)	\$ -	\$ -	\$ (797,472)		
\$ -	\$ -	\$ -	\$ 22,656	\$ 96,245		

City of Bettendorf, Iowa

Combining Statement of Net Assets
Internal Service Funds
June 30, 2006

Assets	Employee Health Insurance	Risk Management	Municipal Garage	Information Services	Total
Current assets:					
Cash and investments	\$ 1,160,240	\$ 597,481	\$ 504,784	\$ 331,294	\$ 2,593,799
Prepaid items	-	-	-	12,700	12,700
Receivables:					
Accounts	2,828	-	-	-	2,828
Accrued interest	11,996	4,035	4,837	3,208	24,076
Due from other funds	-	3,287	-	-	3,287
Due from other governments	-	20,300	-	-	20,300
Total current assets	1,175,064	625,103	509,621	347,202	2,656,990
Noncurrent assets:					
Capital assets:					
Nondepreciable, land	-	-	43,609	-	43,609
Depreciable:					
Buildings and structures	-	-	423,461	-	423,461
Equipment and vehicles	-	-	470,632	-	470,632
Accumulated depreciation	-	-	(586,719)	-	(586,719)
Total noncurrent assets	-	-	350,983	-	350,983
Total assets	\$ 1,175,064	\$ 625,103	\$ 860,604	\$ 347,202	\$ 3,007,973
Liabilities and Net Assets					
Liabilities:					
Current:					
Accounts payable	\$ -	\$ 17,231	\$ 96,368	\$ 5,824	\$ 119,423
Claims payable	163,103	-	-	-	163,103
Compensated absences	-	-	5,962	6,170	12,132
Accrued liabilities	-	-	10,683	11,199	21,882
Due to other governments	-	-	1,523	1,595	3,118
Total current liabilities	163,103	17,231	114,536	24,788	319,658
Noncurrent, compensated absences	-	-	16,726	17,311	34,037
Total liabilities	163,103	17,231	131,262	42,099	353,695
Net assets:					
Invested in capital assets, net of related debt	-	-	350,983	-	350,983
Unrestricted	1,011,961	607,872	378,359	305,103	2,303,295
Total net assets	1,011,961	607,872	729,342	305,103	2,654,278
Total liabilities and net assets	\$ 1,175,064	\$ 625,103	\$ 860,604	\$ 347,202	\$ 3,007,973

City of Bettendorf, Iowa

**Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
Year Ended June 30, 2006**

	Employee Health Insurance	Risk Management	Municipal Garage	Information Services	Total
Operating revenues:					
Charges for services	\$ 2,247,636	\$ 853,736	\$ 1,105,349	\$ 547,093	\$ 4,753,814
Other	-	46,804	5,806	325	52,935
Total operating revenues	2,247,636	900,540	1,111,155	547,418	4,806,749
Operating expenses:					
Salaries and benefits	1,783,146	-	385,216	387,797	2,556,159
Supplies and services	441,967	876,022	675,824	216,640	2,210,453
Depreciation	-	-	32,768	-	32,768
Total operating expenses	2,225,113	876,022	1,093,808	604,437	4,799,380
Operating income (loss)	22,523	24,518	17,347	(57,019)	7,369
Nonoperating revenues, investment earnings	42,046	7,677	11,774	9,041	70,538
Income (loss) before transfers	64,569	32,195	29,121	(47,978)	77,907
Transfers in	-	15,000	-	38,204	53,204
Changes in net assets	64,569	47,195	29,121	(9,774)	131,111
Total net assets, beginning	947,392	560,677	700,221	314,877	2,523,167
Total net assets, ending	\$ 1,011,961	\$ 607,872	\$ 729,342	\$ 305,103	\$ 2,654,278

City of Bettendorf, Iowa

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2006

	Employee Health Insurance	Risk Management	Municipal Garage	Information Services	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 2,248,112	\$ 834,321	\$ 1,105,349	\$ 547,093	\$ 4,734,875
Receipts from other operating revenue	-	46,804	5,806	325	52,935
Payments to suppliers	(441,967)	(899,714)	(630,350)	(222,586)	(2,194,617)
Payments to claimants	(1,797,807)	-	-	-	(1,797,807)
Payments to employees	-	-	(382,268)	(398,492)	(780,760)
Net cash provided by (used in) operating activities	8,338	(18,589)	98,537	(73,660)	14,626
Cash flows from noncapital financing activities:					
Payment of interfund accounts	-	(921)	-	-	(921)
Transfers in	-	15,000	-	38,204	53,204
Net cash provided by noncapital financing activities	-	14,079	-	38,204	52,283
Cash flows from capital and related financing activities, purchase of capital assets					
	-	-	(6,440)	-	(6,440)
Cash flows from investing activities, interest received					
	32,726	4,628	7,717	6,668	51,739
Net increase (decrease) in cash and cash equivalents	41,064	118	99,814	(28,788)	112,208
Cash and cash equivalents:					
Beginning	1,119,176	597,363	404,970	360,082	2,481,591
Ending	\$ 1,160,240	\$ 597,481	\$ 504,784	\$ 331,294	\$ 2,593,799
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 22,523	\$ 24,518	\$ 17,347	\$ (57,019)	\$ 7,369
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	-	32,768	-	32,768
Change in assets and liabilities:					
Receivables	476	(19,415)	-	-	(18,939)
Prepaid items	-	-	-	(12,700)	(12,700)
Accounts payable and due to other governments	-	(23,692)	45,474	(5,946)	15,836
Claims payable	(14,661)	-	-	-	(14,661)
Compensated absences and accrued liabilities	-	-	2,948	2,005	4,953
Net cash provided by (used in) operating activities	\$ 8,338	\$ (18,589)	\$ 98,537	\$ (73,660)	\$ 14,626

City of Bettendorf, Iowa

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2006

	Explorers	Section 125 Plan	Police Property Account	Total
Assets, cash and investments	\$ 1,798	\$ 18,787	\$ 8,577	\$ 29,162
Liabilities, accounts payable	\$ 1,798	\$ 18,787	\$ 8,577	\$ 29,162

City of Bettendorf, Iowa

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2006**

Explorers	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
Assets, cash and investments	\$ 879	\$ 6,120	\$ 5,201	\$ 1,798
Liabilities, accounts payable	\$ 879	\$ 10,674	\$ 9,755	\$ 1,798
Section 125 Plan				
Assets, cash and investments	\$ 13,612	\$ 70,482	\$ 65,307	\$ 18,787
Liabilities, accounts payable	\$ 13,612	\$ 70,482	\$ 65,307	\$ 18,787
Police Property Account				
Assets, cash and investments	\$ 10,107	\$ 4,217	\$ 5,747	\$ 8,577
Liabilities, accounts payable	\$ 10,107	\$ 37,690	\$ 39,220	\$ 8,577
Combined Funds				
Assets, cash and investments	\$ 24,598	\$ 80,819	\$ 76,255	\$ 29,162
Liabilities, accounts payable	\$ 24,598	\$ 118,846	\$ 114,282	\$ 29,162

City of Bettendorf, Iowa

Net Assets By Component
Last Four Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 19,103,899	\$ 24,868,920	\$ 32,359,207	\$ 37,919,071
Restricted	3,800,866	10,406,431	6,124,873	6,221,183
Unrestricted	17,705,256	11,440,524	12,079,106	10,349,190
Total governmental activities net assets	\$ 40,610,021	\$ 46,715,875	\$ 50,563,186	\$ 54,489,444
Business-type activities:				
Invested in capital assets, net of related debt	\$ 24,148,187	\$ 26,438,117	\$ 26,983,506	\$ 29,262,706
Restricted	2,221,099	389,184	175,786	176,219
Unrestricted	1,111,725	3,518,944	3,621,881	2,967,755
Total business-type activities net assets	\$ 27,481,011	\$ 30,346,245	\$ 30,781,173	\$ 32,406,680
Primary government:				
Invested in capital assets, net of related debt	\$ 43,252,086	\$ 51,307,037	\$ 59,342,713	\$ 67,181,777
Restricted	6,021,965	10,795,615	6,300,659	6,397,402
Unrestricted	18,816,981	14,959,468	15,700,987	13,316,945
Total primary government net assets	\$ 68,091,032	\$ 77,062,120	\$ 81,344,359	\$ 86,896,124

GASB Statement No. 34 Implemented in Fiscal Year 2003

City of Bettendorf, Iowa

Changes In Net Assets
Last Four Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
Public safety	\$ 7,134,235	\$ 7,303,476	\$ 8,034,864	\$ 8,474,260
Public works	5,004,419	5,352,120	6,146,647	5,762,806
Culture and recreation	3,505,020	3,327,610	3,557,691	3,722,405
Community and economic development	1,126,101	1,258,610	3,016,994	1,521,206
General government	3,393,296	3,220,615	3,202,786	3,566,384
Interest on long-term debt	2,584,034	2,486,758	2,565,864	2,349,192
Total governmental activities expenses	22,747,105	22,949,189	26,524,846	25,396,253
Business-type activities:				
Sewer utility	2,773,237	2,517,148	2,742,747	2,767,540
Family Museum of Arts & Science	1,811,973	1,718,447	1,958,342	1,725,794
Aquatic Center	213,572	392,699	426,330	412,494
Recycling/solid waste management	1,383,575	1,343,683	1,959,654	1,580,939
Palmer Hills Golf Course	950,886	870,098	909,314	1,146,586
Life Fitness Center	804,775	759,493	777,189	782,242
Stormwater utility	26,743	120,494	416,886	783,017
Transit	744,344	807,952	1,022,620	1,091,502
Total business-type activities expenses	8,709,105	8,530,014	10,213,082	10,290,114
Total primary government expenses	31,456,210	31,479,203	36,737,928	35,686,367
Program revenue:				
Governmental activities:				
Charges for services:				
Public safety	12,436	11,092	17,409	18,546
Public works	41,041	36,529	3,536	23,382
Culture and recreation	170,008	200,574	211,570	209,673
Community and economic development	650,859	800,999	735,831	1,037,467
General government	82,166	80,081	56,911	105,059
Operating grants and contributions:				
Public safety	237,796	247,255	324,501	436,083
Public works	50,000	64,488	2,647,908	2,664,831
Culture and recreation	367,950	126,257	195,722	159,889
Community and economic development	491,405	541,697	725,813	512,395
Capital grants and contributions:				
Public safety	44,410	178,858	41,861	-
Public works	4,800	2,975,181	2,772,743	1,165,844
Culture and recreation	24,868	-	40,000	27,051
Total governmental activities program revenue	2,177,739	5,263,011	7,773,805	6,360,220

(Continued)

City of Bettendorf, Iowa

Changes In Net Assets (Continued)
Last Four Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities:				
Charges for services:				
Sewer utility	\$ 2,387,481	\$ 2,274,583	\$ 2,414,522	\$ 2,491,731
Family Museum of Arts & Science	579,407	583,961	560,972	516,211
Aquatic Center	84,765	193,670	174,104	167,157
Recycling/solid waste management	540,119	412,341	1,151,110	1,355,684
Palmer Hills Golf Course	636,080	678,770	718,869	738,340
Life Fitness Center	682,852	711,827	570,620	368,153
Stormwater utility	5,000	440,008	562,248	579,144
Transit	35,965	35,112	40,169	56,656
Operating grants and contributions:				
Family Museum of Arts & Science	128,380	58,244	135,978	149,273
Transit	240,944	249,631	306,544	268,686
Capital grants and contributions:				
Sewer utility	-	1,479,351	888,281	465,967
Aquatic Center	47,513	-	-	-
Palmer Hills Golf Course	-	-	-	300,000
Stormwater utility	-	-	-	310,645
Transit	11,737	591,794	50,639	-
Educational Center	-	-	-	250,000
Total business-type activities program revenues	5,380,243	7,709,292	7,574,056	8,017,647
Total primary government program revenues	7,557,982	12,972,303	15,347,861	14,377,867
Net (expense) revenue:				
Governmental activities	(20,569,366)	(176,861,787)	(18,751,041)	(19,036,033)
Business-type activities	(3,328,862)	(820,722)	(2,639,026)	(2,272,467)
Total primary government net expense	(23,898,228)	(177,682,509)	(21,390,067)	(21,308,500)
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes	12,868,877	13,277,584	14,552,874	15,375,604
Tax increment financing taxes	1,959,951	2,096,938	1,684,641	1,853,383
Local option sales taxes	3,785,366	3,780,399	3,865,352	3,968,600
Other taxes	1,409,786	1,513,867	1,516,246	1,557,262
Gaming tax	2,134,506	2,619,144	2,233,864	2,121,774
Road use tax	2,524,432	2,273,158	-	-
Franchise tax	362,452	352,434	321,427	345,734
State replacement tax credits	24,561	20,431	19,550	22,335
State shared revenues, unrestricted	428,560	40,995	41,903	34,604
Investment earnings	684,132	469,300	657,905	826,908
Gain (loss) on sale of capital assets	313,878	-	-	-
Miscellaneous	1,458,697	772,707	395,137	352,050
Transfers	(3,889,163)	(3,424,925)	(2,690,547)	(3,495,963)
Total governmental activities	24,066,035	23,792,032	22,598,352	22,962,291

(Continued)

City of Bettendorf, Iowa

Changes In Net Assets (Continued)
 Last Four Fiscal Years
(accrual basis of accounting)
 (Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities:				
Investment earnings	86,640	32,562	180,534	216,631
Gain (loss) on sale of capital assets	(84,001)	-	4,000	-
Miscellaneous	338,821	228,469	198,873	185,380
Transfers	3,889,163	3,424,925	2,690,547	3,495,963
Total business-type activities	4,230,623	3,685,956	3,073,954	3,897,974
Total primary government	\$ 28,296,658	\$ 27,477,988	\$ 25,672,306	\$ 26,860,265
Changes in net assets:				
Governmental activities	3,496,669	6,105,854	3,847,311	3,926,258
Business-type activities	901,761	2,865,234	434,928	1,625,507
Total primary government	\$ 4,398,430	\$ 8,971,088	\$ 4,282,239	\$ 5,551,765



Bettendorf IOWA
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City of Bettendorf, Iowa

Program Revenues By Function/Program
Last Four Fiscal Years
(accrual basis of accounting)
(Unaudited)

Program/Functions	Program Revenues		
	Fiscal Year		
	2003		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:			
Public safety	\$ 12,436	\$ 237,796	\$ 44,410
Public works	41,041	50,000	4,800
Culture and recreation	170,008	367,950	24,868
Community and economic development	650,859	491,405	-
General government	82,166	-	-
Interest on long-term debt	-	-	-
Total governmental activities	956,510	1,147,151	74,078
Business-type activities:			
Sewer utility	2,387,481	-	-
Family Museum of Arts & Science	579,407	128,380	-
Aquatic Center	84,765	-	47,513
Recycling/solid waste management	540,119	-	-
Palmer Hills Golf Course	636,080	-	-
City recreation	682,852	-	-
Stormwater utility	5,000	-	-
Transit	35,965	240,944	11,737
Educational Center	-	-	-
Downtown Event Center	-	-	-
Total business-type activities	4,951,669	369,324	59,250
Total primary government	\$ 5,908,179	\$ 1,516,475	\$ 133,328

(Continued)

Program Revenues					
Fiscal Year					
2004			2005		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
\$ 11,092	\$ 247,255	\$ 178,858	\$ 17,409	\$ 324,501	\$ 41,861
36,529	64,488	2,975,181	3,536	2,647,908	2,772,743
200,574	126,257	-	211,570	195,722	40,000
800,999	541,697	-	735,831	725,813	-
80,081	-	-	56,911	-	-
-	-	-	-	-	-
1,129,275	979,697	3,154,039	1,025,257	3,893,944	2,854,604
2,274,583	-	1,479,351	2,414,522	-	888,281
583,961	58,244	-	560,972	135,978	-
193,670	-	-	174,104	-	-
412,341	-	-	1,151,110	-	-
678,770	-	-	718,869	-	-
711,827	-	-	570,620	-	-
440,008	-	-	562,248	-	-
35,112	249,631	591,794	40,169	306,544	50,639
-	-	-	-	-	-
-	-	-	-	-	-
5,330,272	307,875	2,071,145	6,192,614	442,522	938,920
\$ 6,459,547	\$ 1,287,572	\$ 5,225,184	\$ 7,217,871	\$ 4,336,466	\$ 3,793,524

City of Bettendorf, Iowa

Program Revenues by Function/Program (Continued)
 Last Four Fiscal Years
 (accrual basis of accounting)
 (Unaudited)

Program/Functions	Program Revenues		
	Fiscal Year		
	2006		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:			
Public safety	\$ 18,546	\$ 436,083	\$ -
Public works	23,382	2,664,831	1,165,844
Culture and recreation	209,673	159,889	27,051
Community and economic development	1,037,467	512,395	-
General government	105,059	-	-
Interest on long-term debt	-	-	-
Total governmental activities	1,394,127	3,773,198	1,192,895
Business-type activities:			
Sewer utility	2,491,731	-	465,967
Family Museum of Arts & Science	516,211	149,273	-
Aquatic Center	167,157	-	-
Recycling/solid waste management	1,355,684	-	-
Palmer Hills Golf Course	738,340	-	300,000
City recreation	368,153	-	310,645
Stormwater utility	579,144	-	-
Transit	56,656	268,686	-
Educational Center	-	-	250,000
Downtown Event Center	-	-	-
Total business-type activities	6,273,076	417,959	1,326,612
Total primary government	\$ 7,667,203	\$ 4,191,157	\$ 2,519,507



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City of Bettendorf, Iowa

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	1997	1998	1999	2000
General Fund:				
Reserved	\$ 8,137	\$ 93,435	\$ 104,592	\$ 183,545
Unreserved	4,426,295	4,602,931	4,736,546	4,252,697
Total General Fund	\$ 4,434,432	\$ 4,696,366	\$ 4,841,138	\$ 4,436,242
All other governmental funds:				
Reserved	\$ 2,782,658	\$ 3,719,645	\$ 2,387,545	\$ 1,145,825
Unreserved, reported in:				
Special revenue funds	1,786,480	4,081,672	4,594,150	4,477,047
Debt service funds	411,740	1,937,693	2,191,894	2,172,367
Capital projects funds	9,398,239	15,794,360	8,941,283	7,800,144
Total all other government funds	\$ 14,379,117	\$ 25,533,370	\$ 18,114,872	\$ 15,595,383

Fiscal Year											
2001		2002		2003		2004		2005		2006	
\$	110,770	\$	81,652	\$	95,135	\$	82,006	\$	64,882	\$	47,989
	4,071,653		4,230,012		4,388,551		4,445,838		4,749,446		4,780,972
\$	4,182,423	\$	4,311,664	\$	4,483,686	\$	4,527,844	\$	4,814,328	\$	4,828,961
<hr/>											
\$	5,527,603	\$	4,050,715	\$	6,394,631	\$	7,147,989	\$	2,068,938	\$	2,888,698
	2,128,788		3,468,598		3,082,497		3,379,138		3,027,598		2,780,057
	2,052,121		2,247,776		2,141,163		1,905,881		1,605,452		1,202,569
	6,686,159		5,542,810		7,035,080		7,718,078		9,437,438		7,712,234
<hr/>											
\$	16,394,671	\$	15,309,899	\$	18,653,371	\$	20,151,086	\$	16,139,426	\$	14,583,558

City of Bettendorf, Iowa

Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	1997	1998	1999	2000
Revenues:				
Property taxes	\$ 10,654,843	\$ 11,119,591	\$ 11,353,128	\$ 13,083,926
Tax increment financing taxes	-	-	-	-
Other taxes	5,159,928	5,394,893	4,261,455	4,843,459
Special assessments	21,591	10,030	11,202	116,123
Licenses and permits	361,664	500,875	476,363	464,415
Intergovernmental	5,651,727	6,422,226	8,382,630	7,357,588
Charges for services	238,911	404,290	313,494	303,585
Use of money and property	1,298,385	1,476,530	897,903	771,187
Fines and forfeitures	135,473	130,124	147,228	164,308
Miscellaneous	1,725,958	1,398,789	1,107,746	818,294
Total revenues	25,248,480	26,857,348	26,951,149	27,922,885
Expenditures:				
Current operating:				
Community protection	4,897,082	5,104,642	5,500,328	5,993,527
Human development	2,492,497	2,301,662	2,508,515	2,522,003
Home and community development	2,909,710	3,469,266	5,889,610	3,477,567
Policy and administration	2,655,045	2,644,767	2,705,217	3,188,137
Public safety	*	*	*	*
Public works	*	*	*	*
Culture and recreation	*	*	*	*
Community and economic development	*	*	*	*
General government	*	*	*	*
Debt service:				
Principal	2,940,000	2,017,646	2,210,495	3,250,496
Interest	1,414,282	1,825,366	2,349,502	2,190,517
Bond issuance costs	-	-	-	-
Capital outlay	12,013,092	16,338,303	11,492,709	13,886,745
Total expenditures	29,321,708	33,701,652	32,656,376	34,508,992
Excess of revenues (under) expenditures	(4,073,228)	(6,844,304)	(5,705,227)	(6,586,107)
Other financing sources (uses):				
Issuance of long-term debt	2,301,925	19,967,496	-	6,560,000
Transfer to escrow agent	(1,597,696)	-	-	-
Premiums	-	-	-	-
Discounts	-	-	-	(69,872)
Proceeds from sale of capital assets	-	-	-	-
Transfers in	5,416,902	5,147,144	4,461,689	7,581,196
Transfers out	(5,710,706)	(6,252,701)	(5,894,421)	(8,735,369)
Total other financing sources (uses)	410,425	18,861,939	(1,432,732)	5,335,955
Net changes in fund balance	\$ (3,662,803)	\$ 12,017,635	\$ (7,137,959)	\$ (1,250,152)
Debt service as a percentage of noncapital expenditures	33.6%	28.4%	27.5%	35.8%

		Fiscal Year									
		2001	2002	2003	2004	2005	2006				
\$	13,506,245	\$	13,966,278	\$	12,868,877	\$	13,084,732	\$	14,631,169	\$	15,383,115
	-		-		-		-		1,684,641		1,853,383
	5,321,691		5,278,500		7,021,606		9,665,583		7,564,060		7,511,852
	23,125		8,459		35,185		25,975		5,388		19,947
	437,141		411,922		598,484		621,466		636,202		865,209
	6,764,956		6,703,471		6,362,813		3,973,556		4,039,000		3,952,501
	266,062		340,170		240,675		401,753		326,756		394,575
	1,571,966		1,027,639		675,735		444,476		619,366		761,546
	133,630		149,923		-		-		-		-
	580,070		1,338,444		1,797,479		976,223		787,742		729,844
	28,604,886		29,224,806		29,600,854		29,193,764		30,294,324		31,471,972
	7,101,978		6,823,164		*		*		*		*
	2,857,429		3,152,880		*		*		*		*
	4,120,753		4,021,299		*		*		*		*
	2,974,569		3,237,325		*		*		*		*
	*		*		6,617,387		6,914,003		7,487,118		7,895,689
	*		*		2,309,379		2,557,007		2,660,482		2,727,337
	*		*		2,826,226		2,965,014		3,153,672		3,300,346
	*		*		1,048,976		1,218,663		1,412,845		1,258,141
	*		*		2,860,894		2,790,248		2,798,173		3,106,289
	3,719,420		3,500,641		3,816,862		7,006,601		9,037,165		5,089,158
	2,373,887		2,463,311		2,639,454		2,486,386		2,567,015		2,331,935
	-		-		-		47,771		33,780		37,456
	9,226,513		10,781,112		7,490,960		6,199,642		6,835,946		8,347,332
	32,374,549		33,979,732		29,610,138		32,185,335		35,986,196		34,093,683
	(3,769,663)		(4,754,926)		(9,284)		(2,991,571)		(5,691,872)		(2,621,711)
	6,635,000		6,580,000		6,920,000		8,104,050		4,590,000		4,580,000
	-		-		-		-		-		-
	-		-		1,535		-		-		3,190
	(45,965)		(64,867)		(31,203)		(45,681)		(32,066)		(44,519)
	-		-		348,000		-		306,120		90,972
	5,118,577		11,128,148		5,882,790		5,700,841		6,617,725		6,925,915
	(7,392,480)		(13,843,886)		(10,071,953)		(9,225,766)		(9,515,083)		(10,475,082)
	4,315,132		3,799,395		3,049,169		4,533,444		1,966,696		1,080,476
\$	545,469	\$	(955,531)	\$	3,039,885	\$	1,541,873	\$	(3,725,176)	\$	(1,541,235)
	35.7%		34.6%		41.2%		58.0%		66.5%		40.8%

City of Bettendorf, Iowa

Tax Revenues by Source, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

Fiscal Year	Property	Hotel/Motel Tax	Local Option Sales Tax	Utility Franchise Tax	Tax Increment Financing
1997	\$ 10,601,680	\$ 741,511	\$ 3,520,086	N/A	\$ 53,163
1998	10,865,971	805,327	3,722,925	N/A	253,620
1999	11,015,193	875,658	3,139,128	N/A	337,935
2000	11,481,279	838,909	3,732,436	N/A	1,602,647
2001	11,608,682	798,468	3,570,729	\$ 631,436	1,897,563
2002	12,152,537	751,467	3,553,136	629,454	1,813,741
2003	12,868,877	752,456	3,651,869	648,397	1,959,951
2004	13,084,732	814,230	3,781,620	690,668	2,096,938
2005	14,631,169	811,857	3,813,950	695,153	1,684,641
2006	15,383,115	876,854	3,832,816	671,320	1,853,383
Change 1997-2006	45.10%	18.25%	8.88%	N/A	3386.23%

Source: City records.

Mobile Home Tax	Gaming Tax	Cable Franchise Tax	Total
\$ 10,914	\$ 1,404,725	\$ 190,708	\$ 16,522,787
10,436	1,403,983	207,793	17,270,055
9,339	1,772,530	237,330	17,387,113
9,614	1,916,182	262,500	19,843,567
9,632	2,017,007	311,426	20,844,943
8,939	2,099,845	335,504	21,344,623
8,933	2,134,505	321,090	22,346,078
8,969	2,273,158	319,234	23,069,549
9,236	2,233,864	321,427	24,201,297
9,088	2,121,774	345,734	25,094,084
(16.73)%	51.05%	81.29%	51.88%

City of Bettendorf, Iowa

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Machinery & Equipment
1996	\$ 880,176,451	\$ 214,245,464	\$ 13,877,971	\$ 19,260,189
1997	991,903,866	241,334,661	15,025,018	18,301,340
1998	1,013,029,476	239,447,226	16,025,351	17,588,585
1999	1,101,578,914	247,821,390	13,575,439	15,484,842
2000	1,132,752,657	235,782,064	14,550,585	16,395,098
2001	1,257,127,893	259,201,601	14,957,233	14,496,736
2002	1,300,890,182	268,816,253	16,997,563	11,491,644
2003	1,466,869,955	278,725,560	15,396,453	6,746,181
2004	1,508,179,680	274,969,629	17,287,710	4,505,732
2005	1,652,161,490	338,690,940	13,400,078	-
2006	1,798,988,393	341,209,113	13,455,769	-

Source: Scott County Auditor

(1) Excludes TIF increment, gas and electric utilities and military exemptions. Includes agricultural land of \$4,529,273.

	Public Utility	Agricultural Property	Total Assessed Value (1)	Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Taxable Value as a Percentage of Assessed Value
\$	83,406,132	\$ 5,116,414	\$ 1,216,082,621	N/A	11.45562	\$ 921,982,864	75.82%
	80,933,474	5,417,253	1,352,915,612	11.25%	11.45613	937,238,483	69.28
	83,561,077	5,363,968	1,375,015,683	1.63	11.45555	952,226,941	69.25
	86,345,631	5,803,763	1,470,609,979	6.95	11.45555	961,234,946	65.36
	79,579,606	5,667,869	1,484,727,879	0.96	11.45555	985,933,829	66.41
	18,125,035	6,140,542	1,570,049,040	5.75	11.46317	992,439,065	63.21
	19,916,751	6,078,144	1,624,190,537	3.45	11.45555	1,049,521,251	64.62
	17,534,839	5,954,158	1,791,227,146	10.28	11.85000	1,068,872,381	59.67
	17,670,824	5,878,051	1,828,491,626	2.08	11.85000	1,089,636,254	59.59
	15,445,981	4,700,968	2,024,399,457	10.71	12.34932	1,163,981,114	57.50
	15,613,994	4,529,273	2,173,796,542	7.38	12.34952	1,231,469,607	56.65

City of Bettendorf, Iowa

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Tax Year Levied	City Direct Rates					Total Direct
	General Fund	Employee Benefits	Insurance	Debt Service		
1996	\$ 6.38389	\$ 0.93333	\$ 0.41583	\$ 3.72257	\$ 11.45562	
1997	6.05685	1.06248	0.53661	3.80019	11.45613	
1998	6.51518	0.81382	0.32662	3.80025	11.45587	
1999	6.64027	0.85866	0.15662	3.80000	11.45555	
2000	6.54431	1.02077	0.11616	3.81196	11.49320	
2001	6.40498	1.13715	0.11862	3.80242	11.46317	
2002	6.39072	1.14629	0.11854	3.80000	11.45555	
2003	6.54800	1.23023	0.27177	3.80000	11.85000	
2004	6.54800	1.23023	0.27177	3.80000	11.85000	
2005	7.04761	1.23016	0.27175	3.79980	12.34932	
2006	7.04761	1.23016	0.27175	3.80000	12.34952	

Source: Tax levies for Scott County, Iowa compiled by Scott County Auditor

Overlapping Rates

Bettendorf School District	Scott County	County Assessor	Area IX	Other	Total Levy
\$ 16.72025	\$ 4.42243	\$ 0.22992	\$ 0.51856	\$ 0.04246	\$ 33.38924
15.58368	4.32681	0.23869	0.51543	0.04144	32.16218
15.46181	4.19239	0.23867	0.58671	0.04077	31.97622
15.57107	3.91472	0.25072	0.57182	0.03868	31.80256
14.81448	4.06203	0.22997	0.54709	0.06732	31.21409
14.57951	4.16147	0.31843	0.60302	0.06700	31.19260
14.56220	4.17307	0.31830	0.60382	0.06790	31.18084
15.78768	4.48067	0.33124	0.62633	0.06248	33.13840
15.77779	4.80887	0.33119	0.61738	0.06721	33.45244
15.46630	4.75497	0.27124	0.59216	0.06939	33.50338
14.69042	5.56513	0.27404	0.59269	0.06973	33.54153

City of Bettendorf, Iowa

Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Isle of Capri Bettendorf LC	\$ 85,002,320	1	3.91%	\$ -	-	- %
CMS/Chateau Knoll	-	-	-	9,398,514	6	1.00
Gen Ventures, Inc.	9,294,230	5	0.43	-	-	-
Bettendorf Regency Apartments LC	8,368,880	6	0.38	-	-	-
Duck Creek LLC (formerly General Properties, Ltd.)	-	-	-	10,054,778	5	1.07
Americold Real Estate LP (formerly Termicold)	6,905,370	7	0.32	6,779,301	8	0.72
Green Bridge Co	6,422,260	9	0.30	13,379,404	3	1.43
GMS Realty Company	6,325,440	10	0.29	-	-	-
Mid American Energy Co.	64,264,012	2	2.96	67,319,942	1	7.18
Aluminum Company of America	-	-	-	14,141,848	2	1.51
Equitable Life Assurance Soc.	-	-	-	11,658,967	4	1.24
Jumer's Castle Lodge, Inc.	-	-	-	8,741,034	7	0.93
Mel Foster Co. Properties Inc.	-	-	-	5,337,784	9	0.57
Iowa-American Water Co.	-	-	-	5,811,947	10	0.62
Tritex Real Estate Advisors	13,754,280	3	0.63	-	-	-
Inland Western Bett Duck Creek Quest	11,168,120	4	0.51	-	-	-
	6,494,301	8	0.30	-	-	-
Total	\$ 217,999,213		10.03%	\$ 152,623,519		16.27%
Total assessed value	\$ 2,173,796,542			\$ 937,238,483		

Source: Scott County Auditor



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City of Bettendorf, Iowa

Property Tax Levies and Collections
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30:	Tax Year	Net Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy	
			Amount	Percentage of Levy
1997	1995	\$ 10,610,288	\$ 10,601,001	99.91%
1998	1996	10,888,058	10,887,633	100.00
1999	1997	11,013,636	11,009,025	99.96
2000	1998	11,477,426	11,477,426	100.00
2001	1999	11,601,946	11,608,083	100.05
2002	2000	12,229,784	12,151,763	99.36
2003	2001	12,892,364	12,809,584	99.36
2004	2002	13,138,638	13,045,163	99.29
2005	2003	14,559,439	14,536,037	99.84
2006	2004	15,419,061	15,378,320	99.74

Source: City records

Delinquent Tax Collections	Total Collections to Date	
	Amount	Percentage of Levy
\$ 678	\$ 10,601,679	99.92%
(21,662)	10,865,971	99.80
6,168	11,015,193	100.01
3,853	11,481,279	100.03
600	11,608,683	100.06
774	12,152,537	99.37
59,294	12,868,878	99.82
39,568	13,084,731	99.59
95,132	14,631,169	100.49
4,795	15,383,115	99.77

City of Bettendorf, Iowa

**Ratios of Net General Bonded Debt Outstanding by Type
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Governmental Activities			Net General Bonded Debt	Percentage of Actual Taxable Value of Property
	General Obligation Bonds	Revenue Bonds	Less Amount Available in Debt Service		
1997	\$ 24,487,350	\$ -	\$ 411,740	\$ 24,075,610	2.57%
1998	33,199,704	9,555,000	3,299,181	39,455,523	4.14
1999	31,064,209	9,480,000	3,147,394	37,396,815	3.89
2000	34,888,713	8,965,000	3,127,867	40,725,846	4.13
2001	38,349,293	8,420,000	2,052,121	44,717,172	4.51
2002	42,008,652	7,840,000	2,247,776	47,600,876	4.54
2003	45,726,790	7,225,000	4,986,529	47,965,261	4.49
2004	47,484,239	6,565,000	6,391,734	47,657,505	4.37
2005	43,737,074	5,865,000	1,605,452	47,996,622	4.12
2006	43,972,916	5,120,000	1,202,568	47,890,348	3.89

Source: City records

Debt Per Capita	Business Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds			
777	\$ 6,247,650	\$ 4,310,000	\$ 34,633,260	3.70%	\$ 1,118
1,274	5,895,296	4,145,000	49,495,819	5.20	1,598
1,207	5,510,791	2,490,000	45,397,606	4.72	1,466
1,315	5,101,287	2,290,000	48,117,133	4.88	1,553
1,430	4,675,707	2,075,000	51,467,879	5.19	1,662
1,522	4,236,348	1,850,000	53,687,224	5.12	1,733
1,534	3,758,210	3,130,000	54,853,471	5.13	1,771
1,524	9,960,761	1,260,000	58,878,266	5.40	1,901
1,535	6,672,926	1,010,000	55,679,548	4.78	1,798
1,531	8,432,084	740,000	57,062,432	4.63	1,842

City of Bettendorf, Iowa

Direct and Overlapping Governmental Activities Debt
 For the Year Ended June 30, 2006
 (Unaudited)

Name of Governmental Unit	Total General Long-term Bonded Debt Outstanding	Percent Applicable to the City of Bettendorf	Amount Applicable to the City of Bettendorf
School District, Bettendorf	\$ 4,930,000	75.27%	\$ 3,710,931
School District, North Scott	7,395,000	0.28	20,982
Scott County	10,480,000	21.69	2,272,924
Eastern Iowa Community College	42,520,000	12.71	5,406,014
	<u>65,325,000</u>		<u>11,410,851</u>
City of Bettendorf	52,405,000	100.00%	52,405,000
	<u>\$ 117,730,000</u>		<u>\$ 63,815,851</u>

Source: Scott County Auditor



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City of Bettendorf, Iowa

Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)
(Unaudited)

	1997	1998	1999	2000
100% assessed valuation	\$ 1,352,915,612	\$ 1,379,944,227	\$ 1,477,698,246	\$ 1,539,804,929
Plus: Public gas and electric utilities	*	*	*	*
Plus: Captured tax increment value	*	*	*	*
Less: Military exemption	*	*	*	*
Total assessed valuation of the property of the City of Bettendorf	<u>\$ 1,352,915,612</u>	<u>\$ 1,379,944,227</u>	<u>\$ 1,477,698,246</u>	<u>\$ 1,539,804,929</u>
Debt limit, 5% of total actual valuation	\$ 67,645,781	\$ 68,997,211	\$ 73,884,912	\$ 76,990,246
Debt applicable to debt limit:				
Debt service general obligation bonds	24,487,350	33,199,704	31,064,209	34,888,713
Debt service TIF revenue bonds	-	9,555,000	9,480,000	8,965,000
Enterprise general obligation bonds	-	5,895,296	5,510,791	5,101,287
City's share of IMWCA bonds	337,493	-	-	-
	<u>24,824,843</u>	<u>48,650,000</u>	<u>46,055,000</u>	<u>48,955,000</u>
Legal debt margin	<u>\$ 42,820,938</u>	<u>\$ 20,347,211</u>	<u>\$ 27,829,912</u>	<u>\$ 28,035,246</u>

* Information not available

Source: City records

	2001	2002	2003	2004	2005	2006
\$	1,570,049,040	\$ 1,624,190,537	\$ 1,791,245,012	\$ 2,011,187,049	\$ 2,024,482,166	\$ 2,169,267,269
	59,277,162	59,090,751	58,719,279	58,058,849	57,805,090	60,744,311
	72,428,881	70,075,567	73,394,426	73,275,607	60,265,733	66,666,168
	(4,703,154)	(4,680,004)	(4,651,525)	(4,517,028)	(4,517,028)	(4,457,764)
\$	1,697,051,929	\$ 1,748,676,851	\$ 1,918,707,192	\$ 2,138,004,477	\$ 2,138,035,961	\$ 2,292,219,984
\$	84,852,596	\$ 87,433,843	\$ 95,935,360	\$ 106,900,224	\$ 106,901,798	\$ 114,610,999
	38,349,293	42,008,652	45,726,790	47,484,239	43,737,074	43,972,916
	8,420,000	7,840,000	7,225,000	6,565,000	5,865,000	5,120,000
	4,675,707	4,236,348	3,758,210	9,960,761	6,672,926	8,432,085
	-	-	-	-	-	-
	51,445,000	54,085,000	56,710,000	64,010,000	56,275,000	57,525,001
\$	33,407,596	\$ 33,348,843	\$ 39,225,360	\$ 42,890,224	\$ 50,626,798	\$ 57,085,998

City of Bettendorf, Iowa

Pledged-Revenue Coverage

Last Ten Fiscal Years

(dollars in thousands)

(Unaudited)

Sewer Revenue Bonds							
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
1997	\$ 2,308,978	\$ 1,078,341	\$ 1,230,637	\$ 260,000	\$ 349,334	\$ 609,334	
1998	2,405,892	1,289,639	1,116,253	290,000	334,986	624,986	
1999	2,412,600	1,511,533	901,067	300,000	310,105	610,105	
2000	2,515,729	1,651,421	864,308	350,000	195,173	545,173	
2001	2,431,879	1,732,744	699,135	365,000	177,489	542,489	
2002	2,491,607	1,801,269	690,338	375,000	158,922	533,922	
2003	2,525,176	1,748,980	776,196	235,000	105,923	340,923	
2004	2,301,012	1,535,026	765,986	1,870,000	45,093	1,915,093	
2005	2,481,261	1,610,415	870,846	250,000	25,805	275,805	
2006	2,593,811	1,689,887	903,924	270,000	21,430	291,430	

Source: City records

Tax Increment Financing Bonds

Tax Increment Financing Revenue	Debt Service		Coverage
	Principal	Interest	
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
1,186,853	515,000	698,188	1,213,188
1,313,275	545,000	665,450	1,210,450
1,316,321	580,000	630,410	1,210,410
1,461,986	615,000	592,625	1,207,625
1,538,548	660,000	552,065	1,212,065
1,175,808	700,000	508,018	1,208,018
1,217,433	745,000	460,855	1,205,855

City of Bettendorf, Iowa

**Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year Ended June 30,	Population (3)	Personal Income (1)	Per Capita Personal Income (1)	Building Permits (4)		School Enrollment (2)	Unemployment Rate (3)
				Number of Permits	Assessed Value of Permits		
1997	30,976	\$ 9,141,721	\$ 24,378	659	\$ 24,806,263	5,265	3.1%
1998	30,976	9,652,758	25,703	1,218	48,130,006	5,302	1.8
1999	30,976	9,689,951	25,725	1,241	43,203,549	5,261	2.3
2000	30,976	10,172,873	27,065	1,258	44,551,535	5,064	1.7
2001	31,275	10,393,612	27,704	1,240	46,009,702	5,058	2.2
2002	31,275	10,655,562	28,418	1,466	40,489,323	5,109	2.8
2003	31,275	11,002,994	29,359	1,208	76,121,586	4,732	4.1
2004	31,275	11,710,928	31,205	1,342	60,956,350	5,000	3.3
2005	31,275	12,147,000	32,280	1,298	67,539,589	4,896	3.4
2006	31,275	*	*	1,488	105,551,442	4,822	2.8

Sources:

- (1) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce - Davenport - Moline - Rock Island, Iowa - Illinois (MSA)
- (2) Bettendorf Community School District, Local Private School Office, Local Parochial School Office
- (3) Iowa Workforce Development
- (4) City records
- * Information not available

City of Bettendorf, Iowa

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2006			1997		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Aluminum Company of America	2,200	1	2.51%	2,656	1	3.20%
Isle of Capri (formerly Lady Luck Casino)	872	2	1.00	779	2	0.94
City of Bettendorf	290	9	0.33	580	3	0.70
Bettendorf Community School District	615	3	0.70	493	4	0.59
HyVee Food Stores	385	5	0.44	450	5	0.54
Eastern Iowa Community College District	-		-	420	6	0.51
Mississippi Bend Area Education Agency	336	7	0.38	350	7	0.42
Sivyer Steel	364	6	0.42	326	8	0.39
Jumer's Castle Lodge, Inc.	-		-	278	9	0.33
Jack's	-		-	125	10	0.15
Pleasant Valley School District	430	4	0.49	-		-
Genesis	312	8	0.36	-		-
Trinity	233	10	0.27	-		-
Total	6,037		6.89%	6,457		7.77%

Total County Employment as of 6/30/06: 87,560

Total County Employment in 1997: 83,110

Sources: Quad City Development Group and the respective employer
and Iowa Workforce Development at www.iowaworkforce.org/lmi/laborforce/etables/historic/area82.txt

City of Bettendorf, Iowa

**Full-Time Equivalent City Government Employees by Functions/Programs
Last Ten Fiscal Years
(Unaudited)**

<u>Fund Type/Function</u>	Full-Time Equivalent Employees for Fiscal Year Beginning July 1			
	2006	2005	2004	2003
General Fund:				
Administration	1.77	1.92	1.82	1.65
Community development	8.50	8.50	8.30	9.30
Elected officials	13.00	13.00	13.00	13.00
Fire department	20.50	20.50	19.50	19.50
Finance	4.80	4.80	3.98	4.74
Human resources	1.80	1.77	1.77	1.77
Library	29.63	29.63	29.63	29.63
Legal	1.07	1.05	1.15	1.40
Police	62.60	61.10	62.10	63.60
Parks and recreation	13.50	13.50	13.50	14.29
Public works	12.61	12.61	6.01	5.71
Special revenue funds:				
Administration	0.20	0.05	0.05	-
Community development	2.20	2.20	2.40	2.40
Economic development	1.00	1.00	1.00	1.00
Finance	0.36	0.36	0.37	0.59
Human resources	0.10	0.10	0.10	0.10
Legal	0.02	0.02	0.02	-
Parks and recreation	-	-	0.54	0.54
Public works	22.95	22.95	27.11	27.11
Enterprise funds:				
Administration	0.03	0.03	0.03	-
Finance	1.59	1.59	1.65	1.67
Human resources	0.10	0.13	0.13	0.13
Legal	0.05	0.07	0.07	-
Museum	18.94	18.94	18.94	18.94
Parks and recreation	44.46	44.46	43.92	36.32
Public works	31.19	31.19	33.63	33.33
Internal service funds:				
Finance	5.00	5.00	5.00	5.00
Legal	0.01	0.01	0.01	-
Public works	6.25	6.25	6.25	6.35
Total	304.23	302.73	301.98	298.07
Budget book personnel summary				
Officials	13.00	13.00	13.00	13.00
Administration	4.00	4.00	3.90	3.65
Legal	1.15	1.15	1.25	1.40
Finance	11.75	11.75	11.00	12.00
Community development	11.70	11.70	11.70	12.70
Public works	73.00	73.00	73.00	72.50
Police	62.60	61.10	62.10	63.60
Fire	20.50	20.50	19.50	19.50
Library	29.63	29.63	29.63	29.63
Museum	18.94	18.94	18.94	18.94
Parks	57.96	57.96	57.96	51.15
Total	304.23	302.73	301.98	298.07

Source: City of Bettendorf Budget Books

Full-Time Equivalent Employees for Fiscal Year Beginning July 1

2002	2001	2000	1999	1998	1997
1.65	2.15	1.65	1.65	1.65	1.65
10.50	10.50	9.50	9.50	7.30	7.20
13.00	13.00	13.00	13.00	13.00	13.00
21.00	19.00	19.00	19.00	18.00	16.00
4.74	4.74	4.74	4.74	3.89	3.89
2.77	3.77	2.77	2.77	2.82	2.32
31.94	31.94	31.94	30.94	30.22	29.56
1.50	1.50	1.50	1.50	1.45	1.45
63.60	63.64	62.64	60.64	59.50	56.70
14.29	14.29	14.29	13.58	13.58	10.58
6.71	5.71	4.71	4.59	5.52	5.52
-	-	-	-	-	-
3.00	3.00	3.00	3.00	3.00	3.00
1.00	1.00	1.00	1.00	1.00	1.00
0.59	0.59	0.59	0.59	0.59	0.59
0.10	0.10	0.10	0.10	0.10	0.10
-	-	-	-	-	-
0.54	0.54	0.54	0.54	-	-
27.11	27.11	26.51	26.39	26.39	26.39
-	-	-	-	-	-
1.67	1.67	1.67	1.67	1.67	1.52
0.13	0.13	0.13	0.13	0.13	0.13
-	-	-	-	-	-
23.21	23.21	23.21	24.72	15.32	15.30
47.46	45.07	42.27	41.27	40.41	40.15
33.66	32.92	32.92	31.92	31.92	31.88
6.00	6.00	5.00	5.00	4.00	2.00
-	-	-	-	-	-
6.35	6.35	6.35	6.35	6.35	4.60
322.52	317.93	309.03	304.59	287.81	274.53
13.00	13.00	13.00	13.00	13.00	13.00
4.65	6.15	4.65	4.65	4.70	4.20
1.50	1.50	1.50	1.50	1.45	1.45
13.00	13.00	12.00	12.00	10.15	8.00
14.50	14.50	13.50	13.50	11.30	11.20
73.83	72.09	70.49	69.25	70.18	68.39
63.60	63.64	62.64	60.64	59.50	56.70
21.00	19.00	19.00	19.00	18.00	16.00
31.94	31.94	31.94	30.94	30.22	29.56
23.21	23.21	23.21	24.72	15.32	15.30
62.29	59.90	57.10	55.39	53.99	50.73
322.52	317.93	309.03	304.59	287.81	274.53

City of Bettendorf, Iowa

Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	Fiscal Year			
	96/97	97/98	98/99	99/00
Police:				
Calls for service	40,222	40,222	41,567	40,968
# of Group A offenses	1,981	1,981	2,011	1,915
# of Group B offenses	2,618	2,618	2,592	1,929
Traffic citations	2,129	2,129	1,857	3,005
Fire:				
Fire call volume	512	512	365	540
EMS call volume	1,300	1,300	1,413	1,521
Property loss	\$ 400,000	\$ 400,000	\$ 1,353,125	\$ 524,800
Building safety:				
Total building permits	3,226	3,226	3,425	3,000
Total revenue generated by permits	\$ 300,000	\$ 300,000	\$ 398,108	\$ 384,830
Library:				
Number of materials circulated	476,916	476,916	494,506	506,472
Number of registered borrowers	22,696	22,696	23,444	23,000
Public Works:				
Garbage collected (ton)	-	-	6,095	6,400
Recycle collected (ton)	-	-	2,696	2,799
Miles of streets maintained	155	155	157	165
Number of traffic signals	166	166	169	194
Miles of sanitary sewers maintained	135	135	142	148
Parks and Recreation:				
Recreation program attendance	35,000	35,000	36,000	38,000
Aquatics program attendance	66,935	66,935	64,117	59,906
Golf rounds played	36,977	36,977	37,021	37,673
Fitness Center memberships sold	1,640	1,640	2,359	2,262
Acres maintained	518	518	523	535

Source: City records

Fiscal Year					
00/01	01/02	02/03	03/04	04/05	05/06
37,294	42,000	42,000	40,000	40,000	40,000
1,734	2,100	2,100	2,032	2,100	2,100
1,605	2,000	2,000	855	855	855
1,786	1,900	1,900	5,900	6,000	6,000
628	591	634	608	741	561
1,708	1,760	1,777	1,795	1,520	1,611
\$ 700,000	\$ 500,000	\$ 500,000	\$ 25,600,000	\$ 500,000	\$ 894,288
3,400	3,500	3,500	3,300	3,300	3,300
\$ 371,000	\$ 335,772	\$ 531,439	\$ 445,000	\$ 417,000	\$ 417,000
503,125	503,125	450,000	450,000	524,487	530,000
22,355	22,355	22,000	23,280	21,866	22,000
6,475	7,000	7,500	7,900	8,334	8,334
2,799	2,940	2,743	2,880	2,680	2,770
170	170	175	180	187	195
235	235	245	265	270	290
148	154	156	158	162	174
38,000	42,000	48,000	48,000	50,000	50,000
83,082	14,149	24,739	58,447	46,086	65,000
32,220	32,752	29,699	32,859	32,750	34,000
2,287	2,150	2,271	2,039	1,393	1,450
545	563	563	563	5,638	580

City of Bettendorf, Iowa

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	1997	1998	1999	2000
Police:				
Stations	1	1	1	1
Squad cars	14	14	14	14
Fire, fire stations	3	3	3	4
Refuse collection:				
Collection trucks	11	11	11	11
Streets (miles)	155	157	165	170
Traffic signals	166	166	169	194
Parks and recreation:				
Acreage	518	518	523	535
Parks	20	20	20	20
Golf course	1	1	1	1
Baseball/softball diamonds	32	32	32	32
Soccer/football fields	8	8	8	8
Basketball courts	9	9	9	9
Tennis courts	8	8	8	8
Swimming pools	1	1	1	1
Parks with playground equipment	15	15	15	15
Picnic shelters	6	6	6	6
Community centers	1	1	1	1
Library:				
Facilities	1	1	1	1
Volumes	479,916	476,916	494,506	506,472
Wastewater:				
Sanitary sewers (miles)	135	135	142	148
Storm sewers (miles)				

Source: City records

2001	2002	2003	2004	2005	2006
1	1	1	1	1	1
14	14	14	14	14	18
4	4	4	4	4	4
11	11	11	11	11	12
170	175	180	187	195	195
235	235	245	265	270	290
545	563	563	563	563	580
20	20	20	21	21	21
1	1	1	1	1	1
32	32	32	32	32	32
8	8	8	8	8	8
9	9	9	9	9	9
8	8	8	8	8	8
1	1	1	1	1	1
15	15	15	16	16	16
6	6	6	6	6	6
1	1	1	1	1	1
1	1	1	1	1	1
503,125	503,125	450,000	450,000	524,487	530,000
148	154	156	158	162	174



Bettendorf IOWA
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City of Bettendorf, Iowa

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Program, Lower Income Housing Assistance Program, Section 8	N/A	14.871	\$ 415,822
U.S. Department of Transportation			
Direct Program, Urban Mass Transit			
Formula Grants:			
Preventive Maintenance	IA-90-0237	20.507	13,760
Preventive Maintenance	IA-90-0286	20.507	31,688
ADA	IA-90-8247	20.507	12,595
Planning	IA-90-2302	20.507	7,895
Operating	IA-90-0286	20.507	48,896
ADA	IA-90-8269	20.507	3,155
			<u>117,989</u>
Passed through Iowa Department of Public Safety:			
State and Community Highway Safety Police Traffic Services	PAP 05-163, Task 04	20.600	3,744
State and Community Highway Safety Police Traffic Services	PAP 05-04, Task 01	20.600	8,454
State and Community Highway Safety Police Traffic Services	PAP 06-04, Task 01	20.600	7,168
State and Community Highway Safety Police Traffic Services	PAP 06-163, Task 04	20.600	8,711
			<u>28,077</u>
Passed through Iowa Department of Transportation:			
Innovative Bridge Research and Construction	IBRC-0587(20)--8E-82	20.205	17,566
Highway Planning and Construction	STP-E-0587(623)--8V-82	20.205	119,800
			<u>137,366</u>
Total U.S. Department of Transportation			<u>283,432</u>
U.S. Department of Justice			
Passed through the Scott County Attorney's office, Drug Control and System Improvement Grant	2005-F4273-IA-DJ	16.579	104,142
Direct Program, Bulletproof Vest Program	N/A	16.607	1,365
Total U.S. Department of Justice			<u>105,507</u>
Total federal expenditures			<u>\$ 804,761</u>

See Notes to Schedule of Expenditures of Federal Awards.

City of Bettendorf, Iowa

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Bettendorf, Iowa and discretely presented component units for the year ended June 30, 2006. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments and Nonprofit 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. Significant Accounting Policies

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

City of Bettendorf, Iowa

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2006

Finding		Status	Corrective Action Plan or Other Explanation
Reportable Conditions in Internal Control			
05-II-A	The City has an improper segregation of duties over the membership process.	Not corrected	See corrective action plan at 06-II-A
Other Findings Related to Required Statutory Reporting			
05-IV-G	The City did not publish a summary of all receipts received monthly.	Not corrected	See corrective action plan at 06-IV-F



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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Bettendorf, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 7, 2006. 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 opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 06-II-A.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is not a material weakness. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated November 7, 2006.

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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

This report is intended for the information of the City Council, management and appropriate regulatory or oversight bodies and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 7, 2006

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Bettendorf, 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 each of its major federal programs for the year ended June 30, 2006. The City's major federal program is identified in the summary of 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; OMB Circular A-133, *Audits of States, Local Governments and Nonprofit 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 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, 2006.

Internal Control Over Compliance

The management of the City 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 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 is intended for the information of the City Council, management and appropriate regulatory or oversight bodies and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
November 7, 2006

City of Bettendorf, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

I. Summary of the Auditor's Results.

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.871	Direct Program - Lower Income Housing Assistance Program - Section 8

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance With Generally Accepted Government Auditing Standards.

A. Reportable conditions in internal control.

06-II-A

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The Fitness Center has improper segregations over the membership process.

Condition: One employee has the ability to issue membership agreements, which the member is asked to sign, prepare membership cards with bar codes on the back, enter the information attached to the specific member's bar code into the system and collect monies. In addition, there is not a sequence attached to the membership cards given out.

Effect: Transaction errors could occur and not be detected in a timely manner.

Recommendation: We recommend that someone independent of the membership process reconcile the member cards handed out to the signed membership agreements and cash collected for the day. Further, this person should maintain an inventory listing of all membership cards.

Response: The Life Fitness Center has undergone many changes over the last year, including the retirement of the Manager. We have implemented the overages and shortages into the deposits, as recommended and have scheduled a complete review of accounting procedures from November 27 through December 15, 2006.

B. Compliance findings.

None

III. Findings and Questioned Costs for Federal Awards.

A. Reportable Conditions in Administering Federal Awards

None

B. Instances of Noncompliance

None

IV. Other Findings Related to Required Statutory Reporting.

06-IV-A Certified Budget

Expenditures/expenses during the year ended June 30, 2006, did not exceed the budgeted amounts.

06-IV-B Questionable Disbursements

We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as this is defined in the Attorney General's opinion dated April 25, 1979.

(Continued)

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

06-IV-C Travel Expense

No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

06-IV-D Business Transactions

No business transactions between the City and City officials or employees were noted.

06-IV-E Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

06-IV-F Board Minutes

We noted no transactions where the required Council approval was not obtained. However, the City did not publish a summary of all receipts received monthly.

Recommendation: The City is required to publish a summary of all receipts received monthly.

Response: The City is working on a system to publish a summary of all receipts received monthly.

Conclusion: Response accepted.

06-IV-G Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

06-IV-H Revenue Notes

The City has established the sinking and reserve accounts required by the sewer revenue note resolution.

06-IV-I Telecommunication Services

The City does not own or operate a municipal utility providing telecommunications services which would be applicable to compliance standards under Chapter 388.10.

City of Bettendorf, Iowa

**Corrective Action Plan
Year Ended June 30, 2006**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Reportable Conditions in Internal Control				
06-II-A	The City has an improper segregation of duties over the membership process at the Fitness Center.	See corrective action plan at 06-II-A.	June 2007	Carol Barnes
Other Findings Related to Required Statutory Reporting				
06-IV-F	The City did not publish a summary of all receipts received monthly.	See corrective action plan at 06-IV-F.	June 2007	Carol Barnes