

CITY OF DAVENPORT, IOWA
COMPREHENSIVE ANNUAL FINANCIAL
REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Prepared by:
Finance Department
Accounting Division

Front Cover: Figge Art Museum, Davenport, Iowa

INTRODUCTORY SECTION

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INTRODUCTORY SECTION

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December 8, 2006

Honorable Mayor, Members of the City Council
and Citizens
Davenport, Iowa

State law requires that cities publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and that their financial condition and their transactions be examined annually by the Auditor of State or by a certified public accountant. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Davenport for the fiscal year ended June 30, 2006.

This report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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

The City's financial statements have been audited by Eide Bailly LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2006 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The results of the City's Single Audit for the fiscal year ended June 30, 2006 provided no instances of material weaknesses in the internal control over compliance or significant violations of applicable laws, regulations, contracts and grants. These reports are available in the City's separately issued Single Audit Report.

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

Profile of the City

The City of Davenport, the principal city of eastern Iowa and the county seat of Scott County, is located on the Iowa bank of the Mississippi River approximately midway between the cities of Des Moines and Chicago. The City is the third largest city in Iowa. Davenport, named after Colonel George Davenport, was originally settled in 1808, making it one of the oldest cities in the upper Midwest. Incorporated in 1836, Davenport continues as one of the four remaining special charter cities in Iowa. Davenport is the major city of the Quad-City Metropolitan Area, which includes three counties located in two states. The area includes Scott County, Iowa and Rock Island and Henry Counties in Illinois. The major communities, apart from Davenport, include the cities of Bettendorf, Iowa and Rock Island, Moline and East Moline in Illinois. The Davenport-Rock Island-Moline Metropolitan Statistical Area (MSA) had an official 2000 population of 359,062. Davenport had a 2000 population of 98,359.

The City operates under the Mayor-Council form of government. The mayor and ten council members are elected on a non-partisan basis every two years. Eight council members are elected by ward. The mayor and two remaining council members are elected at-large. A professional City Administrator is appointed by the Council.

The City provides a full range of services including police and fire protection; solid waste collection; construction and maintenance of streets, sewers and bridges; sewage collection and treatment; culture and recreation; mass transportation; planning and zoning; and general administrative services.

For financial reporting purposes, all funds, agencies, boards, commissions, trusts and authorities involved in the provision of these services are included if the City is financially accountable. The GASB has set forth criteria to be considered in determining financial accountability. The City of Davenport does not include any component units within its reporting entity. See Note 1A in the notes to the financial statements for more specific information on reporting entity.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council in March each year for the fiscal year beginning the following July 1. The State of Iowa requires the passage of an annual budget of total City operating expenditures by major program categories after public hearing. Activities of the General, Special Revenue, Debt Service, Capital Projects, Enterprise and Internal Service Funds are included in the annual appropriated budget. Project-length financial plans are also adopted for the Capital Projects Fund. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the total program level. As a result of this program structure used for the legally-adopted budget, legal compliance (total budget-to-actual appropriations) is demonstrated in one schedule which combines all funds and is in the required supplementary information section of this report (GASB Statement 41). The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end. However, encumbrances generally are reappropriated as part of the following year's budget.

Factors Affecting Financial Condition

The information presented in the financial statements may be better understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy. Historically, the economic strength of the Quad-Cities has been dependent upon the manufacturing of farm and construction equipment. During the early 1980s, with multiple plant closings and layoffs, unemployment reached a high in Davenport of 12 percent. After reaching this peak in 1983, unemployment rates have declined. This reduction in unemployment is attributed, in part, to the growth in the area of professional and nonprofessional services. The Davenport-Rock Island-Moline MSA 2006 unemployment rate (through nine months) of 3.8% was slightly lower than the nation (4.6%). The total number of jobs in the MSA has grown the past two years, and of the 210,956 persons in the labor force in 2006, 202,846 were employed, which is indicative of the

economic diversification that has occurred. Major employment in the area includes the health care, retail, meat packing and food processing, aluminum, and industrial and agricultural equipment sectors in addition to government, education and utilities. Employment levels at the City's largest employers remained remarkably stable during the economic downturn nationally following 9/11 and several are implementing plans to add jobs and make capital investment, including Deere & Company, Kraft/Oscar Mayer, Sears Manufacturing and M. A. Ford Manufacturing.

A continuation of economic development efforts is reflected in steady property tax base growth. Market value growth averaged 6.1 percent annually over the last ten fiscal years ending in FY 2006. In addition, building permit activity for commercial and residential projects which occurred in FY 2006 was at or above the last ten-year annual average. Tax base composition is diverse, consisting of 47 percent residential, 41 percent commercial, 7 percent utility and 5 percent industrial properties. The tax base is not concentrated; the largest taxpayer accounts for 5.1 percent of total value and the remaining nine leading taxpayers account for just 7.6 percent of taxable value. More detailed information on permits and principal taxpayers can be found in the statistical section of this report.

Current economic development activity includes a focus on the downtown. In August 2001 the State of Iowa approved a \$20 million grant to the City as part of the \$113 million River Renaissance on the Mississippi project. River Renaissance is a collection of major improvements and renovations downtown and on the riverfront, including: the Figge Art Museum, the New Ventures Center, the River Music Experience, the River Music Skybridge, the Adler Theatre Stage Expansion and Downtown Parking. Scott County, Iowa assisted with a \$5 million grant subsequent to a special referendum at which 73 percent of voters favored the bond issue. One Renaissance Plaza, a new \$14 million, 90,000-square-foot, Class A office facility in the downtown is now occupied and resulted from River Renaissance investments. Construction was completed in time to open the 2004 season on a total renovation of John O'Donnell (baseball) Stadium. Several renovation projects are underway which will result in loft apartments and residential condominiums.

Budget Challenges. Recent years' budget processes have faced the many challenges presented by the current local, state and national economies, including: state-shared revenue reductions; loss of investment income due to lower returns in the current markets; state-mandated increases in public safety pension costs; increasing costs of health care; and increasing costs of liability and property insurance.

The General Fund includes most of the City's services including police, fire, parks and recreation, library, community and economic development, civil rights and administration.

The City's General Fund receives approximately 75 percent of its revenue from property taxes. The State of Iowa allows a maximum levy rate of \$8.10 per thousand dollars of assessed value and \$0.27 in an emergency levy. The City has been at the maximum levy rates since 1984 and 1986, respectively. Also, growth limitations are imposed on the City's property tax base by the State, including the residential property rollback. The 1995 phase out of property taxes on machinery and equipment reduced the City's property tax base by \$82 million from FY 2000 through FY 2004. The State has also exempted gas and electric utilities from property tax, and while a replacement tax was revenue neutral for three years, the future of replacement taxes is uncertain. The taxable property tax base has grown moderately, an average of 4.2 percent annually over the last ten fiscal years ending in FY 2006, despite the above State limitations. Personnel costs represent 80 percent of the fund's expenditures. Wages have grown at an annual rate of 4.5 percent over the last several years. Employee benefits include funding for health claims which have increased an average of 9 percent over the last 10 years ending in FY 2006. In addition, contributions to the state-wide fire and police pension system have increased 80% (\$1.7 million annually) from FY 2003 to FY 2006 due to benefit increases approved by the Iowa legislature and recent investment performance. As a result of this structural imbalance and the challenges discussed above, employee reductions, cost shifting and non-property tax revenue increases (including a garbage collection fee imposed in FY 2005 and clean water utility fee in FY 2006) have been necessary in order to balance the fund.

Future budgets will challenge the City to continue current services within the current revenue and expenditure structure. It is important to note that the State does provide unlimited property tax levies for employee benefits (trust and agency levy) and insurance/claims (tort liability levy), whereas the general and emergency levies are limited as discussed above.

Long-Term Financial Planning. Maintenance and expansion of the City's infrastructure (such as streets, curbs, sidewalks, sewers, bridges, and traffic signals) remain a major priority of the City. The City annually adopts a six-year Capital Improvement Program that provides a framework for the development and maintenance of infrastructure to meet current and future needs.

The major source of funds for the program is general obligation bonds, which are primarily financed from an unlimited debt service property tax levy and local sales tax receipts. The City attempts to leverage its program commitment with available grants from the federal and state governments and private sector partnerships. The program requires a debt service property tax levy increase from the FY 2006 rate of \$.99/\$1,000 assessed value and includes programmed usage of the General Debt Service Fund Balance increase which is due to local option sales tax receipts exceeding budgeted property tax relief. The long term financial model as presented in the FY 2007 budget message projects the increase to be to \$1.76/\$1,000 assessed value in FY 2007, which the City Council approved in the adopted budget.

Highlights of the Capital Improvement Program which is scheduled to begin in fiscal year 2007 include:

- new police headquarters building (\$19.3 million construction);
- street improvements of approximately \$58 million, including continue funding of 67th Street Extension \$1.75 million of a \$2.8 million project, and 54th Street/ 58th Street and College Avenue Extension of \$1.0 million, and resurfacing and full depth patching of \$27.3 million;
- second library branch (\$6.75 million); a special library property tax levy was approved by voters in 2003 to support branch operations;
- comprehensive replacement of fire apparatus \$1.27 million;
- festival grounds-River Vision \$2.0 million;
- Centennial Park-River Vision \$12.5 million;
- rail for Eastern Iowa industrial center \$4.6 million;
- technology improvement totaling \$8.4 million;
- sanitary sewer inflow and infiltration projects identified in a 2001 needs assessment study; funding is also included to continue to prepare final plans and cost estimates for the Westside diversion tunnel. This project would resolve current and projected capacity problems and open 27 square miles to development in west/northwest Davenport.

Cash Management. Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, obligations of the U. S. Treasury, and other obligations guaranteed by the United States or its Agencies. The City's written investment policy prioritizes the following goals: (1) safeguard investments, (2) provide for cash flow requirements and (3) maintain a competitive yield on the portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City, its agent or a financial institution's trust department in the City's name. The maturities of the investments range from 7 days to 361 days, with an average maturity of 174 days. The average yield on investments was 4.12 percent and interest income earned by all funds during the year totaled \$3,073,032.

Risk Management. The City's liability, property and workers' compensation claims, insurance and administration program is accounted for in the Risk Management fund. The program involves various risk control techniques and provides funds to meet loss situations which do occur, using a blend of internal and external funding resources. Internal funding of losses is represented by a claims retention program in which an assumption of appropriate deductibles is made. During fiscal year 2006 the deductible for each liability, property and workers' compensation claim was \$500,000, \$100,000 and \$350,000, respectively. Actuarial studies have been obtained to determine the appropriate contributions and reserves necessary to fund these claims retentions. External funding involves the purchase of insurance to finance those losses which the City cannot comfortably retain itself. Individual claims for liability, property and workers' compensation in excess of the deductible are insured up to \$10,000,000, the lesser of replacement cost or \$75,000,000 per location, and an unlimited amount, respectively. The goals of the current risk management program are to lower long-term costs and to reduce dependence on the

insurance market, which lessens the effect of annual rate increases and/or capacity crunches. The risk related to the City's self-funded employee and retiree health plan is covered in Note 10 in the notes to the financial statements.

Awards and Acknowledgements

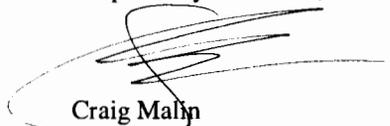
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Davenport, Iowa for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the 23rd consecutive 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 Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

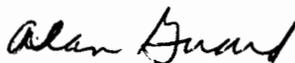
In addition, the City has received the GFOA's Distinguished Budget Presentation Award for its annual budget document for FY 2006. This was the 10th consecutive year that the City has received this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communication device.

The preparation of this report on a timely basis could not have been accomplished without the services of the entire staff of the Finance Department and the auditors. We would like to express our appreciation to all those who assisted and contributed to its preparation accordingly. We especially wish to thank Linda Folland and the Accounting Division staff for all of their extra time and effort in the preparation of this report. We would also like to thank the Mayor and members of the Finance Committee and City Council for their direction and support in planning and overseeing the financial operations of the City.

Respectfully submitted,



Craig Malin
City Administrator



Alan Guard
Finance Director

/vjc

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Davenport,
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.



Carla E. Perry

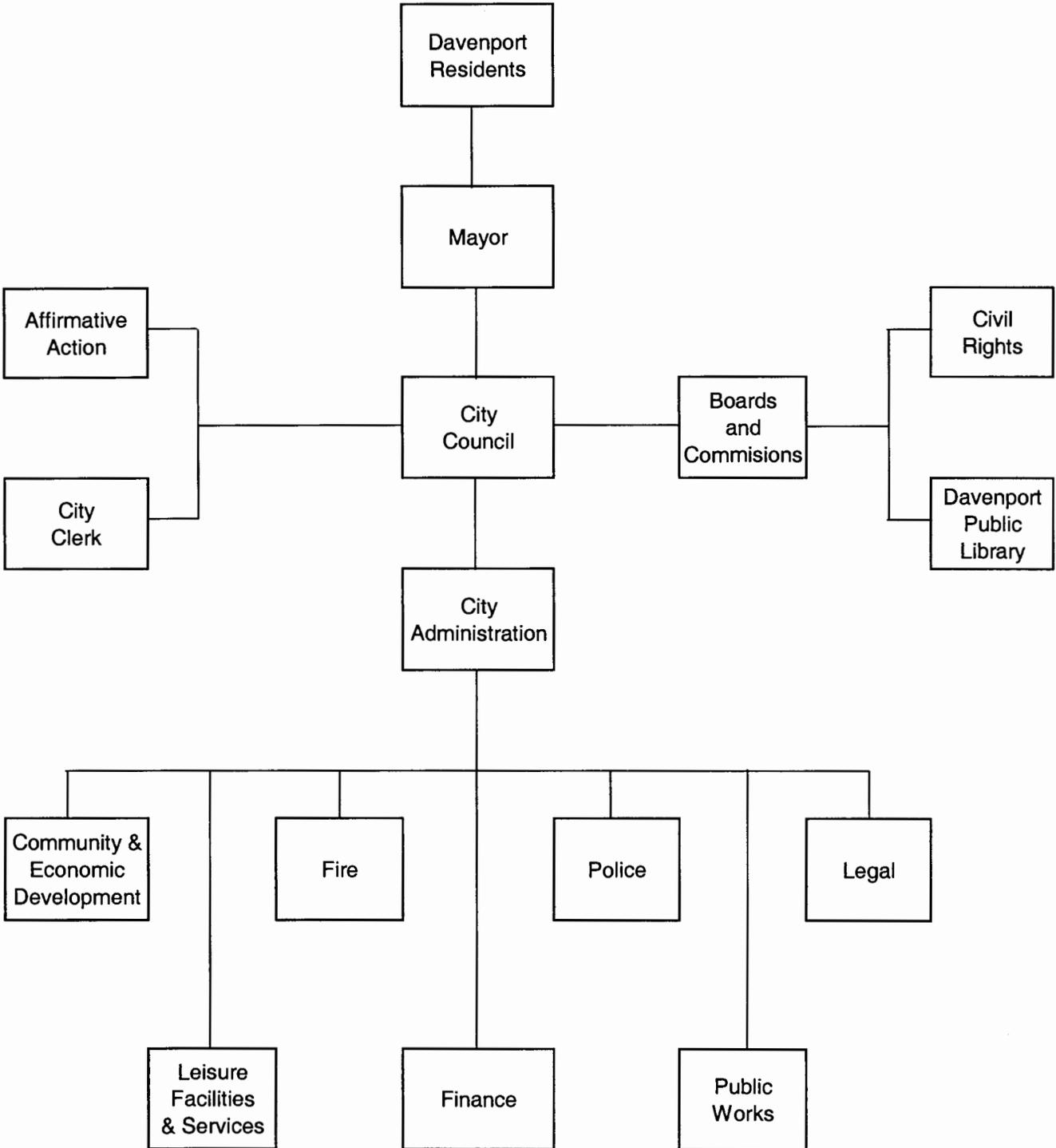
President

Jeffrey R. Emer

Executive Director

CITY OF DAVENPORT

**ORGANIZATIONAL CHART
JUNE 30, 2006**



CITY OF DAVENPORT

CITY OFFICIALS

June 30, 2006

<u>OFFICIAL TITLE</u>	<u>OFFICIAL</u>	<u>TERM EXPIRATION DATE OF ELECTED OFFICIALS</u>
<u>Elected Officials</u>		
Mayor	Ed Winborn	1/08
Alderman at Large	Jamie Howard	1/08
Alderman at Large	Ian Frink	1/08
Alderman First Ward	Ron VanFossen	1/08
Alderman Second Ward	Shawn Hamerlinck	1/08
Alderman Third Ward	Keith Meyer	1/08
Alderman Fourth Ward	Ray Ambrose	1/08
Alderman Fifth Ward	Bill Lynn	1/08
Alderman Sixth Ward	Charles Brooke	1/08
Alderman Seventh Ward	Morris D Barnhill	1/08
Alderman Eighth Ward	Brian Dumas	1/08

Administration

City Administrator Craig Malin

Departments

Civil Rights	Judith Morrell
Community and Economic Development	Clayton Lloyd
Finance	Alan Guard
Fire	Mark Frese
Human Resources	Jeff Dolan
Information Technology	Rob Henry
Legal	Mary Thee
Leisure Facilities & Services	Daniel Sherman
Library	LaWanda Roudebush
Police	Mike Bladel
Public Works	Dee Bruemmer

FINANCIAL SECTION



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davenport, 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 management of the City of Davenport, Iowa. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report, under separate cover, dated October 25, 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 and the budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

PEOPLE. PRINCIPLES. POSSIBILITIES.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Davenport, Iowa. The introductory section, combining nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Davenport, Iowa. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

Dubuque, Iowa
October 25, 2006

Management's Discussion and Analysis

As management of the City of Davenport, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City 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 on pages iii through vii of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

Overall, the City continues to maintain a strong financial position, in spite of economic pressures and State of Iowa mandates and cutbacks in shared revenues.

- The assets of the City of Davenport exceeded its liabilities at June 30, 2006 by \$257,869 (net assets). Current assets exceeded current liabilities by \$61,705.
- The government's total net assets increased by \$14,165 during fiscal year (FY) 2006.
- At June 30, 2006, unreserved, undesignated fund balance for the General Fund was \$6,671, or 12 percent of total General Fund expenditures, while total fund balance represents 26 percent of total expenditures.

The above financial highlights are explained in more detail in the Government-wide Financial Analysis and Financial Analysis of the City's Funds sections of this document.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net assets changed during FY 2006. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Davenport that are principally supported by property taxes, other local taxes and state and federal grants (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 Davenport include public safety, public works, culture and recreation, community and economic development, and general government. The business-type activities of the City of Davenport include parking, sewer operations, RiverCenter (convention center and theatre), public transit, public housing, golf courses, airport, solid waste collection, and clean water utility.

The government-wide financial statements include only the City of Davenport itself (known as the primary government).

The government-wide financial statements can be found on pages 16 through 19 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Davenport, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, including restrictions on the use of certain monies. All of the funds of the City of Davenport 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 year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term 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 Davenport maintains 15 individual governmental funds. In the basic financial statements, 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, General Debt Service Fund, Local Option Sales Tax Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other eleven 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 (supplemental information).

The City of Davenport adopts an annual appropriated budget, prepared on a modified accrual basis. A budgetary comparison statement has been provided to demonstrate legal compliance in the required supplementary information section.

The basic governmental fund financial statements can be found on pages 20 through 27 of this report.

Proprietary funds. The City of Davenport 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 Davenport's various functions. The City of Davenport uses internal service funds to account for employee health insurance, risk management, and information management 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.

The City of Davenport maintains nine enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. In the basic financial statements, the proprietary fund financial statements provide separate information for the parking system, sewer operations, and RiverCenter, as these are considered to be major funds of the City of Davenport. Data from the other six 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 (supplemental information). The three 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 (supplemental information).

The basic proprietary fund financial statements can be found on pages 28 through 39 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Davenport's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has three agency funds. The basic agency fund financial statements can be found on page 40 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 through 59 of this report.

Supplementary information. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal services funds, and agency funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 63 through 83 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. Comparative data from fiscal year 2005 and 2006 are presented below. In Davenport, assets exceeded liabilities by \$257,869 at the close of the fiscal year ended June 30, 2006.

City of Davenport’s Net Assets

	Governmental Activities		Business-type activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 138,443	\$ 115,633	\$ 20,583	\$ 21,026	\$ 159,026	\$ 136,659
Capital assets	185,669	182,493	136,176	122,314	321,845	304,807
Total assets	<u>324,112</u>	<u>298,126</u>	<u>156,759</u>	<u>143,340</u>	<u>480,871</u>	<u>441,466</u>
Noncurrent liabilities outstanding	105,560	84,521	20,121	21,753	125,681	106,274
Other liabilities	89,754	84,042	7,567	7,446	97,321	91,488
Total liabilities	<u>195,314</u>	<u>168,563</u>	<u>27,688</u>	<u>29,199</u>	<u>223,002</u>	<u>197,762</u>
Net assets:						
Invested in capital assets, net of related debt	68,823	88,165	114,961	100,497	183,784	188,662
Restricted	52,998	35,494	-	-	52,998	35,494
Unrestricted	6,977	5,904	14,110	13,644	21,087	19,548
Total net assets	<u>\$ 128,798</u>	<u>\$ 129,563</u>	<u>\$ 129,071</u>	<u>\$ 114,141</u>	<u>\$ 257,869</u>	<u>\$ 243,704</u>

By far the largest portion of the City of Davenport’s net assets (71 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Davenport uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Davenport’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.

An additional portion of the City of Davenport’s net assets (20 percent) represents resources that are subject to external restrictions on how they may be used. Current assets exceed current liabilities in all three categories, both for the City as a whole, as well as for its separate governmental and business-type activities, in the amounts of \$61,705, \$48,689 and \$13,016, respectively.

At June 30, 2006, the City of Davenport is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true at June 30, 2005.

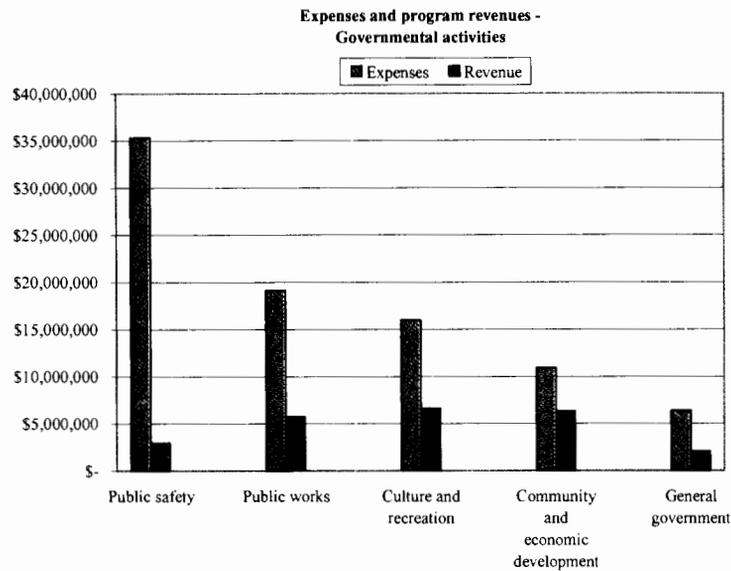
City of Davenport's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 10,702	\$ 6,574	\$ 21,867	\$ 21,741	\$ 32,569	\$ 28,315
Operating grants and contributions	7,016	9,991	1,669	1,364	8,685	11,355
Capital grants and contributions	6,044	8,099	7,466	4,340	13,510	12,439
General revenues:						
Property taxes	49,715	47,051	2,906	2,770	52,621	49,821
Other taxes	26,123	25,420	-	-	26,133	25,420
Other	3,741	2,240	764	519	4,505	2,759
Total revenues	103,341	99,375	34,672	30,734	138,013	130,109
Expenses:						
Public safety	35,330	32,069	-	-	35,330	32,069
Public works	19,153	18,288	-	-	19,153	18,288
Culture and recreation	15,989	15,273	-	-	15,989	15,273
Community and economic development	10,893	12,540	-	-	10,893	12,540
General government	6,413	10,446	-	-	6,413	10,446
Interest on long-term debt	4,978	4,698	-	-	4,978	4,698
Parking system	-	-	2,223	1,987	2,223	1,987
Sewer operations	-	-	12,360	12,336	12,360	12,336
RiverCenter	-	-	2,288	3,856	2,288	3,856
Public transit	-	-	4,782	4,465	4,782	4,465
Public housing	-	-	985	957	985	957
Golf courses	-	-	2,204	2,652	2,204	2,652
Airport	-	-	492	447	492	447
Curbside recycling	-	-	4,149	4,255	4,149	4,255
Clean water	-	-	1,609	-	1,609	-
Total expenses	92,756	93,314	31,092	30,955	123,848	124,269
Increase/(decrease) in net assets before transfers	10,585	6,061	3,580	(221)	14,165	5,840
Transfers	(11,350)	(970)	11,350	970	-	-
Increase/(decrease) in net assets	(765)	5,091	14,930	749	14,165	5,840
Net assets-beginning	129,563	124,472	114,141	113,392	243,704	237,864
Net assets-ending	\$ 128,798	\$ 129,563	\$ 129,071	\$ 114,141	\$ 257,869	\$ 243,704

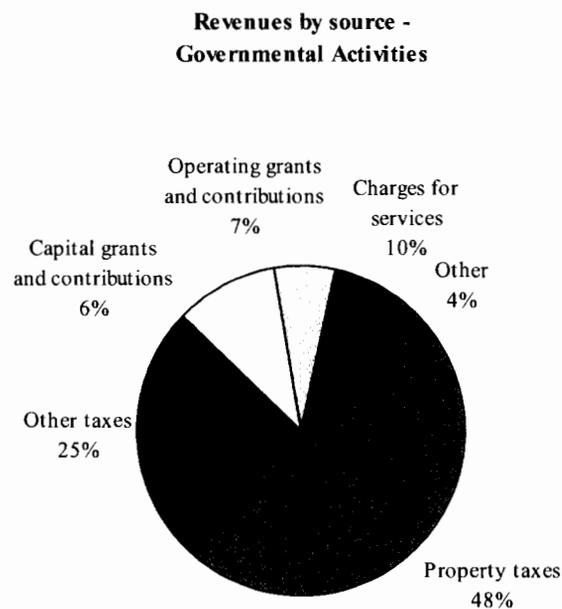
Governmental activities. During FY06, the Clean Water division left the governmental activities to become a business-type activity. As a result of this change, \$10,747 in net assets were transferred from governmental to business-type activities. Governmental activities increased the City's net assets by \$10,585, before transfers, accounting for 75 percent of the total growth in the net assets of the City. The key element of this increase follows.

- Contributions of and investment in capital assets during the year net of related debt issuance resulted in a decrease in governmental capital assets of \$19,342. However this decrease is nearly offset by an increase in the Capital Projects Fund net assets reserved for capital projects of \$19,261. This change is due to the timing of the funding issued for capital projects and the stage of completion of those projects. More detail on the governmental activities' capital projects is provided in the Capital Asset and Debt Administration section of this document.

Certain revenues are generated that are specific to governmental program activities. These totaled \$23,762. The graph below shows a comparison between the expenditures by governmental activity type and the revenues generated that are specific to those activities.



The graph below shows the percentage of the total governmental revenues allocated by each revenue type.



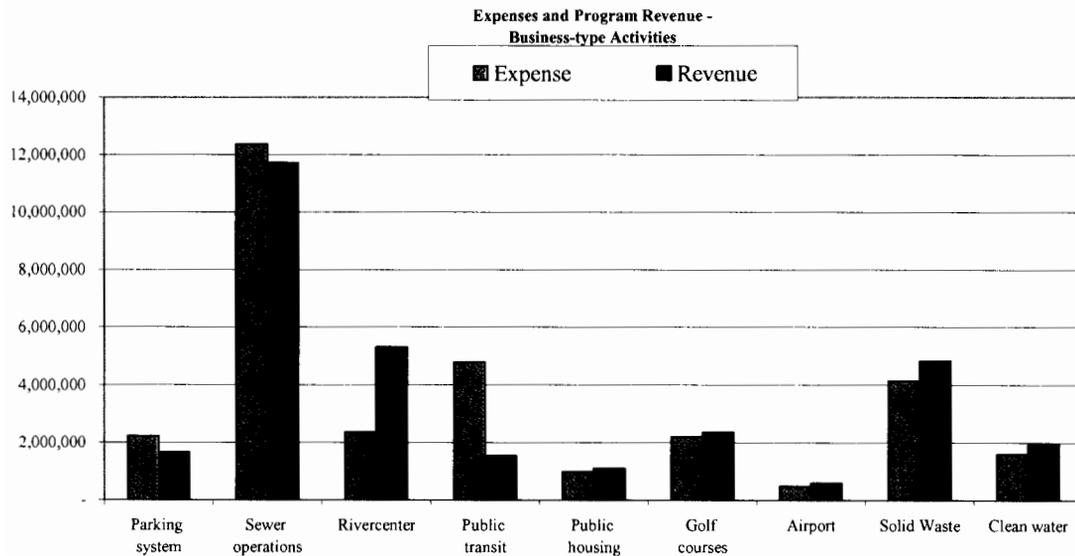
Total governmental activities' revenues for FY 2006 were \$103,341, an increase of \$3,967 from FY 2005. The largest single revenue source was property taxes of \$49,715, which increased by \$2,663 (5 percent) during FY 2006. This increase resulted from an increase of 2 percent related to additional TIF requirements, an increase in the tax base of 3.5 percent, and an improved overall collection rate. Capital grants and contributions decreased by \$2,055 during FY 2006.

Business-type activities. Business-type activities increased the City of Davenport’s net assets by \$3,580, before transfers, accounting for 25 percent of the total growth in the net assets of the City. The key elements of this increase follow:

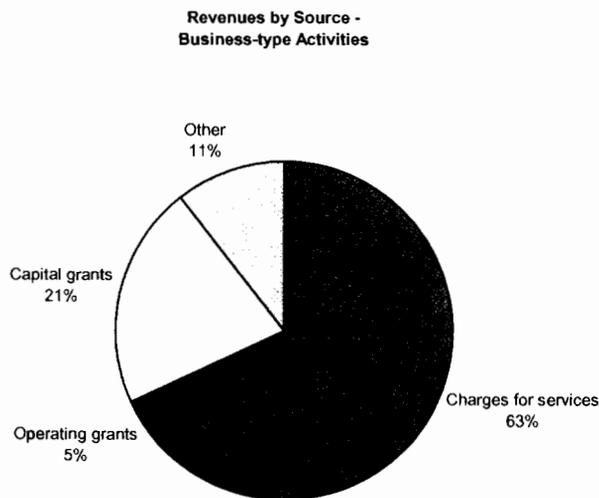
- Capital asset activity which increased net assets included \$1,240 of sanitary sewers built by developers and \$1,069 of equipment for the solid waste area for the new automated garbage pick up implementation.

Total business-type activities’ revenue for the fiscal year was \$34,671. All but \$764 of this revenue was generated for specific business-type activity expenses.

The graph below shows a comparison between the business-type activity expenditures and program revenues.



The graph below shows the breakdown of revenues by source for the business-type activities.



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year 2006, the City of Davenport's governmental funds reported combined ending fund balances of \$61,422, an increase of \$16,915 in comparison with the prior year. Approximately 21 percent of this total amount, \$12,968, constitutes unreserved fund balance, which is available for spending at the City'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 or is restricted: (1) to liquidate contracts and purchase orders of the prior period \$24,161, (2) to pay debt service \$9,197, (3) to pay for capital improvements of \$7,241, (4) to pay employee benefits \$3,747, (5) to pay insurance and claims \$1,522, and (6) for a variety of other restricted purposes \$2,586.

The General Fund is the chief operating fund of the City of Davenport. The General Fund includes many of the City's services including police, fire, parks and recreation, library, community and economic development, civil rights and administration. At the end of the current fiscal year 2006, unreserved, undesignated fund balance of the General Fund was \$6,671, while total fund balance was \$14,028. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 12 percent of total General Fund expenditures, while total fund balance represents 26 percent of the total expenditures.

The total fund balance of the City of Davenport's General Fund increased by \$922 during the current fiscal year and the unreserved fund balance remained the same. The State of Iowa allows a maximum property tax levy rate of \$8.10 per thousand dollars of assessed value and \$0.27 in an emergency levy for general activities. The City has been at the maximum levy rates since 1984 and 1986, respectively. In addition to these two levies, the State allows unlimited levies for employee benefits (trust and agency levy) and insurance/claims (tort liability levy), which are also accounted for in the City's General Fund. Property tax balances from these two levies are reserved at the end of each year because their use is restricted.

The General Fund balances discussed above are considered adequate by management. The City's policy on General Fund balance is that the unreserved General Fund balance will be maintained at 10 to 15 percent of operating requirements. The current fund balance is within policy guidelines. Fund balances at June 30 cover the City's cash flow needs prior to the collection of property taxes (in September and March each year) so that cash flow borrowings are unnecessary. Fund balances also provide flexibility (for example, should revenue projections fall short) and can be used in cases of emergency (for example, flooding or storm clean-up).

The General Debt Service Fund has a total fund balance of \$7,953, all of which is reserved for the retirement of debt. The State of Iowa allows an unlimited property tax levy for debt service. The net decrease in fund balance during the current year in the General Debt Service Fund was \$1,978. The city prepares a rolling six-year capital improvement program. Reserves have been accumulated from Local Option Sales Tax contributions to provide for a planned drawdown of reserves. This will allow for a stable levy over the six years of the current program.

The Local Option Sales Tax Fund accounts for the proceeds of a local option sales tax and has a total fund balance of \$7,928, of which, \$7,241 is reserved for capital projects. The State of Iowa provides for a one-cent local option sales tax. Davenport voters approved the tax in 1988 and the referendum directs its usage to 60 percent for property tax relief (debt service levy) and 40 percent for capital improvements. A transfer of 60 percent of tax proceeds is made to the General Debt Service Fund and the remainder is transferred to the Capital Projects Fund as expenditures occur. The net decrease in fund balance during the current year was \$1,123, due to capital projects being completed.

The Capital Projects Fund has a total fund balance of \$22,086, all of which is reserved for encumbrances and contracts. The net increase in fund balance during the current year in the Capital Projects Fund was \$19,261, primarily due to the police building construction; the financing was in place for the 20 million dollar project but as of June 30, the project was only 19 percent complete.

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

Legal Compliance Budgetary Highlights

As explained in the Letter of Transmittal, budgetary legal compliance is demonstrated in one schedule summarizing all funds in the Required Supplementary Information section of this report on pages 60 and 61.

Differences between the original budget and the final amended budget can be summarized as follows:

- The total original revenue budget of \$139,359 was increased to \$155,389, an increase of \$16,030. In the intergovernmental category, federal, state and local grants were carried forward in the budget amendment to reflect on-going construction in progress of capital projects in the amount of \$10,946. In the other revenue category, \$905 of Riverboat Development Grants (from gaming revenues) were budgeted. There were also special revenue grant rollovers amounting to \$2,815.
- The total original expenditure budget of \$182,076 was increased to \$218,585, an increase of \$36,509. In the community and economic development category, \$4,407 was carried forward for on-going grants. In the capital outlay category, \$28,658 was carried forward in the budget amendment to reflect on-going construction in progress of capital projects.

Differences between the final amended budget and actual results of operations can be summarized as follows:

- In the intergovernmental revenue category, federal, state, and local grants and private contributions in the amounts of \$7,803 and \$2,820, respectively, were not accrued or received due to construction projects not completed.
- In the community and economic development expenditure category, \$3,317 was not spent in special revenue funds and will be carried forward. In the capital outlay category, \$45,839 of expenditures were budgeted and not spent, due to construction projects not completed. In the business type category, \$2,361 of the difference is due to bond principal payments being budgeted as an expense, but reported as adjustments to the liability.

General Fund Budgetary Highlights

As discussed above and in the Letter of Transmittal, the General Fund budget and actual revenues, expenditures and changes in fund balance have been incorporated into the statement of all funds on pages 60 and 61 of this report. Highlights for the General Fund follow.

Differences between the original budget and the final amended budget for the General Fund can be summarized as follows:

- The total original revenue budget of \$53,825 was increased to \$54,922, an increase of \$1,097. In the intergovernmental revenue category, federal grants in the amount of \$385 and state grants in the amount of \$51 received subsequent to original budget adoption are included as both revenues and expenditures. Use of monies and property budget was increased \$500, due to increased interest earnings.
- The total original expenditure budget of \$53,036 was increased to \$55,296, an increase of \$2,260. Police forfeiture and seizure monies of \$218 held as reserved General Fund balance at June 30, 2005 were included in amendments in order to authorize the expenditure during FY 2006. Other public safety expenditures included in amendments were \$608 for overtime and grants received as noted under the revenue discussion. Public works expenditures were increased in amendments by \$171 as a result of the carryforward of the monies collected from developers and reserved for reforestation. Culture and recreation expenditures were amended to include grants carried forward of \$375 and new grants received as noted under the revenue discussion.
- Other financing uses were increased from \$941 to \$1,875. General Fund revenues include the proceeds of a hotel/motel tax and riverboat gaming revenues received by the City. General Fund transfers out include hotel/motel taxes to subsidize RiverCenter operations and hotel/motel taxes and gaming revenues to the Capital Projects Fund representing a portion of the City's Capital Improvement Program (CIP). Budget amendments included hotel/motel tax and gaming monies held at June 30, 2005 and included as designated General Fund balance in the amounts of \$402 and \$135, respectively, in order to authorize the expenditure during FY 2006. These amendment items increased transfers out by \$537.

Differences between the final amended budget and actual results of operations of the General Fund can be summarized as follows:

- The net change in the General Fund balance in FY 2006 was \$922, a positive variance from the budgeted change (\$-2,250) of \$3,172.
- Transfers out in the final amended budget included hotel/motel taxes and gaming revenues to CIP as discussed above in the amounts of \$936 and \$414, respectively. Actual transfers made in FY 2006 were \$334 and \$278 respectively, resulting in a favorable variance of \$738. However, remaining commitments to the CIP are reflected in a designation of General Fund balance at June 30, 2006. The subsidy to the RiverCenter operations was less than budgeted, resulting in a favorable variance of \$3.
- Grant monies received which remained unexpended at June 30, 2006 are also reflected in a designation of General Fund balance in the amount of \$322 and are part of the favorable variance.
- The amended appropriation in the amount of \$218 related to the forfeiture and seizures monies held at June 30, 2005 discussed above was not offset by expenditures during FY 2006, which resulted in a favorable variance and a reservation of General Fund balance at June 30, 2006.
- A special library property tax levy (\$.27/\$1,000 assessed value) was approved by voters to support operations of two new branch libraries. Unexpended taxes of \$770 were a part of the favorable variance and a reservation of General Fund balance at June 30, 2006.

Capital Asset and Debt Administration

Capital assets. The City of Davenport's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$321,222 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and vehicles, sanitary sewers, bridges, traffic signals, storm sewers, and paving. The total increase in the City of Davenport's investment in capital assets for the current fiscal year was 5 percent (a 2 percent increase for governmental activities, and an 11 percent increase for business-type activities). At June 30, 2006, and June 30, 2005 the depreciable capital assets of the City were 37 percent depreciated. This indicates that the City is replacing its assets as they are depreciating.

	City of Davenport's Capital Assets					
	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 15,320	\$ 16,164	\$ 11,008	\$ 11,008	\$ 26,328	\$ 27,172
Buildings	69,272	63,968	88,928	89,332	158,200	153,300
Improvements						
Other than						
Buildings	9,079	8,956	9,141	8,706	18,220	17,662
Sanitary sewers	-	-	59,616	57,906	59,616	57,906
Equipment and						
Vehicles	27,654	27,178	27,235	26,122	54,889	53,300
Bridges	4,163	4,163	-	-	4,163	4,163
Traffic signals	7,143	6,903	-	-	7,143	6,903
Storm sewers	-	15,914	16,255	-	16,255	15,914
Paving	119,731	111,708	176	84	119,907	111,792
Construction in						
Progress	13,170	5,786	6,900	1,791	20,070	7,577
Accumulated						
Depreciation	(79,863)	(78,247)	(83,706)	(72,635)	(163,569)	(150,882)
Total	\$ 185,669	\$ 182,493	\$ 135,553	\$ 122,314	\$321,222	\$304,807

Major capital asset activities during fiscal year 2006 include the following:

Governmental activities

- Building of the Branch Library \$4,884.
- Paving completed and contributed by developers, \$439.
- Paving work by the City of \$7,524 including \$1,911 of street resurfacing, \$2,222 of full-depth patching, and \$2,605 for 46th Street extensions.

Business-type activities

- Sanitary sewers built and contributed by developers, \$1,240.
- Solid Waste Equipment, \$1,069 for the implementation of automated cart pick-up.
- Storm sewers of \$10,847 (net of depreciation) were transferred from Governmental activities (General Fund) to Business-type activities in conjunction with the imposition of a new clean water utility fee and accounting for all clean water activities in the Clean Water Fund.

Additional information on the City of Davenport’s capital assets can be found in Note 5 in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the City of Davenport had total bonded debt outstanding of \$139,755. Of this amount, \$102,189 comprises debt being serviced from the general debt service fund from property taxes and 60 percent of the local option sales tax proceeds. The remainder of the City of Davenport’s debt represents bonds serviced by specified revenue sources, including the tax increment financing districts debt service fund, the levee improvement commission fund, the municipal improvement districts fund, the sewer operations enterprise fund, the public housing enterprise fund, the golf courses enterprise fund, the parking system enterprise fund, and the airport enterprise fund. The City has issued general obligation bonds backed by its full faith and credit, including the unlimited debt service property tax levy, which are planned to be retired from the above revenue sources rather than revenue bonds because legal debt capacity exists (see below) and the resulting lower interest costs benefit its citizens and service users. Detailed information on bonded debt abatement by fund is contained in a summary on pages 90 and 91 of this report.

City of Davenport's Outstanding Debt

General Obligation Bonds

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation Bonds	\$ 117,475	\$ 94,579	\$ 22,280	\$ 24,186	\$ 139,755	\$ 118,765

The City of Davenport’s total debt increased by \$20,990 during the current fiscal year. Debt retirement during the year offset the new issuance amount of \$36,115 in December 2005. The issuance was to finance the City’s capital improvement program including streets, buildings, (including a police station), and sanitary sewers (abated by user fees).

The City’s scheduled debt repayment is rapid, with 78 percent of outstanding bonded debt scheduled for repayment in 10 years and 96 percent in 15 years

State Statutes limit the amount of general obligation debt a governmental entity may issue to five percent of its total assessed valuation. The current debt limitation for the City of Davenport is \$246,426, which is significantly in excess of the City of Davenport's outstanding general obligation debt, \$139,760, and other debt subject to the debt limitation \$9,204.

The City of Davenport maintains an AA rating from Standard & Poor's, and an Aa2 rating from Moody's Investors Service for general obligation debt. Both firms view the outlook for their most recent ratings as stable.

Additional information on the City of Davenport's long-term debt can be found in Note 9 in the notes to the financial statements.

Economic Factors and Current and Future Budgets

The City's General Fund was balanced with adoption of the FY 2007 budget. The adopted budget included a clean water utility fee (currently \$1.60/month per ERU or equivalent residential unit) in order to fund the actions required to meet clean water and stormwater issues and to incrementally fund clean water capital improvements. Certain of these costs have been funded in the General, Road Use Tax and Sanitary Sewer Funds and have been reallocated to the Clean Water Utility Fund. This reallocation balanced the General Fund (including Trust and Agency). The new fee also moves the City toward the long-term goal of revenue diversification and restructuring costs to match ongoing revenues.

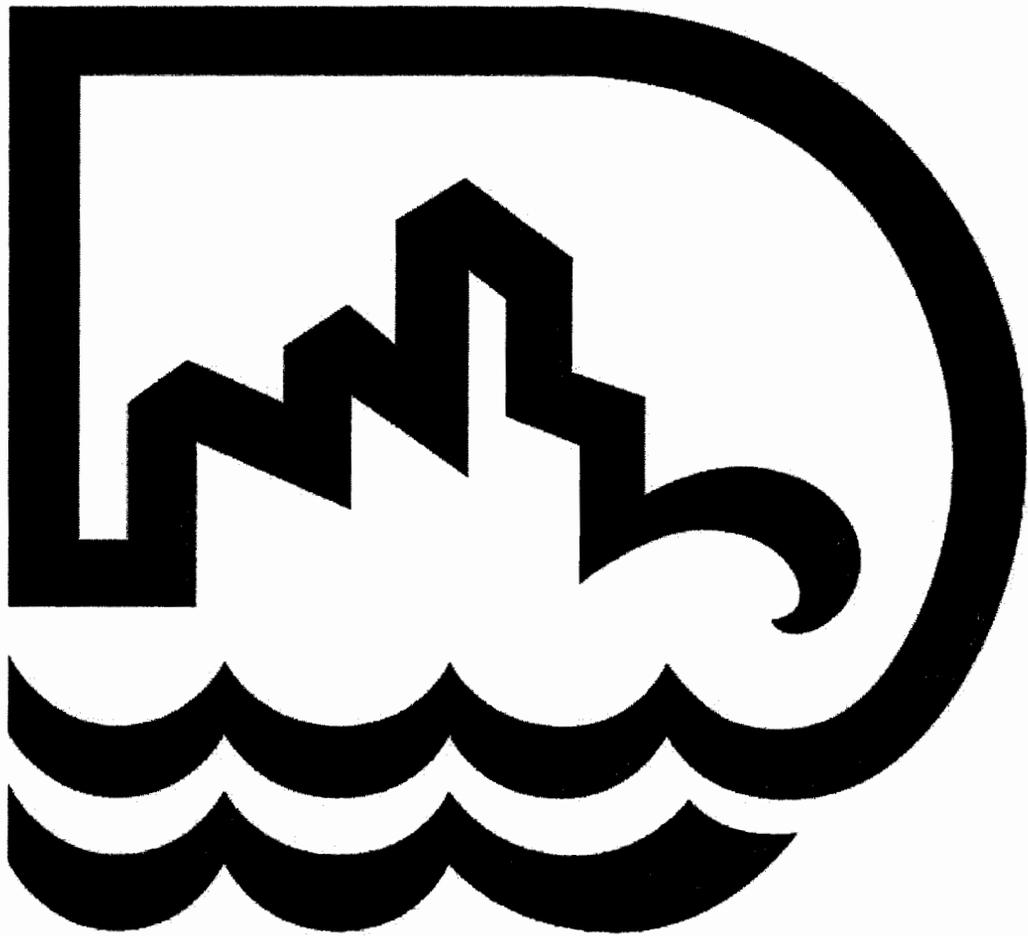
In 1992 the State consolidated local police and fire retirement systems into a state-wide system (MFPRSI). MFPRSI is funded from members' contributions (9.35 percent of earnable compensation), State of Iowa contribution of \$2,816 per year (approximately 1.63 percent of earnable compensation), and cities contribute the amount actuarially determined necessary to fund the benefits in accordance with accepted actuarial methods but not less than 17 percent of earnable compensation of the active members. Cities which are at the \$8.10 general levy maximum fund pension contributions from the Trust and Agency property tax levy. In 1999 the actuarially-determined City contribution rate was 11.12 percent. Since the minimum contribution rate established by statute was 17 percent, a margin of 5.88 percent was reported. This was at a time when investment returns were outstanding (and non-recurring). Police officers and firefighters requested that the State Legislature increase pension benefits. Cities through the Iowa League of Cities requested that the State Legislature decrease City contributions and provide a property tax reduction. The Legislature increased pension benefits in 2000. The actuarially-determined City contribution rate increased from 17 percent to 20.48 percent, 24.92 percent, and 28.21 percent for fiscal years 2004, 2005, and 2006, respectively. The increases were primarily the result of the pension benefit increase passed by the 2000 State Legislature and recent poor investment returns (losses) which are spread over a four-year period. As a result, the City's police and fire pension contribution has increased \$1,700 annually. However, the City's contribution rate for FY 2007 will be 27.75 percent and these pension contributions may stabilize. This stabilization is further evidenced by a reduction in the pension rate to 25.48% for FY2008.

Total employee benefit health claims increased 9 percent and 21 percent during fiscal years 2002 and 2003, respectively. Total employee benefit health claims decreased 2 percent during fiscal year 2004, and increased 22 percent during fiscal year 2005. The City's contribution to the Employee Health Insurance Fund for the majority of its employees (General Fund employees) is financed by the unlimited trust and agency property tax levy. Approximately 60 percent of the City's employees are represented by five different bargaining units (American Federation of State, County and Municipal Employees, Fire, Police, Teamsters and Transit). At issue during recent negotiations has been wages and cost-sharing related to health benefits. During negotiations for FY 2004 through 2006, the City sought and received employee monthly premiums from all employees. While the premium amounts are relatively small (1 percent and 2 percent or equivalent dollars of City cost) the precedent has been important moving forward. The most recent negotiations with all bargaining units resulted in three year settlements with all groups. General wage increases range from 3.25% to 4%. More significantly, additional health benefit concessions were made that will provide \$700 in reduced costs over the three years of the contract and \$567 per year going forward. Concessions phased in over three years include increased co-pays, higher deductibles and out-of-pocket payments and increased premium payments by employees.

For the future, plans to enable the City to continue to adopt balanced budgets include: continued use of the unlimited levies for employee benefits (Trust and Agency) and property and liability insurance and claims (Tort); the City has a strong record of implementing expenditure reductions and introducing efficiencies in order to balance General Fund budgets and current efforts/projects include a technology assessment, a public transit consolidation (Iowa) study and formation of a panel of Scott County, Davenport and Bettendorf officials and citizens to review the opportunity for service consolidation, including public safety emergency dispatch.

Requests for Information

This financial report is designed to provide a general overview of the City of Davenport's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Alan E. Guard, Finance Director, City of Davenport, 226 West Fourth Street, Davenport, IA 52801.



CITY OF DAVENPORT

**STATEMENT OF NET ASSETS
June 30, 2006**

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Current assets:			
Unrestricted current assets:			
Cash and investments	\$ 64,242,862	\$ 6,585,317	\$ 70,828,179
Delinquent property taxes receivable	1,279,866	71,659	1,351,525
Succeeding year property taxes receivable	52,027,740	2,997,126	55,024,866
Other taxes receivable	2,689,427	-	2,689,427
Special assessments	819,700	-	819,700
Accounts receivable	1,115,239	4,887,090	6,002,329
Loans receivable	7,527,054	-	7,527,054
Accrued interest receivable	391,769	98,350	490,119
Internal balances	1,660,032	(1,660,032)	-
Due from other governments	6,269,652	933,101	7,202,753
Prepaid items	126,505	73,031	199,536
Deferred charge-issuance cost	235,843	160,853	396,696
Total unrestricted current assets	138,385,689	14,146,495	152,532,184
Restricted current assets:			
Cash and cash equivalents	57,193	6,436,693	6,493,886
Total current assets	138,442,882	20,583,188	159,026,070
Noncurrent assets:			
Investment in joint venture	-	623,365	623,365
Capital assets:			
Land	15,320,426	11,008,092	26,328,518
Buildings	69,272,062	88,927,623	158,199,685
Improvements other than buildings	9,078,752	9,140,813	18,219,565
Sanitary sewers	-	59,616,469	59,616,469
Equipment and vehicles	27,653,821	27,234,778	54,888,599
Bridges	4,163,028	-	4,163,028
Traffic signals	7,143,181	-	7,143,181
Storm sewers	-	16,255,280	16,255,280
Paving	119,731,114	175,886	119,907,000
Construction in progress	13,169,687	6,900,432	20,070,119
Accumulated depreciation	(79,863,094)	(83,706,462)	(163,569,556)
Total capital assets	185,668,977	135,552,911	321,221,888
Total noncurrent assets	185,668,977	136,176,276	321,845,253
Total assets	\$ 324,111,859	\$ 156,759,464	\$ 480,871,323

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
LIABILITIES			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 4,966,185	\$ 651,119	\$ 5,617,304
Contracts payable	743,139	-	743,139
Accrued wages payable	1,842,900	368,691	2,211,591
Accrued compensated absences	4,900,002	548,857	5,448,859
Claims and judgments	4,302,458	-	4,302,458
Due to other governments	40,142	-	40,142
Accrued interest payable	469,084	68,600	537,684
General obligation bonds payable	11,907,600	2,097,400	14,005,000
Unearned revenue:			
Succeeding year property tax	52,027,740	2,997,126	55,024,866
Other	8,374,433	77,001	8,451,434
Total	<u>89,573,683</u>	<u>6,808,794</u>	<u>96,382,477</u>
Current liabilities payable from restricted assets:			
Accounts payable	57,193	-	57,193
Deposits payable	-	758,188	758,188
Notes payable	123,041	-	123,041
Total current liabilities payable from restricted assets	<u>180,234</u>	<u>758,188</u>	<u>938,422</u>
Total current liabilities	<u>89,753,917</u>	<u>7,566,982</u>	<u>97,320,899</u>
Noncurrent liabilities:			
Accrued compensated absences	512,571	57,414	569,985
Note payable	280,886	-	280,886
General obligation bonds payable	103,947,195	20,063,703	124,010,898
Special assessment with government commitment	819,700	-	819,700
Total noncurrent liabilities	<u>105,560,352</u>	<u>20,121,117</u>	<u>125,681,469</u>
Total liabilities	<u>195,314,269</u>	<u>27,688,099</u>	<u>223,002,368</u>
NET ASSETS			
Invested in capital assets, net of related debt	68,823,065	114,960,736	183,783,801
Restricted:			
Employee benefits	3,813,730	-	3,813,730
Tort liability	1,521,594	-	1,521,594
Capital projects	23,298,791	-	23,298,791
Debt retirement	8,827,833	-	8,827,833
Local option sales tax-capital projects	7,927,782	-	7,927,782
Road use tax	5,860,940	-	5,860,940
Community development act loans	73,502	-	73,502
Municipal improvement districts	547,808	-	547,808
Revolving loans	1,048,600	-	1,048,600
Law enforcement block grant	66,683	-	66,683
Fair housing grant	9,874	-	9,874
Unrestricted	6,977,388	14,110,629	21,088,017
Total net assets	<u>\$ 128,797,590</u>	<u>\$ 129,071,365</u>	<u>\$ 257,868,955</u>

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

CITY OF DAVENPORT

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SALES AND SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
Public safety	\$ 35,330,398	\$ 2,175,988	\$ 434,744	\$ 333,593
Public works	19,152,943	1,941,969	897,713	2,920,141
Culture and recreation	15,989,106	3,820,105	51,176	2,770,096
Community and economic development	10,892,810	955,624	5,362,936	20,128
General government	6,413,439	1,807,942	269,711	-
Interest on long-term debt	4,977,495	-	-	-
Total governmental activities	92,756,191	10,701,628	7,016,280	6,043,958
Business-type activities:				
Parking system	2,223,058	1,657,506	-	-
Sewer operations	12,359,594	10,348,088	-	1,365,190
Rivercenter	2,287,829	1,153,477	-	4,085,294
Public transit	4,781,823	453,792	1,085,500	3,745
Public housing	984,783	334,919	576,070	190,382
Golf courses	2,204,089	2,358,403	-	-
Airport	492,146	173,624	7,644	411,080
Solid waste	4,148,895	3,777,700	-	1,068,848
Clean water	1,608,951	1,609,020	-	341,607
Total business-type activities	31,091,168	21,866,529	1,669,214	7,466,146
Total government	\$ 123,847,359	\$ 32,568,157	\$ 8,685,494	\$ 13,510,104

General Revenues:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Property taxes, levied for public transit
- Local option sales tax
- Hotel/motel tax
- Franchise taxes
- Road use taxes

Investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning

Net assets, ending

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (32,386,073)	\$ -	\$ (32,386,073)
(13,393,120)	-	(13,393,120)
(9,347,729)	-	(9,347,729)
(4,554,122)	-	(4,554,122)
(4,335,786)	-	(4,335,786)
(4,977,495)	-	(4,977,495)
<u>(68,994,325)</u>	<u>-</u>	<u>(68,994,325)</u>
-	(565,552)	(565,552)
-	(646,316)	(646,316)
-	2,950,942	2,950,942
-	(3,238,786)	(3,238,786)
-	116,588	116,588
-	154,314	154,314
-	100,202	100,202
-	697,653	697,653
-	341,676	341,676
-	(89,279)	(89,279)
<u>(68,994,325)</u>	<u>(89,279)</u>	<u>(69,083,604)</u>
43,483,452	-	43,483,452
6,231,266	-	6,231,266
-	2,905,895	2,905,895
13,071,274	-	13,071,274
1,611,777	-	1,611,777
3,212,235	-	3,212,235
8,228,042	-	8,228,042
3,010,775	698,124	3,708,899
367,546	-	367,546
362,904	65,586	428,490
<u>(11,349,849)</u>	<u>11,349,849</u>	<u>-</u>
<u>68,229,422</u>	<u>15,019,454</u>	<u>83,248,876</u>
(764,903)	14,930,175	14,165,272
<u>129,562,493</u>	<u>114,141,190</u>	<u>243,703,683</u>
<u>\$ 128,797,590</u>	<u>\$ 129,071,365</u>	<u>\$ 257,868,955</u>

CITY OF DAVENPORT

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2006**

<u>ASSETS</u>	GENERAL FUND	LOCAL OPTION SALES TAX FUND	GENERAL DEBT SERVICE FUND
Cash and investments	\$ 12,106,547	\$ 7,489,755	\$ 6,521,405
Receivables:			
Property taxes:			
Delinquent	1,043,745	-	95,967
Succeeding year	42,469,475	-	5,877,951
Other taxes	586,370	2,103,057	-
Accounts	978,860	1,879	-
Special assessments	-	20,239	799,461
Loans	-	-	-
Interest	194,281	-	111,818
Interfund loans receivable	1,196,451	-	1,261,835
Due from other governments	681,554	12,405	-
Prepays	6,121	-	-
Restricted assets-cash and investments	-	-	-
TOTAL ASSETS	\$ 59,263,404	\$ 9,627,335	\$ 14,668,437
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Wages payable	\$ 1,553,467	\$ 37,893	\$ -
Accounts payable	811,429	34,981	-
Contracts payable	-	-	-
Payable from restricted assets	-	-	-
Interfund loans payable	2,970	1,607,400	-
Due to other governments	-	-	-
Deferred revenue:			
Succeeding year property tax	42,469,475	-	5,877,951
Other	397,808	19,279	803,227
Matured bonds payable	-	-	30,000
Matured interest payable	-	-	4,193
Total Liabilities	45,235,149	1,699,553	6,715,371
FUND BALANCES:			
Reserved for encumbrances	203,170	686,306	-
Reserved for future projects	-	-	-
Reserved for tort liability	1,521,594	-	-
Reserved for loan applicants	-	-	-
Reserved for employee benefits	3,747,072	-	-
Reserved for library	769,777	-	-
Reserved for prepays	6,121	-	-
Reserved for debt retirement	-	-	7,953,066
Reserved for drug enforcement	218,532	-	-
Reserved for capital projects	-	7,241,476	-
Unreserved:			
Designated for specific projects:			
General	890,791	-	-
Special revenue	-	-	-
Undesignated:			
General	6,671,198	-	-
Capital projects	-	-	-
Special revenue	-	-	-
Total Fund Balances	14,028,255	7,927,782	7,953,066
TOTAL LIABILITIES AND FUND BALANCES	\$ 59,263,404	\$ 9,627,335	\$ 14,668,437

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

CAPITAL PROJECTS FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 22,566,525	\$ 8,969,436	\$ 57,653,668
-	140,154	1,279,866
-	3,680,314	52,027,740
-	-	2,689,427
-	40,128	1,020,867
-	-	819,700
-	7,527,054	7,527,054
-	26,157	332,256
548,746	-	3,007,032
4,108,900	1,465,483	6,268,342
-	450	6,571
-	57,193	57,193
<u>\$ 27,224,171</u>	<u>\$ 21,906,369</u>	<u>\$ 132,689,716</u>
\$ 1,981	\$ 206,017	\$ 1,799,358
3,180,260	498,421	4,525,091
743,139	-	743,139
-	57,193	57,193
-	380,942	1,991,312
-	6,809	6,809
-	3,680,314	52,027,740
1,213,192	7,649,344	10,082,850
-	-	30,000
-	-	4,193
<u>5,138,572</u>	<u>12,479,040</u>	<u>71,267,685</u>
23,298,791	479,932	24,668,199
-	538,312	538,312
-	-	1,521,594
-	1,048,600	1,048,600
-	-	3,747,072
-	-	769,777
-	450	6,571
-	1,243,472	9,196,538
-	-	218,532
-	-	7,241,476
-	-	890,791
-	84,957	84,957
-	-	6,671,198
(1,213,192)	-	(1,213,192)
-	6,031,606	6,031,606
<u>22,085,599</u>	<u>9,427,329</u>	<u>61,422,031</u>
<u>\$ 27,224,171</u>	<u>\$ 21,906,369</u>	<u>\$ 132,689,716</u>

CITY OF DAVENPORT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total governmental fund balances	\$ 61,422,031
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.	185,433,856
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,708,417
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.	2,216,665
Internal service fund activities allocated to business-type activities	644,312
Deferred charges	235,843
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued employee benefits	(5,316,888)
Accrued interest payable	(464,891)
Notes payable	(403,927)
General obligation bonds payable	(116,644,495)
Loans payable	(33,333)
	<hr/>
	(122,863,534)
Net assets of governmental activities	<hr/> \$ 128,797,590 <hr/>

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

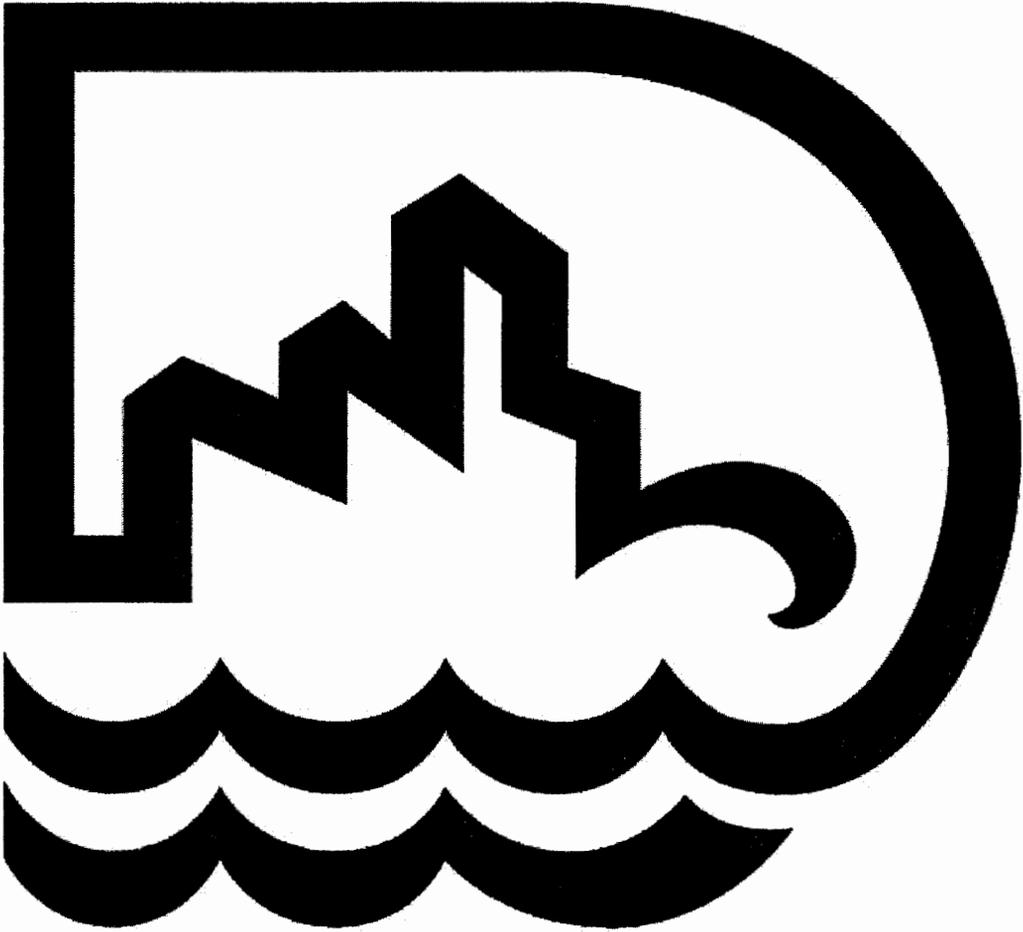
CITY OF DAVENPORT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2006**

	GENERAL FUND	LOCAL OPTION SALES TAX FUND	GENERAL DEBT SERVICE FUND	CAPITAL PROJECTS FUND
REVENUES:				
Taxes	\$ 46,858,904	\$ 13,071,274	\$ 3,244,960	\$ -
Special assessments	-	10,055	40,535	-
Licenses and permits	1,597,777	-	-	-
Intergovernmental	998,917	-	-	5,256,130
Charges for services	3,403,090	87,099	-	-
Use of monies and property	1,325,009	10,414	590,312	512,226
Fines and forfeits	997,004	-	-	-
Loan repayments	-	-	-	-
Other	622,069	-	683,099	2,958,183
Total Revenues	<u>55,802,770</u>	<u>13,178,842</u>	<u>4,558,906</u>	<u>8,726,539</u>
EXPENDITURES:				
Current:				
Public safety	33,283,916	472,024	-	-
Public works	2,914,537	1,001,722	-	-
Culture and recreation	8,557,348	35,456	-	-
Community and economic development	2,225,795	200,499	-	-
General government	7,011,341	77,903	3,750	-
Capital outlay	-	-	-	31,196,883
Debt service:				
Principal retirement	-	-	11,203,755	-
Interest	-	-	3,915,913	-
Bond issuance costs	-	-	-	105,731
Total Expenditures	<u>53,992,937</u>	<u>1,787,604</u>	<u>15,123,418</u>	<u>31,302,614</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,809,833</u>	<u>11,391,238</u>	<u>(10,564,512)</u>	<u>(22,576,075)</u>
OTHER FINANCING SOURCES (USES):				
Bond issuance	-	-	-	35,660,000
Discount on debt issued	-	-	-	(148,544)
Sale of capital assets	400	-	-	1,643,284
Transfers in	355,263	-	8,586,724	5,426,389
Transfers out	(1,243,249)	(12,514,707)	-	(743,960)
Total Other Financing Sources (Uses)	<u>(887,586)</u>	<u>(12,514,707)</u>	<u>8,586,724</u>	<u>41,837,169</u>
NET CHANGE IN FUND BALANCES	922,247	(1,123,469)	(1,977,788)	19,261,094
FUND BALANCES - BEGINNING	<u>13,106,008</u>	<u>9,051,251</u>	<u>9,930,854</u>	<u>2,824,505</u>
FUND BALANCES - ENDING	<u>\$ 14,028,255</u>	<u>\$ 7,927,782</u>	<u>\$ 7,953,066</u>	<u>\$ 22,085,599</u>

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

TOTAL NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 4,053,712	\$ 67,228,850
-	50,590
25,766	1,623,543
13,474,135	19,729,182
-	3,490,189
572,814	3,010,775
-	997,004
594,829	594,829
45,026	4,308,377
<u>18,766,282</u>	<u>101,033,339</u>
174,980	33,930,920
7,873,605	11,789,864
39,257	8,632,061
7,590,600	10,016,894
149,266	7,242,260
-	31,196,883
1,845,403	13,049,158
900,874	4,816,787
-	105,731
<u>18,573,985</u>	<u>120,780,558</u>
<u>192,297</u>	<u>(19,747,219)</u>
-	35,660,000
-	(148,544)
-	1,643,684
138,990	14,507,366
(497,902)	(14,999,818)
<u>(358,912)</u>	<u>36,662,688</u>
(166,615)	16,915,469
<u>9,593,944</u>	<u>44,506,562</u>
<u>\$ 9,427,329</u>	<u>\$ 61,422,031</u>



CITY OF DAVENPORT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006**

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

Net change in fund balances: total governmental funds \$16,915,469

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

Capital Outlay	23,336,130
Depreciation	<u>(8,475,027)</u>
	<u>14,861,103</u>

The following is the detail of various miscellaneous transactions involving capital assets which effect the increase/decrease in assets in the current period.

Donations	555,191
Disposals	(1,322,621)
Transfers of capital assets to enterprise capital assets	<u>(10,857,397)</u>
	<u>(11,624,827)</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,385,061

The issuance of long-term debt (bonds) provides current financial resources to governmental funds, while the repayment of the principal on 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, 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 interest expenditures are 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.

General obligation bonds issued	(35,511,456)
Repayment of bond principal	12,907,018
Deferred charges	87,165
Interest	<u>(74,269)</u>
	<u>(22,591,542)</u>

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. 266,677

Internal services 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. 23,156

Change in net assets of governmental activities \$ (764,903)

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

CITY OF DAVENPORT

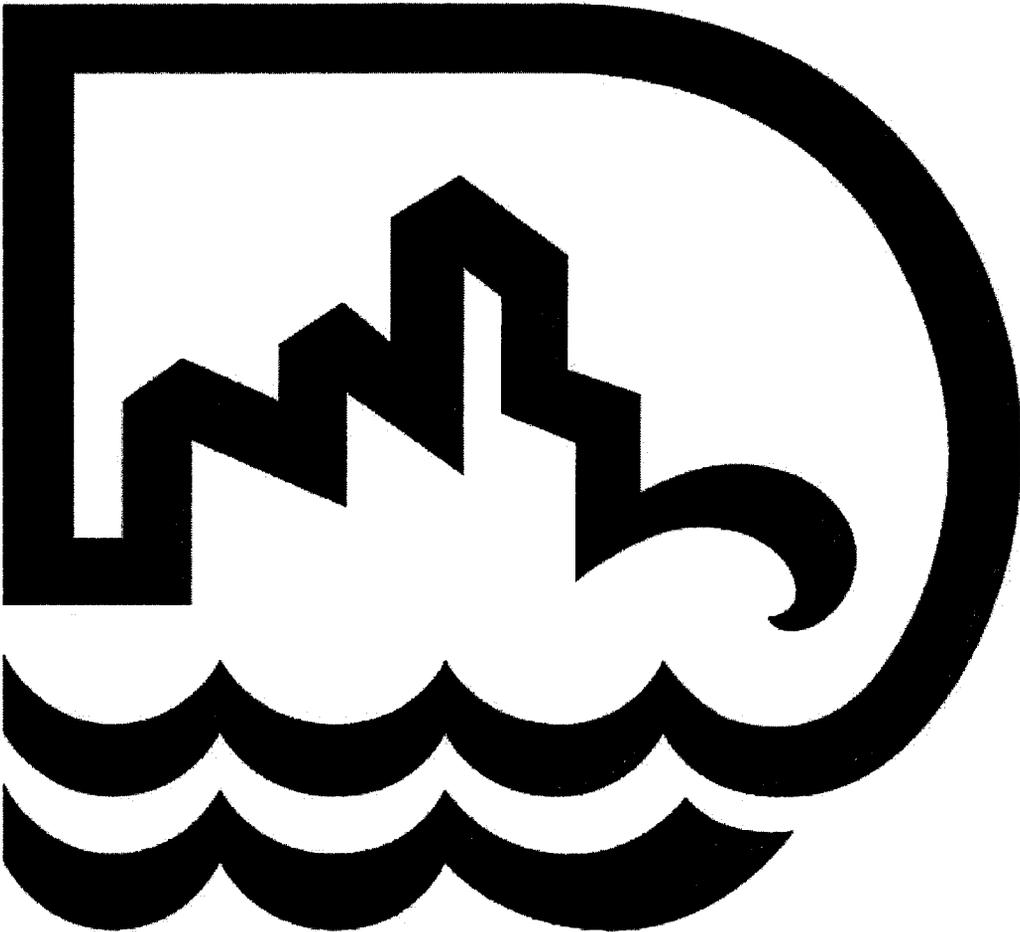
**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2006**

ASSETS	BUSINESS-TYPE ACTIVITIES -	
	PARKING SYSTEM	SEWER OPERATIONS
Current assets:		
Cash and cash equivalents	\$ 1,385,960	\$ 4,140,901
Receivables:		
Property taxes:		
Delinquent	-	-
Succeeding year	-	-
Accounts	33,982	2,883,429
Interest	11,907	78,923
Due from other governments	-	194,404
Prepays	-	998
Restricted cash and cash equivalents	-	6,132,378
Total current assets	<u>1,431,849</u>	<u>13,431,033</u>
Noncurrent assets:		
Deferred charges	36,681	112,390
Investment in joint venture	-	-
Capital assets:		
Land	3,607,868	628,157
Buildings	26,238,949	28,910,467
Improvements other than buildings	-	142,418
Sanitary sewers	-	59,616,469
Equipment and vehicles	504,658	16,666,546
Paving	-	-
Storm sewers	-	-
Less accumulated depreciation	(4,575,109)	(48,398,619)
Construction in progress	-	2,196,694
Total noncurrent assets	<u>25,813,047</u>	<u>59,874,522</u>
Total assets	<u>27,244,896</u>	<u>73,305,555</u>
LIABILITIES		
LIABILITIES:		
Current liabilities:		
Wages payable	13,872	143,547
Accounts payable	22,004	204,686
Accrued interest payable	25,644	38,604
Compensated absences	14,954	269,103
Claims and judgments	-	-
Interfund loans payable	-	152,812
Deferred revenue:		
Succeeding year property tax	-	-
Other	-	-
General obligation bonds - current	327,750	1,534,650
Total current liabilities	<u>404,224</u>	<u>2,343,402</u>
Current liabilities payable from restricted assets:		
Deposits payable	-	729,493
Noncurrent liabilities:		
Compensated absences	1,564	28,150
General obligation bonds -long term	9,307,366	9,794,547
Total noncurrent liabilities	<u>9,308,930</u>	<u>9,822,697</u>
Total liabilities	<u>9,713,154</u>	<u>12,895,592</u>
NET ASSETS		
Invested in capital assets, net of related debt	16,177,931	49,953,400
Unrestricted	1,353,811	10,456,563
Total net assets	<u>\$ 17,531,742</u>	<u>\$ 60,409,963</u>

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

ENTERPRISE FUNDS

<u>RIVERCENTER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</u>
\$ 450,485	\$ 607,971	\$ 6,585,317	\$ 6,589,194
-	71,659	71,659	-
-	2,997,126	2,997,126	-
44,256	1,925,423	4,887,090	94,372
-	7,520	98,350	59,513
-	738,697	933,101	1,310
62,705	9,328	73,031	119,934
2,000	302,315	6,436,693	-
<u>559,446</u>	<u>6,660,039</u>	<u>22,082,367</u>	<u>6,864,323</u>
-	11,782	160,853	-
-	623,365	623,365	-
2,625,230	4,146,837	11,008,092	-
20,351,243	13,426,964	88,927,623	-
29,403	8,968,992	9,140,813	-
-	-	59,616,469	-
652,031	9,411,543	27,234,778	1,515,614
84,121	91,765	175,886	-
-	16,255,280	16,255,280	-
(7,912,925)	(22,819,809)	(83,706,462)	(1,280,493)
4,238,682	465,056	6,900,432	-
<u>20,067,785</u>	<u>30,581,775</u>	<u>136,337,129</u>	<u>235,121</u>
<u>20,627,231</u>	<u>37,241,814</u>	<u>158,419,496</u>	<u>7,099,444</u>
1,842	209,430	368,691	43,542
55,593	368,836	651,119	441,094
-	4,352	68,600	-
1,741	263,059	548,857	86,624
-	-	-	4,302,458
-	862,908	1,015,720	-
-	2,997,126	2,997,126	-
59,317	17,684	77,001	-
-	235,000	2,097,400	-
<u>118,493</u>	<u>4,958,395</u>	<u>7,824,514</u>	<u>4,873,718</u>
2,000	26,695	758,188	-
182	27,518	57,414	9,061
-	961,790	20,063,703	-
182	989,308	20,121,117	9,061
<u>120,675</u>	<u>5,974,398</u>	<u>28,703,819</u>	<u>4,882,779</u>
20,067,785	28,761,620	114,960,736	235,121
438,771	2,505,796	14,754,941	1,981,544
<u>\$ 20,506,556</u>	<u>\$ 31,267,416</u>	<u>\$ 129,715,677</u>	<u>\$ 2,216,665</u>



CITY OF DAVENPORT

**RECONCILIATION OF ENTERPRISE FUNDS NET ASSETS TO THE STATEMENT OF NET ASSETS
June 30, 2006**

Total enterprise funds net assets	\$ 129,715,677
Amounts reported for enterprise activities in the statement of net assets are different because:	
Internal service funds are used by management to charge the costs of certain services to individual funds. Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds.	63,164
Adjustments to reflect the consolidation of prior years internal service fund activities related to enterprise funds.	<u>(707,476)</u>
Net assets of business-type activities	<u>\$ 129,071,365</u>

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

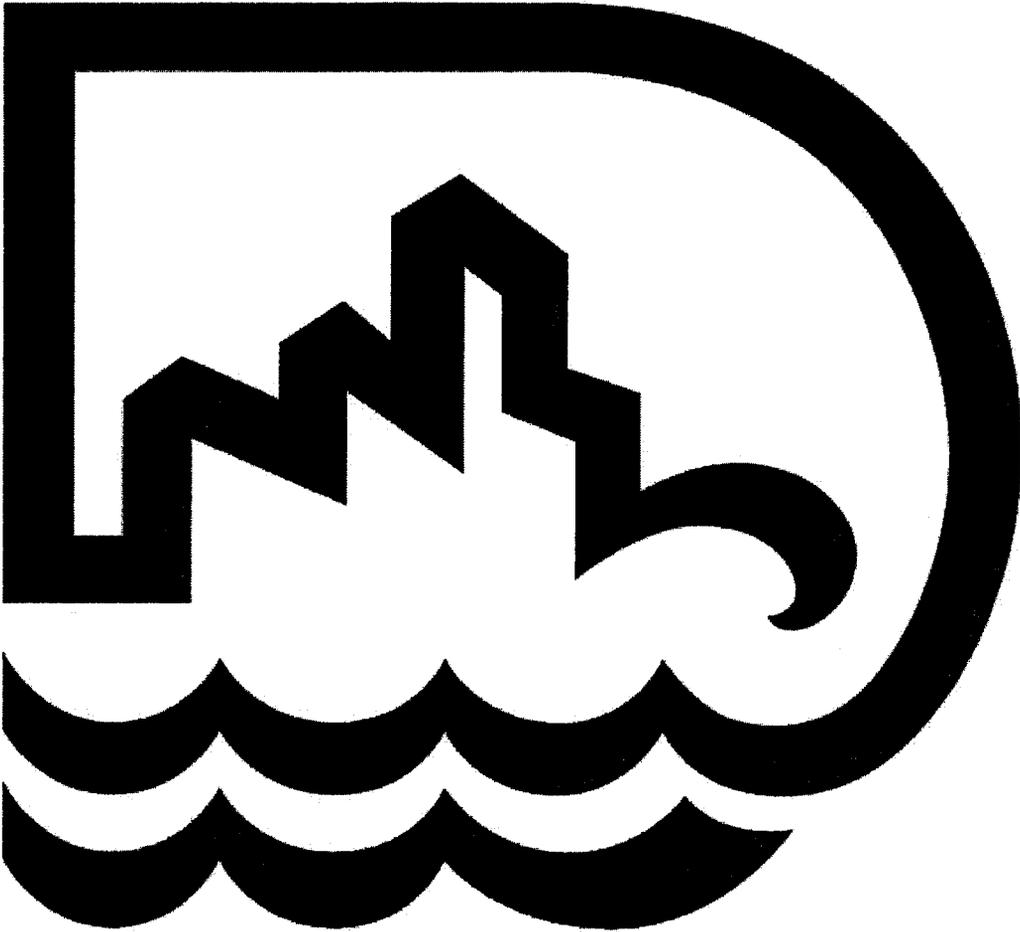
CITY OF DAVENPORT**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2006**

	BUSINESS-TYPE ACTIVITIES -		
	PARKING SYSTEM	SEWER OPERATIONS	RIVERCENTER
OPERATING REVENUES:			
Charges for services	\$ 1,524,343	\$ 10,348,088	\$ 1,153,477
Fines and forfeits	133,163	-	-
Other	967	7,208	-
Total Operating Revenues	<u>1,658,473</u>	<u>10,355,296</u>	<u>1,153,477</u>
OPERATING EXPENSES:			
Employee expenses	482,305	4,627,171	57,877
Supplies and services	626,810	4,006,445	1,723,826
Depreciation	723,831	3,182,122	582,964
Total Operating Expenses	<u>1,832,946</u>	<u>11,815,738</u>	<u>2,364,667</u>
OPERATING INCOME (LOSS)	<u>(174,473)</u>	<u>(1,460,442)</u>	<u>(1,211,190)</u>
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	-	-
Operating grants	-	-	-
Use of monies and property	73,217	523,131	105
Interest expense	(396,041)	(556,221)	-
Gain (loss) on disposition of capital assets	-	-	70,642
Joint venture adjustment	-	-	-
Total Non-operating Revenues (Expenses)	<u>(322,824)</u>	<u>(33,090)</u>	<u>70,747</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(497,297)</u>	<u>(1,493,532)</u>	<u>(1,140,443)</u>
Capital contributions	-	1,367,010	4,085,294
Transfers in	-	-	628,121
Transfers out	-	-	-
Change in net assets	<u>(497,297)</u>	<u>(126,522)</u>	<u>3,572,972</u>
Total net assets - beginning	<u>18,029,039</u>	<u>60,536,485</u>	<u>16,933,584</u>
Total net assets - ending	<u>\$ 17,531,742</u>	<u>\$ 60,409,963</u>	<u>\$ 20,506,556</u>

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

ENTERPRISE FUNDS

<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS</u>
\$ 8,702,757	\$ 21,728,665	\$ 15,140,233
-	133,163	-
57,411	65,586	976
<u>8,760,168</u>	<u>21,927,414</u>	<u>15,141,209</u>
6,146,019	11,313,372	1,259,494
6,152,683	12,509,764	14,001,232
1,845,456	6,334,373	108,058
<u>14,144,158</u>	<u>30,157,509</u>	<u>15,368,784</u>
<u>(5,383,990)</u>	<u>(8,230,095)</u>	<u>(227,575)</u>
2,905,895	2,905,895	-
1,669,214	1,669,214	-
101,671	698,124	313,895
(82,996)	(1,035,258)	-
(32,207)	38,435	-
4,701	4,701	-
<u>4,566,278</u>	<u>4,281,111</u>	<u>313,895</u>
(817,712)	(3,948,984)	86,320
12,871,239	18,323,543	-
-	628,121	-
<u>(135,669)</u>	<u>(135,669)</u>	<u>-</u>
11,917,858	14,867,011	86,320
<u>19,349,558</u>	<u>114,848,666</u>	<u>2,130,345</u>
<u>\$ 31,267,416</u>	<u>\$ 129,715,677</u>	<u>\$ 2,216,665</u>



CITY OF DAVENPORT

**RECONCILIATION OF THE CHANGE IN NET ASSETS OF ENTERPRISE FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006**

Net change in net assets in enterprise funds \$ 14,867,011

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. Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

63,164

Change in net assets of business-type activities \$ 14,930,175

CITY OF DAVENPORT**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006**

	<u>BUSINESS-TYPE ACTIVITIES -</u>	
	<u>PARKING SYSTEM</u>	<u>SEWER OPERATIONS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 1,663,640	\$ 10,787,886
Cash paid to suppliers for goods and services	(628,293)	(3,958,177)
Cash paid to employees for services	(481,100)	(4,631,220)
Other operating revenue	968	7,208
Net Cash Provided by (Used for) Operating Activities	<u>555,215</u>	<u>2,205,697</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayments to other funds	-	(613,441)
Advances from other funds	-	862,409
Operating grants	-	-
Property tax	-	-
Transfers in	-	-
Transfers out	-	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>248,968</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from general obligation bonds	-	455,000
Proceeds from the sale of capital assets	-	-
Acquisition and construction of capital assets	-	(2,183,995)
Principal paid on long-term debt	(224,800)	(1,901,250)
Interest paid on long-term debt	(391,558)	(523,812)
Special assessments	-	6,820
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(616,358)</u>	<u>(4,147,237)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and investment income	<u>69,445</u>	<u>596,908</u>
Net Increase (Decrease) in Cash and Cash Equivalents	8,302	(1,095,664)
CASH AND CASH EQUIVALENTS-BEGINNING	<u>1,377,658</u>	<u>11,368,943</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 1,385,960</u>	<u>\$ 10,273,279</u>

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

ENTERPRISE FUNDS

<u>RIVERCENTER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS</u>
\$ 1,187,612	\$ 7,598,437	\$ 21,237,575	\$ 15,154,682
(1,825,832)	(6,026,517)	(12,438,819)	(14,269,763)
(56,329)	(6,028,602)	(11,197,251)	(1,235,739)
-	57,411	65,587	976
<u>(694,549)</u>	<u>(4,399,271)</u>	<u>(2,332,908)</u>	<u>(349,844)</u>
-	(314,585)	(928,026)	-
-	862,908	1,725,317	-
-	1,669,214	1,669,214	-
-	2,902,024	2,902,024	-
628,121	-	628,121	-
-	(135,669)	(135,669)	-
<u>628,121</u>	<u>4,983,892</u>	<u>5,860,981</u>	<u>-</u>
-	-	455,000	-
495,000	-	495,000	-
-	(347,391)	(2,531,386)	(47,573)
-	(235,000)	(2,361,050)	-
-	(61,123)	(976,493)	-
-	-	6,820	-
<u>495,000</u>	<u>(643,514)</u>	<u>(4,912,109)</u>	<u>(47,573)</u>
<u>105</u>	<u>99,479</u>	<u>765,937</u>	<u>300,451</u>
428,677	40,586	(618,099)	(96,966)
<u>23,808</u>	<u>869,700</u>	<u>13,640,109</u>	<u>6,686,160</u>
<u>\$ 452,485</u>	<u>\$ 910,286</u>	<u>\$ 13,022,010</u>	<u>\$ 6,589,194</u>

(continued)

CITY OF DAVENPORT

**PROPRIETARY FUNDS (CONTINUED)
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006**

	<u>BUSINESS-TYPE ACTIVITIES -</u>	
	<u>PARKING SYSTEM</u>	<u>SEWER OPERATIONS</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>		
Operating Income (Loss)	<u>\$ (174,473)</u>	<u>\$ (1,460,442)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	723,831	3,182,122
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	6,134	537,604
Decrease (increase) in due from other governments	-	(90,985)
Decrease (increase) in prepaids	-	(998)
Increase (decrease) in accounts payable	(1,483)	(22,585)
Increase (decrease) in other accrued liabilities	1,206	60,981
Increase (decrease) in other deferred revenue	-	-
Total Adjustments	<u>729,688</u>	<u>3,666,139</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 555,215</u>	<u>\$ 2,205,697</u>
<u>SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</u>		
Acquisition of capital assets	\$ -	\$ (1,367,010)
Contribution of capital assets by municipality	-	1,819
Contribution of capital assets by subdividers	-	1,240,354
Contribution of capital assets by state and federal governments	-	-
Contribution by other	-	124,837

ENTERPRISE FUNDS

<u>RIVERCENTER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS</u>
<u>\$ (1,211,190)</u>	<u>\$ (5,383,990)</u>	<u>\$ (8,230,095)</u>	<u>\$ (227,575)</u>
582,964	1,845,456	6,334,373	108,058
41,753	(719,961)	(134,470)	14,449
-	(365,748)	(456,733)	-
(11,267)	(9,328)	(21,593)	(87,674)
(90,739)	135,494	20,687	(173,621)
1,548	117,417	181,152	16,519
(7,618)	(18,611)	(26,229)	-
<u>516,641</u>	<u>984,719</u>	<u>5,897,187</u>	<u>(122,269)</u>
<u>\$ (694,549)</u>	<u>\$ (4,399,271)</u>	<u>\$ (2,332,908)</u>	<u>\$ (349,844)</u>
\$ (4,085,294)	\$ (12,871,239)	\$ (18,323,543)	\$ -
247,678	12,135,882	12,385,379	-
-	341,607	1,581,961	-
2,825,828	393,750	3,219,578	-
1,011,788	-	1,136,625	-

CITY OF DAVENPORT

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2006**

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and investments	\$ 236,685
Interest receivable	<u>3,274</u>
Total assets	<u>\$ 239,959</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 1,721
Due to other governments	<u>238,238</u>
Total liabilities	<u>\$ 239,959</u>

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

CITY OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Davenport, Iowa, was incorporated in 1836 and is one of the few remaining special charter cities in Iowa. The General Assembly of Iowa in 1851 adopted a special charter of the City and with subsequent amendments adopted by the General Assembly in 1853, 1855 and 1857, the charter has remained unchanged to this date. Subsequent changes to the laws of the State of Iowa affecting cities under special charter have been made from time to time and are now codified in Chapter 420, Code of Iowa. The form of City government is Mayor-Council, utilizing a professional City Administrator. The City of Davenport provides a wide variety of public services through eleven professionally staffed departments and the office of the City Administrator, including public safety (police and fire), streets, sewers and bridges, garbage and refuse collection, sewage treatment, culture-recreation, mass transportation, public improvements, planning and zoning, and general administrative services.

These financial statements have been prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the City's governing body required by financial reporting standards for governmental units, are included herewith.

The City of Davenport has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the City.

The City of Davenport does not include any component units within its reporting entity.

Joint Venture – the City is a participant in a joint venture agreement (Quad-City Garage Policy Group) with Rock Island County, Illinois, which is adjacent to Davenport, for the operation of a garage and maintenance facility used by the transit programs of each entity. The City maintains a 12% interest in the venture with Rock Island County maintaining the remaining 88%. Funding of the maintenance operation is achieved through allocation of expenditures between the City and Rock Island County based upon usage.

Operations are reimbursed on a break-even basis, the City providing approximately 25% and Rock Island County providing 75% for the year. The City paid \$1,170,907 in maintenance fees during the year. The Group is accounted for on an equity basis as an investment in joint venture in the Transit Fund (Note 8). Financial statements of the Quad-City Garage Policy Group may be obtained from the entity's administrative office at 2929 5th Avenue, Rock Island, IL 61201.

B. 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 non-fiduciary activities of the City. For the most part, the effect of inter-fund 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 services.

The statement of net assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories. *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional

CITY OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

provisions or enabling legislation. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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 balances/net assets, revenues and expenditures or expenses, as appropriate. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as non-major governmental and proprietary funds. The City has the following funds:

(1) Governmental Fund Types

Governmental fund types are those funds through which most governmental functions of the city are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the City's major governmental funds:

(a) General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required legally or by sound financial management to be accounted for in another fund.

(b) Local Option Sales Tax Fund

The Local Option Sales Tax Fund is a special revenue fund, which accounts for revenue received from a 1% sales tax, to be used for property tax relief and public improvements.

(c) General Debt Service Fund

The General Debt Service Fund is a debt service fund which accounts for the accumulation of resources for and the payment of principal and interest on general obligation long-term debt from governmental resources and principal and interest on special assessment debt with governmental commitment from special assessment levies. The City levies an annual property tax, which is unlimited by law, to finance the debt service requirements not abated by special assessments.

(d) Capital Projects Fund

The Capital Projects Fund is used to account for the resources used for the acquisition and construction of major capital facilities, except those financed by Proprietary Funds.

CITY OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

(2) Proprietary Fund Types

Proprietary fund types are used to account for the City's ongoing organizations and activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations.

Enterprise funds are used to finance and account for the acquisition, operation, and maintenance of the City's facilities and services, which are supported primarily by user charges. The following comprise the City's major enterprise funds:

- (a) **Parking System Fund** – Accounts for revenue and expenses associated with the City's parking system, which provides both on-street and off-street parking.
- (b) **Sewer Operations Fund** – Accounts for revenue and expenses of the system responsible for collecting and treating the wastewater of the Cities of Davenport, Bettendorf, Riverdale, and Panorama Park. Davenport accumulates the costs of operations, construction, and equipment replacement, and bills the other cities monthly for their portion of such costs based on an actual usage percentage calculated annually.
- (c) **RiverCenter Fund** – Accounts for rental income and expenses associated with the operation of a 57,000 square foot conference, convention and trade show facility and the Adler Theatre.

Internal service funds are used to finance and account for, employee insurance, risk management, and information management services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

(3) Fiduciary Fund Types

Fiduciary fund types are used to account for assets held by the City in a trustee capacity under a formal trust agreement or as an agent for individuals, private organizations, other governmental units and/or other funds. The following is the City's fiduciary fund type:

(a) Agency Funds

Agency funds are custodial in nature (assets equal liabilities), and do not involve the measurement of results of operations. The agency funds function primarily as a clearing mechanism for cash resources, which are collected, held as such for brief period, and then disbursed to authorized recipients.

D. 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. 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.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

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 forfeits, charges for 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. In the category of use of monies and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

Property taxes are recognized as a receivable at the time an enforceable legal claim is established. This is determined to occur when the budget is certified. The current tax receivable represents the 2007 levy certified on March 15, 2006 based on the 2005 assessed valuations. As the levy is intended for use in the 2007 fiscal year, the revenue has been recorded as deferred revenue. Taxes are levied on July 1 and are payable in two installments on September 30 and March 31. Tax payments become delinquent on October 1 and April 1. The County Treasurer bills and collects property taxes for the City. Property taxes are considered available if received within 60 days of year-end.

The City is permitted by the Code of Iowa to levy taxes up to \$8.10 per \$1,000 of assessed valuation for General Fund purposes, \$.27 per \$1,000 of assessed valuation for an Emergency Fund to assist in the funding of General Fund activities, \$.95 per \$1,000 of assessed valuation for a mass transportation program and unlimited amounts for the payment of principal and interest on general obligation bonds, judgments awarded against the City, trust and agency accounts for pension and related employee benefits funds, and to pay the premium costs on tort liability insurance. The combined tax rate for the collection year ended June 30, 2006 was \$15.24 per \$1,000 of assessed valuation.

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

Operating expenses for enterprise funds and internal service funds include charges for services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Encumbrances

Appropriations in the governmental funds are charged for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances. The subsequent year's appropriation provides authority to complete these transactions as expenditures.

F. Cash and Pooled Cash Investments

Except where otherwise required, the City maintains all deposits in a bank account in the name of the City. Cash resources have been pooled in order 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. Fund cash deficits, which represent current loans between funds, have been reported as interfund loans receivable/payable.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

G. Investments

Investments are stated at fair value or amortized cost.

H. Statement of Cash Flows

For the purpose of the statement of cash flows, the City considers all liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

I. Restricted Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. If the use of monies received is limited by City ordinance and/or contract provisions, they are reported as restricted assets. Also, liabilities which are payable from restricted assets are reported as such. The following assets are reported as restricted at June 30, 2006: unexpended general obligation bond proceeds and other funds restricted to capital outlay of \$5,422,782 and deposits of \$709,596 in the Sewer Enterprise Fund, security deposits of \$26,695 in the Public Housing Fund, catering deposits of \$2,000 in the RiverCenter Enterprise Fund, other funds restricted for capital outlay of \$275,620 in the Golf Courses Enterprise Fund and loan escrow payments of \$57,193 in the Community Development Act Special Revenue Fund.

J. Capital Assets

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statement. Generally, capital assets purchased in excess of \$5,000 are capitalized if they have an expected 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 on the date donated.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Buildings	40 years
Improvements	10-20 years
Equipment and vehicles	3-15 years
Sanitary sewers	40 years
Paving	10-30 years
Storm sewers	30 years
Traffic signals	20-40 years

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 a City policy that requires proceeds from sale of these items to be used to acquire other collection items.

K. Deferred Revenue

Deferred revenue in the governmental funds represent amounts due, which are measurable, but not available. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within 60 days after year end.

CITY OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

L. Interfund Transactions

Interfund transactions that would be treated as revenue and expenditures or expenses if they involved organizations external to the City are similarly treated when involving other funds of the City. Major transactions that fall into this category include payments to the Sewer Fund for fees and payments to the Internal Service Funds for costs of the City's insurance programs and data processing system.

Transfers from funds receiving revenue to funds through which the resources are to be expended and operating loss subsidies are classified as transfers. Major transactions that fall into this category include transfers from the Local Option Sales Tax Fund to the General Debt Service Fund and the Capital Projects Fund and a transfer from the General Fund to subsidize the operating loss of the RiverCenter Enterprise Fund.

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

M. Compensated Absences

City employees earn vacation and sick leave based upon union contracts or City policy on an annual basis and are credited with vacation and sick leave hours each payroll period. Vacation leave is fully vested when earned. In general, except for Police and Fire personnel, 75% of accumulated sick leave in excess of 720 hours earned prior to July 1, 1987 is vested using the employees' hourly rate at July 1, 1987. For Police and Fire personnel hired before July 1, 1988, 75% of accumulated sick leave earned in excess of 720 hours is vested using the employees' hourly rate at the time of termination. Employees are offered the option of accumulating overtime hours to be taken as compensatory time off rather than being paid for them on a current basis; any amounts unused at time of termination are also paid.

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, a liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

N. Fund Equity

In the governmental fund financial statements, reservations of fund balance represent amounts, which are legally restricted to a specific future use or not available for appropriation. Restrictions of net assets are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

O. Net Assets

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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

P. Long-term Obligations

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

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (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.

Q. Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

2. INDIVIDUAL FUND DISCLOSURES

The Risk Management internal service fund has a deficit unrestricted net asset balance of \$781,374 as of June 30, 2006.

3. DEPOSITS AND INVESTMENTS

A. Deposits

Chapter 12C of the Code of Iowa requires that all City funds be deposited into an approved depository and either insured or collateralized. At year-end, the carrying amount of the City's deposits was \$59,817,186 and the bank balances were \$61,280,897. Of the bank balances, \$500,000 was covered by federal depository insurance and \$60,780,897 was insured by the State through pooled collateral, State sinking funds, and the State's ability to assess for lost funds.

B. Investments

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of Public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities, certificates of deposit or other evidences of deposit at federally insured Iowa institutions approved by the City Council; prime eligible bankers acceptances, certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and state and local securities.

At June 30, 2006, the City had the following investments:

Type	Fair Value	Maturities	Credit Ratings
Federal National Mortgage Association (FNMA)	\$2,085,402	January 2007	AAA
Federal Home Loan Bank (FHLB)	12,114,924	December 2006- June 2007	AAA
Federal Farm Credit Bureau (FFCB)	2,438,954	March 2007	AAA

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,102,284 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – the City’s investment policy limits the investment of operating funds in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – the City’s investment in the Iowa Public Agency Investment Trust is unrated.

Custodial credit risk – for an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The City had no custodially-held investments during the year.

4. FUND TRANSFER RECONCILIATION

The following is a schedule of transfers in and out as included in the financial statements of the City (numbers expressed in thousands):

	Transfer in:					Total transfer
	General Fund	General Debt Service Fund	Capital Projects Fund	Non-major Governmental Funds	RiverCenter Fund	
Transfer out:						
General Fund	-	-	\$ 612	\$3	\$ 628	\$ 1,243
Local Option Sales Tax Fund	-	\$ 7,843	4,672	-	-	12,515
Capital Projects Fund	-	744	-	-	-	744
Non-major Governmental Funds	\$ 355	-	143	-	-	498
Non-major Enterprise Funds	-	-	-	136	-	136
Total Transfer	\$ 355	\$ 8,587	\$ 5,427	\$139	\$ 628	\$ 15,136

Transfers are used to move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

5. Changes in Capital Assets

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

	BEGINNING BALANCE 06/30/05	ADDITIONS	TRANSFERS	DELETIONS	ENDING BALANCE 06/30/06
GOVERNMENTAL ACTIVITIES					
Capital assets, not being depreciated:					
Land	\$ 16,164,133	\$ 432,031	\$ -	\$ (1,275,738)	\$ 15,320,426
Construction in progress	5,785,936	21,064,203	-	(13,680,452)	13,169,687
Total capital assets, not being depreciated	<u>21,950,069</u>	<u>21,496,234</u>	<u>-</u>	<u>(14,956,190)</u>	<u>28,490,113</u>
Capital assets being depreciated					
Buildings	63,968,155	5,624,740	-	(320,833)	69,272,062
Improvements other than buildings	8,956,225	122,527	-	-	9,078,752
Equipment and vehicles	27,178,120	2,112,853	(106,666)	(1,530,486)	27,653,821
Bridges	4,163,028	-	-	-	4,163,028
Traffic Signals	6,903,574	239,607	-	-	7,143,181
Storm Sewers	15,913,673	-	(15,913,673)	-	-
Paving	111,707,728	8,023,386	-	-	119,731,114
Total capital assets being depreciated	<u>238,790,503</u>	<u>16,123,113</u>	<u>(16,020,339)</u>	<u>(1,851,319)</u>	<u>237,041,958</u>
Less accumulated depreciation for:					
Buildings	17,013,332	1,830,289	-	(320,833)	18,522,788
Improvements other than buildings	3,346,498	465,581	-	-	3,812,079
Equipment and vehicles	19,769,830	1,799,072	(95,828)	(1,483,603)	19,989,471
Bridges	1,526,454	105,307	-	-	1,631,761
Traffic signals	3,832,607	262,379	-	-	4,094,986
Storm sewers	5,067,115	-	(5,067,115)	-	-
Paving	27,691,552	4,120,457	-	-	31,812,009
Total accumulated depreciation	<u>78,247,388</u>	<u>8,583,085</u>	<u>(5,162,943)</u>	<u>(1,804,436)</u>	<u>79,863,094</u>
Total capital assets being depreciated, net	<u>160,543,115</u>	<u>7,540,028</u>	<u>(10,857,396)</u>	<u>(46,883)</u>	<u>157,178,864</u>
Governmental activities capital assets, net	<u>\$ 182,493,184</u>	<u>\$ 29,036,262</u>	<u>\$ (10,857,396)</u>	<u>\$ (15,003,073)</u>	<u>\$ 185,668,977</u>
BUSINESS-TYPE ACTIVITIES					
Capital assets, not being depreciated:					
Land	\$ 11,008,092	\$ -	\$ -	\$ -	\$ 11,008,092
Construction in progress	1,791,069	6,036,931	-	(927,568)	6,900,432
Total capital assets not being depreciated	<u>12,799,161</u>	<u>6,036,931</u>	<u>-</u>	<u>(927,568)</u>	<u>17,908,524</u>
Capital assets, being depreciated:					
Buildings	89,332,234	36,663	-	(441,274)	88,927,623
Improvements other than buildings	8,705,702	435,111	-	-	9,140,813
Equipment and vehicles	26,121,851	1,447,561	106,666	(441,300)	27,234,778
Sanitary sewer	57,905,528	1,710,941	-	-	59,616,469
Storm Sewer	-	341,607	15,913,673	-	16,255,280
Paving	84,360	91,526	-	-	175,886
Total capital assets being depreciated	<u>182,149,675</u>	<u>4,063,409</u>	<u>16,020,339</u>	<u>(882,574)</u>	<u>201,350,849</u>
Less accumulated depreciation for:					
Buildings	29,971,259	2,360,428	48,488	(16,915)	32,363,260
Improvements other than buildings	4,421,380	372,499	(142)	-	4,793,737
Equipment and vehicles	14,297,221	1,668,791	47,340	(409,094)	15,604,258
Sanitary sewer	23,944,642	1,401,574	-	-	25,346,216
Storm sewer	-	528,384	5,067,115	-	5,595,499
Paving	652	2,698	142	-	3,492
Total accumulated depreciation	<u>72,635,154</u>	<u>6,334,374</u>	<u>5,162,943</u>	<u>(426,009)</u>	<u>83,706,462</u>
Total capital assets, being depreciated, net	<u>109,514,521</u>	<u>(2,270,965)</u>	<u>10,857,396</u>	<u>(456,565)</u>	<u>117,644,387</u>
Business-type activities capital assets, net	<u>\$ 122,313,682</u>	<u>\$ 3,765,966</u>	<u>\$ 10,857,396</u>	<u>\$ (1,384,133)</u>	<u>\$ 135,552,911</u>

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

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

Governmental activities:	
General government	\$ 537,726
Community & economic development	52,778
Public works	5,555,249
Public safety	774,633
Culture & recreation	1,554,641
Internal service assets are charged to the various functions based on their usage of the assets	<u>108,058</u>
Total depreciation expense-governmental activities	<u><u>\$8,583,085</u></u>
Business-type activities:	
Parking systems	\$ 723,831
Sewer operations	3,182,122
RiverCenter	582,964
Public transit	396,081
Public housing	230,005
Golf courses	197,538
Airport	300,388
Curbside recycling	193,061
Clean water	<u>528,384</u>
Total depreciation expense-business-type activities	<u><u>\$6,334,374</u></u>

The government has active construction projects as of June 30, 2006. The projects include street construction and improvements, sanitary sewer and water pollution control plant improvements, parks, city wide beautification, public buildings and police facility. At the year end the government's commitments with contractors are as follows:

<u>Projects</u>	Spent-to-Date	Remaining Commitment
Streets/Improvements	\$ 14,105,368	\$ 3,257,875
Sanitary Sewer/WPCP	1,639,150	1,606,241
Parks	994,433	1,342,022
City Wide Beautification	750,502	479,278
Public Buildings	3,991,333	292,947
Police Facility	<u>2,625,827</u>	<u>18,505,873</u>
Total	<u>\$24,106,613</u>	<u>\$ 25,484,236</u>

The streets and improvements are being financed with state and federal grants along with general obligation bonds, local option sales tax, and road use tax. The sanitary sewers and water pollution control plant improvements are being funded by general obligation bonds being serviced by the Sewer Operations Fund. The police facility project is financed by general obligation bonds.

6. EMPLOYEE RETIREMENT SYSTEMS

The City participates in two statewide retirement plans. The Iowa Public Employees Retirement System (IPERS) covers all employees (excluding firefighters and sworn police officers) earning in excess of \$300 per quarter. The Municipal Fire and Police Retirement System of Iowa covers firefighters and sworn police officers.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

The City also makes contributions to specific employee groups' Section 457 deferred compensation plans as described in Section C following.

A. Iowa Public Employees Retirement System

The City of Davenport contributes to 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 3.7% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$1,417,480, \$1,363,303, and \$1,353,081 respectively, equal to the required contributions for each year.

B. Municipal Fire and Police Retirement System of Iowa

The City of Davenport contributes to MFPRSI 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. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104th Street, Urbandale, Iowa 50322.

MFPRSI Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rates for the years ended June 30, 2006, 2005 and 2004 were 28.21%, 24.92%, and 20.48%. Contribution requirements are established by State statute. The City's contributions to the plan for the years ended June 30, 2006, 2005 and 2004 were \$4,627,402, \$3,886,380, and \$3,114,083 respectively, which met the required contributions for each year.

C. 457 Deferred Compensation Contributions

The City of Davenport contributes 2 to 5% matches to Police and Fire, Teamsters, Non-bargaining Management and department director's 457 deferred compensation plans. The City's contributions for the years ended June 30, 2006, 2005 and 2004 were \$1,062,720, \$800,355, and \$789,183 respectively.

7. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2006, interfund receivables and payables are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Non-major Governmental Funds	\$ 333,543
	Non-major Enterprise Funds	862,908
General Debt Service	Local Option Sales Tax	1,261,835
Capital Projects	Sewer	152,812
	Local Option Sales Tax	345,565
	General	2,970
	Non-major Governmental Funds	47,399
		<u>\$3,007,032</u>

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

Interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

8. JOINT VENTURE

The City of Davenport, Iowa and the Board of Trustees of the Rock Island County Metropolitan Mass Transit District (MetroLink), Illinois entered into an agreement in July 1979, which was amended in June 1982, which designates the Quad-City Garage Policy Group (QCGPG) to oversee and operate a joint maintenance and storage facility for transit vehicles and related equipment owned and/or operated by the two parties. Davenport's authority to enter this agreement arises from powers granted by Chapter 28E of the Code of Iowa.

The City of Davenport and MetroLink have jointly constructed a maintenance facility. The City contributed \$542,196 and the MetroLink contributed \$362,523. The remainder of the funding was provided by grants from the Federal Transit Administration and the State of Illinois in the amount of \$5,495,205. The maintenance facility is recorded as an asset of MetroLink, and not by the QCGPG.

The QCGPG consists of six (6) members, three (3) each representing the City of Davenport and MetroLink. Two members and an alternate are appointed by the Mayor of Davenport, subject to the approval of the Davenport City Council. Two members and alternate are appointed by the Chairman of the MetroLink Board of Trustees, subject to the approval of the Board of Trustees of the MetroLink. Officers are chosen from the above six (6) members, and there are two voting members each representing the City of Davenport and MetroLink. The facility supervisor, appointed by the parties, prepares an annual budget, which is presented to the parties, or to the QCGPG for their approval. Expenses incurred by the QCGPG are allocated either (a) on the basis of ownership of the facility, or (b) on the basis of the number of buses that the respective parties have in service.

A summary of the latest available financial information for the QCGPG as of June 30, 2006, and for the year then ended is as follows:

Total assets	<u>\$763,098</u>
Total liabilities	<u>\$207,301</u>
Total equity	<u>\$555,797</u>
Total revenue	\$4,089,331
Total expenses	<u>3,912,062</u>
Net change in fund equity	<u>\$177,269</u>

The City uses the equity method of accounting for this investment. At June 30, 2006, this amounted to \$623,365, which includes the City's share of both the maintenance facility and the fund equity of the QCGPG.

Additional information concerning the QCGPG is available in its separately issued annual report, which may be obtained from the entity's administrative office 2929 5th Avenue, Rock Island, IL 61201.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

9. LONG-TERM DEBT

The following is a summary of changes in long-term debt, net of the deferred portion of issuance costs, for the year ended June 30, 2006 (numbers shown in thousands):

Governmental Activities:	Balance July 1,2005	Additions	Retirements	Balance June 30,2006	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 93,741	\$ 35,660	\$ (12,747)	\$ 116,654	\$ 11,908
Special Assessment Debt	837	-	(17)	820	-
Less deferred costs:					
issuance-discounts	(297)	(148)	45	(400)	-
Refundings	(496)	-	96	(400)	-
Total Bonds Payable	93,785	35,512	(12,623)	116,674	11,908
Compensated Absences	5,663	3,908	(4,158)	5,413	4,900
Loans Payable	159	-	(159)	-	-
Loans Payable-Other Govts	47	-	(14)	33	13
Note Payable	517	-	(113)	404	123
	\$ 100,171	\$ 39,420	\$ (17,067)	\$ 122,524	\$ 16,944
Business-type Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 24,186	\$ 455	\$ (2,361)	\$ 22,280	\$ 2,097
Less deferred costs:					
issuance-discounts	(147)	(2)	30	(119)	-
Total Bonds Payable	24,039	453	(2,331)	22,161	2,097
Compensated Absences	557	945	(896)	606	549
	\$ 24,596	\$ 1,398	\$ (3,227)	\$ 22,767	\$ 2,646

The City is obligated for the Special Assessment Debt with governmental commitment debt service payments.

Internal service funds predominantly serve governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$95,685 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the fund incurring the expense.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

General obligation bonds payable (balance outstanding in thousands of dollars) at June 30, 2006, is comprised of the following individual issues:

A.	Matured bonds not presented for payment.	\$ 30
B.	\$7,745,000 1996 Refunding of 1988 Parks, Streets, Sewers and Public Improvements; advance refunding of 1989 Streets, Sewers, Parks and Public Buildings; and advance refunding of 1990 Economic Development serial bonds due in annual installments of \$50,000 to \$1,095,000 through June 1, 2010; interest at 4.2 to 5.4 percent (\$890,000, \$2,190,000, and \$205,000 in principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund, the Sewer Enterprise Fund, and the Golf Courses Enterprise Fund, respectively).	175
C.	\$7,325,000 1997 Streets, Sewers, Buildings and Parks serial bonds due in annual installments of \$120,000 to \$545,000 through June 1, 2017; interest at 4.8 to 4.9 percent (\$1,775,000 and \$240,000 in principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund and the Sewer Enterprise Fund, respectively).	3,580
D.	\$2,155,000 1997 Economic Development serial bonds due in annual installments of \$10,000 to \$155,000 through June 1, 2017; interest at 6.8 to 7.2 percent (\$2,155,000 in principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund and the Sewer Enterprise Fund, respectively).	1,305
E.	\$14,590,000 1998 advance refunding of 1991 Streets, Sewers, Buildings and Equipment; advance refunding of 1992 Parking Ramp, Streets, Sewers and Equipment due in annual installments of \$120,000 to \$1,810,000 through June 1, 2012; interest at 4.4 to 5.0 percent (\$1,045,000 and \$2,870,000 in principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund and Sewer Enterprise fund, respectively).	4,840
F.	\$5,250,000 1998 advance refunding of 1988 Urban Renewal, Airport and Stadium; advance refunding of 1989 Stadium and Urban Renewal; advance refunding of 1990 Economic Development due in annual installments of \$185,000 to \$800,000 through June 1, 2010; interest at 6.1 to 6.2 percent (\$3,950,000 in principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund).	905
G.	\$6,795,000 1998 Streets, Sewers, Buildings, Parks and Equipment serial bonds due in annual installments of \$370,000 to \$525,000 through June 1, 2013; interest at 4.4 to 4.9 percent (\$340,000 and \$570,000 in principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund and Sewer Enterprise Fund, respectively).	3,255
H.	\$7,485,000 1999 Streets, Sewers, Buildings, Housing and Equipment serial bonds due in annual installments of \$390,000 to \$620,000 through June 1, 2014; interest at 4.5 to 4.9 percent (\$380,000, \$1,645,000 and \$1,120,000 in principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund, Sewer Enterprise Fund and Public Housing Enterprise Fund, respectively).	3,785
I.	\$8,620,000 2000 Streets, Sewers, Buildings, Equipment and Economic Development serial bonds due in annual installments of \$475,000 to \$1,850,000 through June 1, 2015; interest at 4.4 to 5.1 percent (\$425,000 and \$1,850,000 in principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund and Sewer Enterprise Fund, respectively).	5,200

CITY OF DAVENPORT**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

J.	\$1,100,000 2000 Economic Development serial bonds due in annual installments of \$105,000 to \$175,000 through June 1, 2010; interest at 6.9 to 7.0 percent (\$1,110,000 of principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund).	625
K.	\$11,720,000 2001 Refunding of 1993 Economic Development, Sewers, Buildings, Equipment and Public Improvements serial bonds due in annual installments of \$1,595,000 to \$1,730,000 through June 1, 2008; interest at 4.0 to 4.5 percent (\$1,290,000 and 2,700,000 of principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund and Sewer Enterprise Fund, respectively).	3,435
L.	\$19,540,000 2001 Streets, Signals, Parks, Equipment, Golf and Parking serial bonds due in annual installments of \$645,000 to \$1,375,000 through June 1, 2021; interest at 3.0 to 5.0 percent (\$615,000, \$971,737, \$3,391,013 and \$4,957,250 in principal and interest thereon are being serviced by the Golf Courses Enterprise Fund, Municipal Districts Special Revenue Fund, Tax Increment Financing Districts Debt Service Fund and Parking Enterprise Fund, respectively).	15,165
M.	\$5,195,000 2001 Parking serial bonds due in annual installments of \$45,000 to \$470,000 through June 1, 2021; interest at 6.3 to 6.7 percent (\$5,195,000 in principal and interest hereon is being serviced by the Parking Enterprise Fund).	4,770
N.	\$4,415,000 2001 Refunding of 1994A Economic Development, Sewers, Equipment and Public Improvements serial bonds due in annual installments of \$565,000 to \$705,000 through June 1, 2009; interest at 3.5 to 4.2 percent (\$1,285,000 and \$830,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund and the Municipal Improvement Districts Special Revenue Funds, respectively).	2,035
O.	\$2,755,000 2001 Refunding of 1994B Economic Development serial bonds due in annual installments of \$10,000 to \$365,000 through June 1, 2014; interest at 4.0 to 6.0 percent (\$2,179,940 and \$170,018 in principal and interest thereon are being serviced by the Tax Increment Financing District Debt Service Fund and the Levee Improvement Commission Special Revenue Fund, respectively).	1,365
P.	\$15,490,000 2002 Streets, Buildings, Parks, Equipment and Sewers serial bonds due in annual installments of \$830,000 to \$1,260,000 through June 1, 2017; interest at 3.0 to 4.4 percent (\$5,350,000 in principal and interest thereon is being serviced by the Sewer Enterprise Fund).	10,950
Q.	\$12,160,000 2003 Stadium serial bonds due in annual installments of \$390,000 to \$1,140,000 through June 1, 2018; interest at 2.0 to 5.2 percent.	9,315
R.	\$9,390,000 2003 Streets, Sewers, Golf, and Equipment serial bonds due in annual installments of \$235,000 to \$1,315,000 through June 1, 2018 at 2.5 to 4.1 percent (\$735,000 and \$330,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund and the Golf Courses Enterprise Fund, respectively).	8,130
S.	\$2,325,000 2003 advance refunding of 1995 Streets, Sewers, Buildings and Equipment serial bonds due in annual installments of \$10,000 to \$410,000 through June 1, 2010 at 2.0 to 3.0 percent (\$534,750 in principal and interest thereon is being serviced by the Sewer Enterprise Fund).	1,575
T.	\$9,685,000 2003 advance refunding of 1996 Building, Streets, Sewers and Equipment serial bonds due in annual installments of \$40,000 to \$1,015,000 through June 1, 2016 at 2.0 to 4.0 percent (\$130,000 and \$138,250 in principal and interest thereon are being serviced by the Tax Increment Financing District Debt Service Fund and the Sewer Enterprise Fund, respectively).	8,520

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

U.	\$3,150,000 2004 Economic Development serial bonds due in annual installments of \$130,000 to \$265,000 through June 1, 2023 at 4.5 to 5.1 percent (\$3,150,000 in principal and interest thereon are being serviced by the Tax Increment Financing District Debt Service Fund).	3,150
V.	\$4,535,000 2004 Streets, Sewers and River Renaissance serial bonds due in annual installments of \$195,000 to \$400,000 through June 1, 2019 at 2.0 to 4.0 percent (\$695,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund).	3,920
W.	\$11,690,000 2004 Streets, Buildings, Sewers, Airport and Equipment serial bonds due in annual installments of \$680,000 to \$900,000 through June 1, 2019 at 3.2 to 4.25 percent (\$1,130,000, \$255,000 and \$205,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund, Tax Increment Financing District Debt Service Fund and the Airport Enterprise Fund, respectively.)	10,100
X.	\$36,115,000 2005 Buildings, Streets, Sewers and Equipment serial bonds due in annual installments of \$1,160,000 to \$2,490,000 through June 1, 2025 at 4.0 to 4.5 percent (\$455,000 in principal and interest thereon are being serviced by Sewer Enterprise Fund.)	33,625
		139,755
	Total general obligation bonds	139,755
	General obligation bonds serviced by Enterprise Funds	(22,280)
	Matured bonds	(30)
	General obligation bonds reported in Governmental Activities	\$ 117,445

On August 1, 1990, pursuant to Section 384.14A of the Code of Iowa, the City issued a non-interest bearing general obligation tax increment note in the amount of \$2,880,000 to Nichols-Homeshield, Inc. in support of an economic development grant. Terms of the note call for repayment at the rate of \$160,000 on September 1 in each of the years 1991-2008, inclusive. As provided in the note agreement, Nichols-Homeshield, Inc. requested immediate payment of the first four installments. The remaining fourteen payments totaling \$2,240,000 have been discounted at a rate of 9.15%, the rate paid by the City for similar obligations on the date of issuance. At June 30, 2006, the discount amounted to \$76,073, resulting in a discounted amount owing of \$403,927.

The Iowa Finance Authority (IFA) has granted the City an interest-free loan in the amount of \$200,000 for the purpose of making housing rehabilitation loans to individuals. The IFA loan is being repaid over a fifteen-year period ending in 2008, utilizing repayments generated by the individual loans. At June 30, 2006, the balance owed under this note amounted to \$33,334.

The City of Davenport's Capital Improvement Program has been funded in part from general obligation bonds which are intended to be abated by user fees, special assessment collections, municipal improvement district taxes, and levee rents. The debt to be abated by user fees is accounted for in the Enterprise Funds in the amount of \$22,280,000. Debt abated by special assessment collections is accounted for in the governmental activities as Special Assessment Debt with Governmental Commitment in the amount of \$819,700. The debt to be abated by municipal improvement district taxes and levee rents is accounted for in the governmental activities in the amounts of \$1,227,000 and \$85,000 respectively. These abated bonds, including interest thereon, are included in the above schedule and represent a contingent liability against the City's full faith and credit. The general credit of the City is obligated only to the extent that user fees, special assessment collections or liens foreclosed against properties involved in the special assessment projects, municipal improvement district taxes, and levee rents are insufficient to retire outstanding bonds.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

In order to limit the liability of taxpayers, the State Constitution of Iowa imposes a limit on the amount of debt local governments may incur. Davenport's debt limitation is five (5) percent of its gross assessed valuation. This limitation applies to general obligation indebtedness and Tax Increment Financing agreements entered in to rebate taxes paid over time. At June 30, 2006, the statutory limit for the City was \$246,426,202, providing a debt margin of \$97,497,049.

Since 1976, the City has authorized the issuance of \$269,190,000 of industrial development revenue bonds under the provision of Chapter 419 of the Code of Iowa. There have not been any industrial development revenue bonds since 1993. The bonds and related interest are the sole responsibility of the issuers, and the bond principal and interest do not constitute liabilities of the City.

The annual requirements including interest (in thousands of dollars), to service long-term debt are as follows:

Year Ending June 30	Governmental Activities				Business-type Activities	
	General Obligation Bonds		Other Long Term Debt		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 11,877	\$ 5,093	\$ 136	\$ 37	\$ 2,098	\$ 939
2008	11,448	4,662	148	26	2,103	826
2009	10,336	4,165	153	13	1,594	776
2010	9,949	3,735	-	-	1,462	718
2011	9,341	3,346	-	-	1,379	630
2012-2016	40,209	10,561	-	-	7,740	2,537
2017-2021	18,570	3,290	-	-	5,904	907
2022-2025	5,715	638	-	-	-	-
Totals	117,445	35,490	437	76	22,280	7,333
Matured	30	4	-	-	-	-
Interest portion	-	(35,494)	-	(76)	-	(7,333)
	<u>\$ 117,475</u>	<u>\$ -</u>	<u>\$ 437</u>	<u>\$ -</u>	<u>\$ 22,280</u>	<u>\$ -</u>

10. RISK MANAGEMENT

The City is self-insured for the following types of risk exposures:

Health Benefits – The City has established an Employee Insurance Fund for insurance benefits provided to City employees and covered dependents, which is included in the Internal Service Fund type. Health benefits were self-insured up to a specific annual stop loss amount of \$150,000, and an aggregate annual stop loss amount of approximately \$9,780,000 for 2006. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by an independent claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims lag report provided by the third party administrator. No settlements exceeded insurance coverage for the past three fiscal years. There were no significant reductions in insurance coverage during the past year.

General and Auto Liability, Property, and Workers' Compensation – The City has established a Risk Management Fund for self-insurance related to general and automobile liability, property, and workers' compensation claims which is included in the Internal Service Fund type. Self-insurance was in effect up to individual stop loss amounts per occurrence of \$500,000 for general and auto liability, \$100,000 for property and \$350,000 for workers' compensation for 2006. Coverage from private insurers is maintained for losses in excess of the individual stop loss amounts. All claims handling procedures are performed by the risk management division of the finance department. Incurred but not reported claims have been accrued as a liability based upon an independent actuarial study. No settlements exceeded insurance coverage for the past three fiscal years. There were no significant reductions in insurance coverage during the past year.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

Changes in reported liabilities for the fiscal years ended June 30, 2005 and 2006 are summarized as follows:

	<u>Employee Insurance Fund</u>	<u>Risk Management Fund</u>	<u>Total</u>
Liabilities at July 1, 2004	\$ 1,048,667	\$ 3,023,030	\$ 4,071,697
Claims and changes in estimates during fiscal year 2005	9,698,711	2,661,050	12,359,761
Claim payments	<u>(9,884,393)</u>	<u>(1,875,275)</u>	<u>(11,759,668)</u>
Liabilities at June 30, 2005	862,985	3,808,805	4,671,790
Claims and changes in estimates during fiscal year 2006	9,857,564	2,354,651	12,212,215
Claim payments	<u>(9,589,301)</u>	<u>(2,992,246)</u>	<u>(12,581,547)</u>
Liabilities at June 30, 2006	<u>\$1,131,248</u>	<u>\$3,171,210</u>	<u>\$4,302,458</u>

11. CONTINGENCIES

A. Litigation

The City records liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. There are several lawsuits pending against the City for various reasons. Liability insurance covers many of the lawsuits for personal injury, property damage and civil rights violations presently pending against the City. Although the outcome of these lawsuits is not presently determinable, it is the opinion of management and counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position.

B. Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government.

Certain grant audits are currently in progress. Any disallowed claims, including amount already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although City management and counsel expect such amounts, if any, to be immaterial.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 (CONTINUED)**

12. RECENTLY ISSUED PRONOUNCEMENTS

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

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

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

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

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* issued September 2006, will be effective for the fiscal year ending June 30, 2008. This statement establishes standards for transactions in which a government received, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also establishes standards that apply to all 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.

CITY OF DAVENPORT

**GOVERNMENTAL AND PROPRIETARY FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL (BUDGETARY BASIS)**

Required Supplementary Information

For the Fiscal Year Ended June 30, 2006

	<u>GOVERNMENTAL FUNDS ACTUAL</u>	<u>PROPRIETARY FUNDS ACTUAL</u>	<u>TOTAL ACTUAL</u>
REVENUES:			
Taxes	\$ 67,228,850	\$ 2,905,895	\$ 70,134,745
Special assessments	50,590	-	50,590
Licenses and permits	1,623,543	-	1,623,543
Intergovernmental	19,729,182	1,669,214	21,398,396
Charges for services	3,490,189	36,868,898	40,359,087
Use of monies and property	3,010,775	1,012,019	4,022,794
Fines and forfeits	997,004	133,163	1,130,167
Loan repayments	594,829	-	594,829
Other	4,308,377	66,562	4,374,939
Total Revenues	<u>101,033,339</u>	<u>42,655,751</u>	<u>143,689,090</u>
EXPENDITURES:			
Current:			
Public safety	33,930,920	-	33,930,920
Public works	11,789,864	-	11,789,864
Culture and recreation	8,632,061	-	8,632,061
Community and economic development	10,016,894	-	10,016,894
General government	7,242,260	-	7,242,260
Capital outlay	31,196,883	-	31,196,883
Debt service:			
Principal retirement	13,049,158	-	13,049,158
Interest	4,816,787	-	4,816,787
Bond issuance costs	105,731	-	105,731
Business type activities	-	40,119,120	40,119,120
Total Expenditures	<u>120,780,558</u>	<u>40,119,120</u>	<u>160,899,678</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(19,747,219)</u>	<u>2,536,631</u>	<u>(17,210,588)</u>
OTHER FINANCING SOURCES, NET	<u>36,662,688</u>	<u>492,452</u>	<u>37,155,140</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	16,915,469	3,029,083	19,944,552
BALANCES BEGINNING OF YEAR	<u>44,506,562</u>	<u>19,957,672</u>	<u>64,464,234</u>
BALANCES END OF YEAR	<u>\$ 61,422,031</u>	<u>\$ 22,986,755</u>	<u>\$ 84,408,786</u>

<u>BUDGETED AMOUNTS</u>			FINAL TO ACTUAL VARIANCE
<u>ORIGINAL</u>	<u>FINAL</u>		
\$ 68,895,621	\$ 69,604,802	\$ 529,943	
175,000	175,000	(124,410)	
1,400,155	1,430,155	193,388	
16,118,972	29,736,900	(8,338,504)	
41,068,757	40,983,017	(623,930)	
2,212,028	5,610,996	(1,588,202)	
764,687	864,687	265,480	
-	-	594,829	
<u>8,723,478</u>	<u>6,983,665</u>	<u>(2,608,726)</u>	
<u>139,358,698</u>	<u>155,389,222</u>	<u>(11,700,132)</u>	
32,397,054	34,374,697	443,777	
12,906,907	13,425,247	1,635,383	
8,889,904	9,598,936	966,875	
8,926,253	13,333,599	3,316,705	
8,614,510	7,807,761	565,501	
48,378,000	77,036,140	45,839,257	
13,049,158	13,049,158	-	
4,874,136	4,816,787	-	
-	105,731	-	
<u>44,039,980</u>	<u>45,037,291</u>	<u>4,918,171</u>	
<u>182,075,902</u>	<u>218,585,347</u>	<u>57,685,669</u>	
<u>(42,717,204)</u>	<u>(63,196,125)</u>	<u>45,985,537</u>	
<u>36,663,000</u>	<u>36,106,000</u>	<u>1,049,140</u>	
(6,054,204)	(27,090,125)	47,034,677	
<u>64,464,234</u>	<u>64,464,234</u>	<u>-</u>	
<u>\$ 58,410,030</u>	<u>\$ 37,374,109</u>	<u>\$ 47,034,677</u>	

CITY OF DAVENPORT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY REPORTING
JUNE 30, 2006**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing for all funds. The City's governmental fund types are budgeted on a modified accrual basis of accounting in conformance with the accounting principles generally accepted in the United States of America (GAAP). Proprietary fund types are budgeted on full accrual basis, except bond proceeds, which are budgeted on a modified accrual basis, and depreciation, incurred but not reported insurance claims, loss on disposal, joint venture adjustment and capital contributions which are not budgeted. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Budget amendments are reflected in the final budgeted amounts.

Formal and legal budgetary control is based upon 8 major classes of expenditures known as functions, not by fund or fund type. These 8 functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function expenditures required to be budgeted include expenditures for General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Internal Service and Enterprise Funds. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted expenditures by \$36,509,445. These budget amendments are reflected in the final budgeted amounts.

	Budgetary Basis	Adjustments	Adjusted Basis
Revenues	\$ 143,689,090	-	\$ 143,689,090
Expenses	<u>160,899,678</u>	<u>6,442,431</u>	<u>167,342,109</u>
Net	(17,210,588)	(6,442,431)	(23,653,019)
Other financing sources, net	37,155,140	18,366,679	55,521,819
Beginning net assets	<u>64,464,234</u>	<u>97,021,339</u>	<u>161,485,573</u>
Ending net assets	\$ <u>84,408,786</u>	\$ <u>108,945,587</u>	\$ <u>193,354,373</u>

COMBINING STATEMENTS, AND SCHEDULES

Non-Major Governmental Funds

Road Use Tax Fund – Accounts for the revenue received from the State of Iowa Road Use Tax Fund, which is collected from motor vehicle registration, fuel tax and use tax, and related expenditures, which must relate to the construction, maintenance and supervision of public streets.

Community Development Act Fund – Accounts for expenditures relating to neighborhood improvements benefiting low and moderate income persons and economic development activities, which are reimbursed by the Federal Government under the Community Development Block Grant Program.

HUD Section 8 Fund – Accounts for expenditures to landlords under a federally funded rent subsidy program.

Levee Improvement Commission Fund – Accounts for the expenditure of rents received for the use of the Mississippi Riverfront property.

Municipal Improvement Districts Fund – Accounts for revenue generated by Self-supported Municipal Improvement Districts.

Revolving Loans Fund – Accounts for various Community and Economic Development revolving loans.

Home Investment Partnership Fund – Accounts for expenditures related to the rehabilitation or new construction of rental units, and the rehabilitation of first time homebuyer owner/occupied residential units.

Law Enforcement Block Grant Fund – Accounts for the expenditure of a U.S. Department of Justice grant awarded for the purpose of reducing crime and improving public safety.

HUD Grants – Accounts for the expenditures of U.S. Department of Housing and Urban Development cooperative agreement awarded for the purpose of educating and promoting fair housing practices, expenditures of support funding for nonprofit providers of services to the homeless, and expenditures of Economic Development Initiatives-Special Projects Grant.

Environmental Protection Agency – Accounts for the expenditures of an Environmental Protection Agency grant for Brownfields.

Tax Increment Financing (TIF) Districts Debt Service Fund – Accounts for the accumulation of resources for and the payment of principal and interest on general obligation debt representing the financing source for the City's various tax increment financing districts. Property tax revenue generated on increased assessed valuation within the TIF Districts are the resources accounted for in this fund.

CITY OF DAVENPORT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2006**

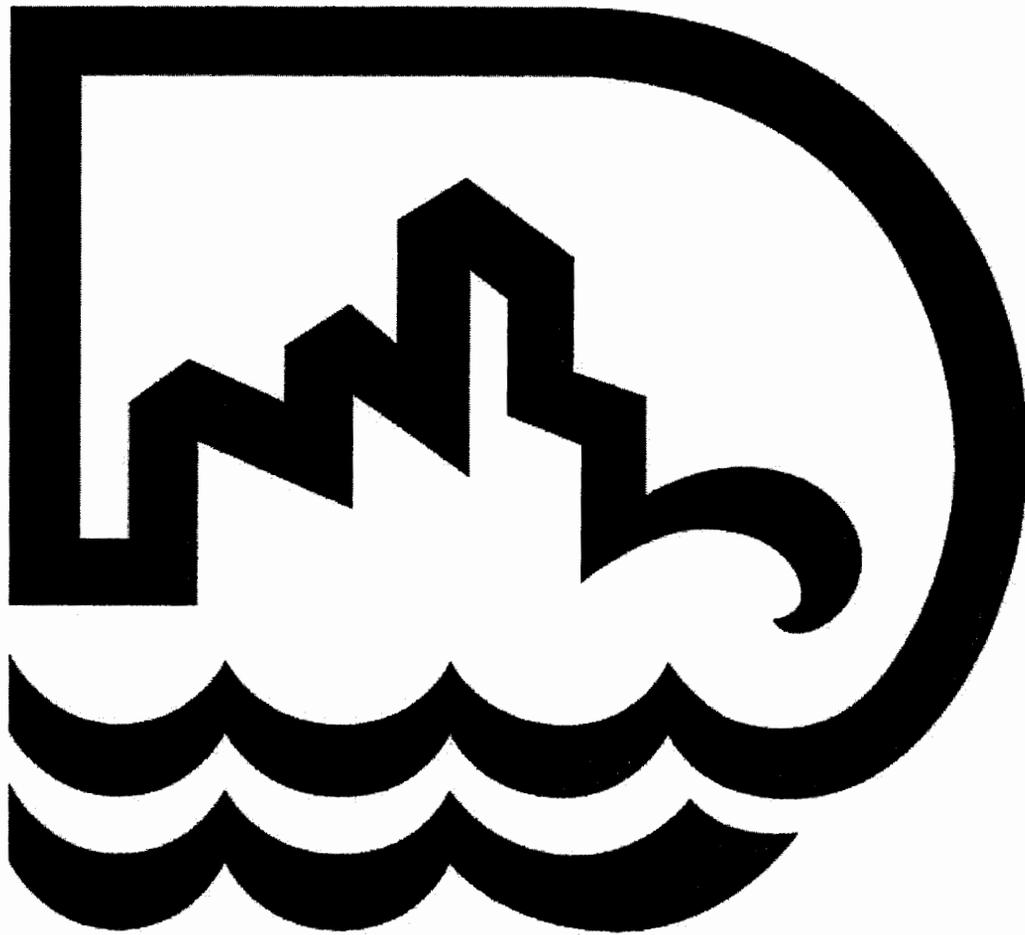
<u>ASSETS</u>	<u>ROAD USE TAX</u>	<u>COMMUNITY DEVELOPMENT ACT</u>	<u>HUD SECTION 8</u>	<u>LEVEE IMPROVEMENT COMMISSION</u>	<u>MUNICIPAL IMPROVEMENT DISTRICTS</u>
Cash and investments	\$ 5,584,699	\$ -	\$ 4,262	\$ 567,926	\$ 504,728
Receivables:					
Property taxes:					
Delinquent	-	-	-	-	38,646
Succeeding year	-	-	-	-	738,827
Accounts	8,448	-	-	31,680	-
Loans	-	1,318,098	-	850	-
Interest	-	1,291	-	4,033	4,433
Due from other governments	641,315	302,563	6,966	-	-
Prepays	-	-	-	450	-
Restricted assets-cash and investments	-	57,193	-	-	-
TOTAL ASSETS	<u>\$ 6,234,462</u>	<u>\$ 1,679,145</u>	<u>\$ 11,228</u>	<u>\$ 604,939</u>	<u>\$ 1,286,634</u>
<u>LIABILITIES AND FUND BALANCES</u>					
LIABILITIES:					
Wages payable	\$ 173,582	\$ 15,828	\$ 9,807	\$ 1,458	\$ -
Accounts payable	152,541	153,657	1,421	3,328	-
Payable from restricted assets	-	57,193	-	-	-
Interfund loans payable	47,399	54,058	-	-	-
Due to other governments	-	6,809	-	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	738,827
Other	-	1,318,098	-	14,207	9,495
Total Liabilities	<u>373,522</u>	<u>1,605,643</u>	<u>11,228</u>	<u>18,993</u>	<u>748,322</u>
FUND BALANCES:					
Reserved for encumbrances	399,953	73,502	-	2,262	-
Reserved for future projects	-	-	-	-	538,312
Reserved for loan applicants	-	-	-	-	-
Reserved for prepaid	-	-	-	450	-
Reserved for debt retirement	-	-	-	-	-
Unreserved:					
Designated for specific projects:					
Special revenue	64,952	-	-	20,005	-
Undesignated:					
Special revenue	5,396,035	-	-	563,229	-
Total Fund Balances	<u>5,860,940</u>	<u>73,502</u>	<u>-</u>	<u>585,946</u>	<u>538,312</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,234,462</u>	<u>\$ 1,679,145</u>	<u>\$ 11,228</u>	<u>\$ 604,939</u>	<u>\$ 1,286,634</u>

REVOLVING LOANS	HOME INVESTMENT PARTNERSHIP	LAW ENFORCEMENT BLOCK GRANT	HUD GRANTS	ENVIRONMENTAL PROTECTION AGENCY GRANT	TAX INCREMENT FINANCING DISTRICTS DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
\$ 1,040,367	\$ 643	\$ 68,496	\$ -	\$ -	\$ 1,198,315	\$ 8,969,436
-	-	-	-	-	101,508	140,154
-	-	-	-	-	2,941,487	3,680,314
-	-	-	-	-	-	40,128
1,091,624	5,116,482	-	-	-	-	7,527,054
8,233	-	890	223	-	7,054	26,157
-	149,833	-	363,377	1,429	-	1,465,483
-	-	-	-	-	-	450
-	-	-	-	-	-	57,193
<u>\$ 2,140,224</u>	<u>\$ 5,266,958</u>	<u>\$ 69,386</u>	<u>\$ 363,600</u>	<u>\$ 1,429</u>	<u>\$ 4,248,364</u>	<u>\$ 21,906,369</u>
\$ -	\$ 2,035	\$ -	\$ 3,307	\$ -	\$ -	\$ 206,017
-	148,441	2,703	36,330	-	-	498,421
-	-	-	-	-	-	57,193
-	-	-	278,056	1,429	-	380,942
-	-	-	-	-	-	6,809
-	-	-	-	-	2,941,487	3,680,314
1,091,624	5,116,482	-	36,033	-	63,405	7,649,344
<u>1,091,624</u>	<u>5,266,958</u>	<u>2,703</u>	<u>353,726</u>	<u>1,429</u>	<u>3,004,892</u>	<u>12,479,040</u>
-	-	-	4,215	-	-	479,932
-	-	-	-	-	-	538,312
1,048,600	-	-	-	-	-	1,048,600
-	-	-	-	-	-	450
-	-	-	-	-	1,243,472	1,243,472
-	-	-	-	-	-	84,957
-	-	66,683	5,659	-	-	6,031,606
<u>1,048,600</u>	<u>-</u>	<u>66,683</u>	<u>9,874</u>	<u>-</u>	<u>1,243,472</u>	<u>9,427,329</u>
<u>\$ 2,140,224</u>	<u>\$ 5,266,958</u>	<u>\$ 69,386</u>	<u>\$ 363,600</u>	<u>\$ 1,429</u>	<u>\$ 4,248,364</u>	<u>\$ 21,906,369</u>

CITY OF DAVENPORT**NON-MAJOR GOVERNMENTAL FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****For the Fiscal Year Ended June 30, 2006**

	ROAD USE TAX	COMMUNITY DEVELOPMENT ACT	HUD SECTION 8	LEVEE IMPROVEMENT COMMISSION	MUNICIPAL IMPROVEMENT DISTRICTS
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,067,406
Licenses and permits	25,766	-	-	-	-
Intergovernmental	8,228,042	1,840,616	2,470,588	-	-
Use of monies and property	476	71,860	-	286,275	23,382
Loan repayments	-	431,350	-	-	-
Other	6,096	65	1,747	37,118	-
Total Revenues	<u>8,260,380</u>	<u>2,343,891</u>	<u>2,472,335</u>	<u>323,393</u>	<u>1,090,788</u>
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Public works	7,873,605	-	-	-	-
Culture and recreation	-	-	-	30,378	-
Community and economic development	-	2,463,891	2,533,004	89,325	798,786
General government	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	25,002	155,194
Interest	-	-	-	5,925	68,580
Total Expenditures	<u>7,873,605</u>	<u>2,463,891</u>	<u>2,533,004</u>	<u>150,630</u>	<u>1,022,560</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>386,775</u>	<u>(120,000)</u>	<u>(60,669)</u>	<u>172,763</u>	<u>68,228</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	75,000	-	60,669	-	-
Transfers out	(413,160)	-	-	(60,242)	-
Total Other Financing Sources (Uses)	<u>(338,160)</u>	<u>-</u>	<u>60,669</u>	<u>(60,242)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	48,615	(120,000)	-	112,521	68,228
FUND BALANCES - BEGINNING	<u>5,812,325</u>	<u>193,502</u>	<u>-</u>	<u>473,425</u>	<u>470,084</u>
FUND BALANCES - ENDING	<u>\$ 5,860,940</u>	<u>\$ 73,502</u>	<u>\$ -</u>	<u>\$ 585,946</u>	<u>\$ 538,312</u>

<u>REVOLVING LOANS</u>	<u>HOME INVESTMENT PARTNERSHIP</u>	<u>LAW ENFORCEMENT BLOCK GRANT</u>	<u>HUD GRANTS</u>	<u>ENVIRONMENTAL PROTECTION AGENCY GRANT</u>	<u>TAX INCREMENT FINANCING DISTRICTS DEBT SERVICE</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,986,306	\$ 4,053,712
-	-	-	-	-	-	25,766
-	608,760	-	271,985	54,144	-	13,474,135
49,090	89,400	4,694	1,175	-	46,462	572,814
65,167	98,312	-	-	-	-	594,829
-	-	-	-	-	-	45,026
<u>114,257</u>	<u>796,472</u>	<u>4,694</u>	<u>273,160</u>	<u>54,144</u>	<u>3,032,768</u>	<u>18,766,282</u>
-	-	174,980	-	-	-	174,980
-	-	-	-	-	-	7,873,605
-	-	8,879	-	-	-	39,257
155,651	796,472	-	197,075	54,144	502,252	7,590,600
-	-	-	149,266	-	-	149,266
13,333	-	-	-	-	1,651,874	1,845,403
-	-	-	-	-	826,369	900,874
<u>168,984</u>	<u>796,472</u>	<u>183,859</u>	<u>346,341</u>	<u>54,144</u>	<u>2,980,495</u>	<u>18,573,985</u>
(54,727)	-	(179,165)	(73,181)	-	52,273	192,297
-	-	-	-	-	3,321	138,990
-	-	-	-	-	(24,500)	(497,902)
-	-	-	-	-	(21,179)	(358,912)
(54,727)	-	(179,165)	(73,181)	-	31,094	(166,615)
<u>1,103,327</u>	<u>-</u>	<u>245,848</u>	<u>83,055</u>	<u>-</u>	<u>1,212,378</u>	<u>9,593,944</u>
<u>\$ 1,048,600</u>	<u>\$ -</u>	<u>\$ 66,683</u>	<u>\$ 9,874</u>	<u>\$ -</u>	<u>\$ 1,243,472</u>	<u>\$ 9,427,329</u>



Non-Major Enterprise Funds

Public Housing Fund – Accounts for revenue and expenses associated with the Heritage High-Rise housing facility for the elderly, handicapped and disabled and for the Public Housing units for the low-income families. A Federal Housing and Urban Development (HUD) subsidy provides support for the Heritage High-Rise.

Golf Course Fund – Accounts for revenue and expenses associated with operation of the City's four golf courses, Duck Creek, Emeis, Credit Island and Red Hawk.

Airport Fund – Accounts for revenue and expenses associated with operation of the Davenport Airport, a reliever airport for the Quad City Airport. Rental income is obtained from the leasing of surrounding farmland, as well as hangar spaces at the airport.

Public Transit Fund – Accounts for revenue and expenses associated with the City's fixed route transit system, demand response transit and the ground transportation terminal, known as the TransitCenter. Revenue is generated mainly from a transit property tax, federal and state operating and capital grants, user fees, and miscellaneous rentals at the TransitCenter.

Solid Waste Fund – Accounts for revenue and expenses associated with the City's collection of solid waste, bulky waste, yard waste and curbside recycling programs.

Clean Water Fund – Accounts for revenue and expenses related to the operation and maintenance of the storm water collection system including inspections, mapping, drainage maintenance, street sweeping and other activities related to clean water activities.

CITY OF DAVENPORT**NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2006**

ASSETS	BUSINESS-TYPE ACTIVITIES -		
	PUBLIC HOUSING	GOLF COURSES	AIRPORT
Current assets:			
Cash and cash equivalents	\$ 495,541	\$ -	\$ 97,730
Receivables:			
Property taxes:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	11,018	13,720	1,034
Interest	3,787	3,018	715
Due from other governments	-	-	-
Prepays	-	9,328	-
Restricted cash and cash equivalents	26,695	275,620	-
Total current assets	<u>537,041</u>	<u>301,686</u>	<u>99,479</u>
Noncurrent assets:			
Deferred charges	4,546	2,903	4,333
Investment in joint venture	-	-	-
Capital assets:			
Land	526,071	1,272,122	749,356
Buildings	7,112,311	197,232	2,187,994
Improvements other than buildings	-	2,595,425	6,373,567
Equipment and vehicles	48,410	1,064,814	170,951
Paving	91,765	-	-
Storm sewers			
less accumulated depreciation	(4,023,419)	(2,241,465)	(4,598,653)
Construction in progress	295,071	32,146	100,060
Total noncurrent assets	<u>4,054,755</u>	<u>2,923,177</u>	<u>4,987,608</u>
Total assets	<u>4,591,796</u>	<u>3,224,863</u>	<u>5,087,087</u>
LIABILITIES			
LIABILITIES:			
Current liabilities:			
Wages payable	3,333	52,541	1,765
Accounts payable	8,444	70,431	3,782
Accrued interest payable	2,756	974	622
Compensated absences	4,622	44,820	205
Interfund loans payable	-	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	2,385	-	-
General obligation bonds - current	70,000	155,000	10,000
Total current liabilities	<u>91,540</u>	<u>323,766</u>	<u>16,374</u>
Current liabilities payable from restricted assets:			
Deposits payable	26,695	-	-
Noncurrent liabilities:			
Compensated absences	484	4,689	21
General obligation bonds - long term	613,518	163,584	184,688
Total noncurrent liabilities	<u>614,002</u>	<u>168,273</u>	<u>184,709</u>
Total liabilities	<u>732,237</u>	<u>492,039</u>	<u>201,083</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,371,237	2,604,593	4,792,920
Unrestricted	488,322	128,231	93,084
Total net assets	<u>\$ 3,859,559</u>	<u>\$ 2,732,824</u>	<u>\$ 4,886,004</u>

ENTERPRISE FUNDS

PUBLIC TRANSIT	SOLID WASTE	CLEAN WATER	TOTAL NON-MAJOR ENTERPRISE FUNDS
\$ -	\$ -	\$ 14,700	\$ 607,971
71,659	-	-	71,659
2,997,126	-	-	2,997,126
425	1,339,946	559,280	1,925,423
-	-	-	7,520
738,697	-	-	738,697
-	-	-	9,328
-	-	-	302,315
<u>3,807,907</u>	<u>1,339,946</u>	<u>573,980</u>	<u>6,660,039</u>
-	-	-	11,782
623,365	-	-	623,365
1,599,288	-	-	4,146,837
3,929,427	-	-	13,426,964
-	-	-	8,968,992
4,708,789	3,418,579	-	9,411,543
-	-	-	91,765
-	-	16,255,280	16,255,280
(4,288,414)	(2,072,359)	(5,595,499)	(22,819,809)
37,779	-	-	465,056
<u>6,610,234</u>	<u>1,346,220</u>	<u>10,659,781</u>	<u>30,581,775</u>
<u>10,418,141</u>	<u>2,686,166</u>	<u>11,233,761</u>	<u>37,241,814</u>
64,555	63,795	23,441	209,430
122,620	139,734	23,825	368,836
-	-	-	4,352
46,157	101,893	65,362	263,059
481,438	381,470	-	862,908
2,997,126	-	-	2,997,126
15,299	-	-	17,684
-	-	-	235,000
<u>3,727,195</u>	<u>686,892</u>	<u>112,628</u>	<u>4,958,395</u>
-	-	-	26,695
4,828	10,659	6,837	27,518
-	-	-	961,790
<u>4,828</u>	<u>10,659</u>	<u>6,837</u>	<u>989,308</u>
<u>3,732,023</u>	<u>697,551</u>	<u>119,465</u>	<u>5,974,398</u>
5,986,869	1,346,220	10,659,781	28,761,620
699,249	642,395	454,515	2,505,796
<u>\$6,686,118</u>	<u>\$ 1,988,615</u>	<u>\$ 11,114,296</u>	<u>\$ 31,267,416</u>

CITY OF DAVENPORT**NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2006**

	<u>BUSINESS-TYPE ACTIVITIES -</u>		
	<u>PUBLIC HOUSING</u>	<u>GOLF COURSES</u>	<u>AIRPORT</u>
OPERATING REVENUES:			
Charges for services	\$ 334,919	\$ 2,358,403	\$ 173,624
Other	37,291	741	19,091
Total Operating Revenues	<u>372,210</u>	<u>2,359,144</u>	<u>192,715</u>
OPERATING EXPENSES:			
Employee expenses	98,285	1,069,501	27,890
Supplies and services	621,553	923,458	158,155
Depreciation	230,005	197,538	300,388
Total Operating Expenses	<u>949,843</u>	<u>2,190,497</u>	<u>486,433</u>
OPERATING INCOME (LOSS)	<u>(577,633)</u>	<u>168,647</u>	<u>(293,718)</u>
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	-	-
Operating grants	576,070	-	7,644
Use of monies and property	23,722	16,055	46,770
Interest expense	(36,871)	(18,425)	(8,121)
Gain (loss) on disposition of capital assets	-	-	-
Joint venture adjustment	-	-	-
Total Non-operating Revenues (Expenses)	<u>562,921</u>	<u>(2,370)</u>	<u>46,293</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(14,712)</u>	<u>166,277</u>	<u>(247,425)</u>
Capital contributions	190,382	9,019	411,080
Transfers out	(60,669)	-	-
Change in net assets	<u>115,001</u>	<u>175,296</u>	<u>163,655</u>
Total net assets - beginning	<u>3,744,558</u>	<u>2,557,528</u>	<u>4,722,349</u>
Total net assets - ending	<u>\$ 3,859,559</u>	<u>\$ 2,732,824</u>	<u>\$ 4,886,004</u>

ENTERPRISE FUNDS

<u>PUBLIC TRANSIT</u>	<u>SOLID WASTE</u>	<u>CLEAN WATER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>
\$ 449,091	\$ 3,777,700	\$ 1,609,020	\$ 8,702,757
-	288	-	57,411
<u>449,091</u>	<u>3,777,988</u>	<u>1,609,020</u>	<u>8,760,168</u>
2,037,617	2,053,135	859,591	6,146,019
2,365,233	1,876,146	208,138	6,152,683
396,080	193,061	528,384	1,845,456
<u>4,798,930</u>	<u>4,122,342</u>	<u>1,596,113</u>	<u>14,144,158</u>
<u>(4,349,839)</u>	<u>(344,354)</u>	<u>12,907</u>	<u>(5,383,990)</u>
2,905,895	-	-	2,905,895
1,085,500	-	-	1,669,214
15,124	-	-	101,671
-	(7,803)	(11,776)	(82,996)
-	(32,207)	-	(32,207)
4,701	-	-	4,701
<u>4,011,220</u>	<u>(40,010)</u>	<u>(11,776)</u>	<u>4,566,278</u>
(338,619)	(384,364)	1,131	(817,712)
3,745	1,068,848	11,188,165	12,871,239
-	-	(75,000)	(135,669)
<u>(334,874)</u>	<u>684,484</u>	<u>11,114,296</u>	<u>11,917,858</u>
<u>7,020,992</u>	<u>1,304,131</u>	<u>-</u>	<u>19,349,558</u>
<u>\$ 6,686,118</u>	<u>\$ 1,988,615</u>	<u>\$ 11,114,296</u>	<u>\$ 31,267,416</u>

CITY OF DAVENPORT**NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006**

	BUSINESS-TYPE ACTIVITIES -		
	PUBLIC HOUSING	GOLF COURSES	AIRPORT
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from users	\$ 341,297	\$ 2,357,542	\$ 174,094
Cash paid to suppliers for goods and services	(629,732)	(913,784)	(158,313)
Cash paid to employees for services	(98,489)	(1,070,013)	(27,444)
Other operating revenue	37,291	741	19,091
Net Cash Provided by (Used for) Operating Activities	<u>(349,633)</u>	<u>374,486</u>	<u>7,428</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Repayments to other funds	-	-	(23,041)
Advances from other funds	-	-	-
Operating grants	576,070	-	7,644
Property tax	-	-	-
Transfers out	(60,669)	-	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>515,401</u>	<u>-</u>	<u>(15,397)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(112,094)	(125,624)	(56,913)
Principal paid on long-term debt	(70,000)	(155,000)	(10,000)
Interest paid on long-term debt	(36,394)	(16,912)	(7,817)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(218,488)</u>	<u>(297,536)</u>	<u>(74,730)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and investment income	<u>22,513</u>	<u>14,799</u>	<u>47,043</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(30,207)	91,749	(35,656)
CASH AND CASH EQUIVALENTS-BEGINNING	<u>552,443</u>	<u>183,871</u>	<u>133,386</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 522,236</u>	<u>\$ 275,620</u>	<u>\$ 97,730</u>

ENTERPRISE FUNDS

<u>PUBLIC TRANSIT</u>	<u>SOLID WASTE</u>	<u>CLEAN WATER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>
\$ 54,510	\$ 3,621,254	\$ 1,049,740	\$ 7,598,437
(2,307,544)	(1,832,831)	(184,313)	(6,026,517)
(2,026,207)	(2,042,498)	(763,951)	(6,028,602)
-	288	-	57,411
<u>(4,279,241)</u>	<u>(253,787)</u>	<u>101,476</u>	<u>(4,399,271)</u>
(152,085)	(127,683)	(11,776)	(314,585)
481,438	381,470	-	862,908
1,085,500	-	-	1,669,214
2,902,024	-	-	2,902,024
-	-	(75,000)	(135,669)
<u>4,316,877</u>	<u>253,787</u>	<u>(86,776)</u>	<u>4,983,892</u>
(52,760)	-	-	(347,391)
-	-	-	(235,000)
-	-	-	(61,123)
<u>(52,760)</u>	<u>-</u>	<u>-</u>	<u>(643,514)</u>
<u>15,124</u>	<u>-</u>	<u>-</u>	<u>99,479</u>
-	-	14,700	40,586
-	-	-	869,700
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,700</u>	<u>\$ 910,286</u>

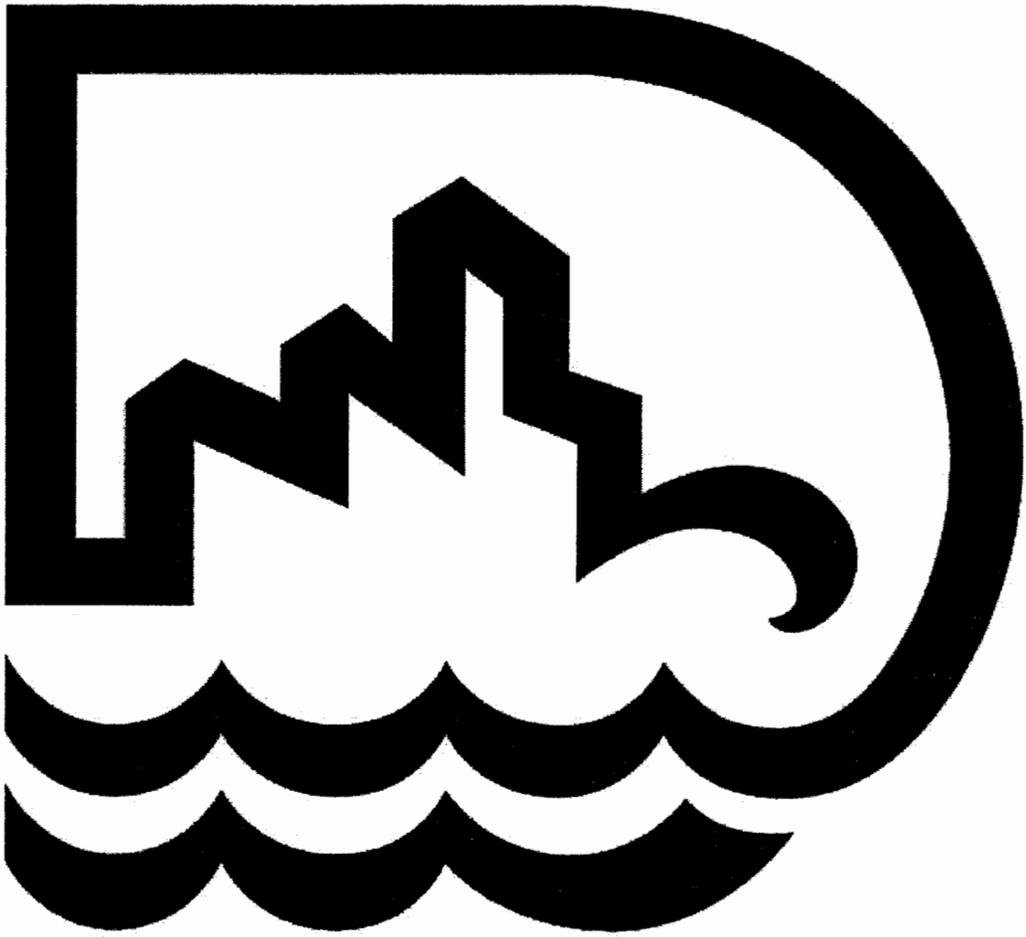
(continued)

CITY OF DAVENPORT**NON-MAJOR ENTERPRISE FUNDS (CONTINUED)
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006**

	BUSINESS-TYPE ACTIVITIES -		
	<u>PUBLIC HOUSING</u>	<u>GOLF COURSES</u>	<u>AIRPORT</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (577,633)	\$ 168,647	\$ (293,718)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	230,005	197,538	300,388
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(6,950)	(861)	470
Decrease (increase) in due from other governments	13,328	-	-
Decrease (increase) in prepaids	-	(9,328)	-
Increase (decrease) in accounts payable	(8,179)	19,002	(158)
Increase (decrease) in other accrued liabilities	(204)	(512)	446
Increase (decrease) in other deferred revenue	-	-	-
Total Adjustments	<u>228,000</u>	<u>205,839</u>	<u>301,146</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (349,633)</u>	<u>\$ 374,486</u>	<u>\$ 7,428</u>
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Acquisition of capital assets	\$ (190,382)	\$ (9,019)	\$ (411,080)
Contribution of capital assets by subdividers	-	-	-
Contribution of capital assets by municipality	182,977	9,019	24,735
Contribution of capital assets by state and federal governments	7,405	-	386,345

ENTERPRISE FUNDS

<u>PUBLIC TRANSIT</u>	<u>SOLID WASTE</u>	<u>CLEAN WATER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>
<u>\$ (4,349,839)</u>	<u>\$ (344,354)</u>	<u>\$ 12,907</u>	<u>\$ (5,383,990)</u>
396,080	193,061	528,384	1,845,456
3,106	(156,446)	(559,280)	(719,961)
(379,076)	-	-	(365,748)
-	-	-	(9,328)
57,689	43,315	23,825	135,494
11,410	10,637	95,640	117,417
(18,611)	-	-	(18,611)
<u>70,598</u>	<u>90,567</u>	<u>88,569</u>	<u>984,719</u>
<u>\$ (4,279,241)</u>	<u>\$ (253,787)</u>	<u>\$ 101,476</u>	<u>\$ (4,399,271)</u>
\$ (3,745)	\$ (1,068,848)	\$ (11,188,165)	\$ (12,871,239)
-	-	341,607	341,607
3,745	1,068,848	10,846,558	12,135,882
-	-	-	393,750



Internal Service Funds

Employee Insurance Fund – Accounts for the revenue received from employee and employer contributions and expenses for insurance premiums, administrative fees, and health claims related to the City’s protected employee benefit program. Transfers from other City funds, determined on an actuarial basis, are accounted for as revenue in this fund.

Risk Management Fund – Accounts for liability, property and worker’s compensation insurance premiums, claims and administrative fees of the City’s protected self-insurance program. Transfers from other City funds, determined on an actuarial basis, are accounted for as revenue in this fund.

Information Management Services Fund – Accounts for the accumulation and allocation of costs associated with information technology.

CITY OF DAVENPORT**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2006**

ASSETS	EMPLOYEE INSURANCE	RISK MANAGEMENT	INFORMATION MANAGEMENT SERVICES	TOTAL INTERNAL SERVICE FUNDS
Current assets:				
Cash and cash equivalents	\$ 3,709,421	\$ 2,667,201	\$ 212,572	\$ 6,589,194
Accounts receivable	93,335	630	407	94,372
Interest receivable	28,531	30,982	-	59,513
Due from other governments	-	-	1,310	1,310
Prepays	-	31,573	88,361	119,934
Total current assets	<u>3,831,287</u>	<u>2,730,386</u>	<u>302,650</u>	<u>6,864,323</u>
Noncurrent assets:				
Equipment and vehicles	-	-	1,515,614	1,515,614
Less accumulated depreciation	-	-	(1,280,493)	(1,280,493)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>235,121</u>	<u>235,121</u>
Total assets	<u>3,831,287</u>	<u>2,730,386</u>	<u>537,771</u>	<u>7,099,444</u>
LIABILITIES				
LIABILITIES:				
Current liabilities:				
Wages payable	1,084	18,423	24,035	43,542
Accounts payable	120,864	274,304	45,926	441,094
Compensated absences	509	43,294	42,821	86,624
Claims and judgments	1,131,248	3,171,210	-	4,302,458
Total current liabilities	<u>1,253,705</u>	<u>3,507,231</u>	<u>112,782</u>	<u>4,873,718</u>
Noncurrent liabilities:				
Compensated absences	53	4,529	4,479	9,061
Total liabilities	<u>1,253,758</u>	<u>3,511,760</u>	<u>117,261</u>	<u>4,882,779</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	-	235,121	235,121
Unrestricted	2,577,529	(781,374)	185,389	1,981,544
Total net assets	<u>\$ 2,577,529</u>	<u>\$ (781,374)</u>	<u>\$ 420,510</u>	<u>\$ 2,216,665</u>

CITY OF DAVENPORT

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the Fiscal Year Ended June 30, 2006

	<u>EMPLOYEE INSURANCE</u>	<u>RISK MANAGEMENT</u>	<u>INFORMATION MANAGEMENT SERVICES</u>	<u>TOTAL INTERNAL SERVICE FUNDS</u>
OPERATING REVENUES:				
Charges for services	\$ 10,556,697	\$ 3,275,822	\$ 1,307,714	\$ 15,140,233
Other	566	265	145	976
Total Operating Revenues	<u>10,557,263</u>	<u>3,276,087</u>	<u>1,307,859</u>	<u>15,141,209</u>
OPERATING EXPENSES:				
Employee expenses	32,312	552,018	675,164	1,259,494
Supplies and services	10,733,066	2,636,055	632,111	14,001,232
Depreciation	-	-	108,058	108,058
Total Operating Expenses	<u>10,765,378</u>	<u>3,188,073</u>	<u>1,415,333</u>	<u>15,368,784</u>
OPERATING INCOME (LOSS)	(208,115)	88,014	(107,474)	(227,575)
NON-OPERATING REVENUES (EXPENSES):				
Use of monies and property	<u>150,484</u>	<u>163,411</u>	<u>-</u>	<u>313,895</u>
Change in net assets	(57,631)	251,425	(107,474)	86,320
Total net assets - beginning	<u>2,635,160</u>	<u>(1,032,799)</u>	<u>527,984</u>	<u>2,130,345</u>
Total net assets - ending	<u>\$ 2,577,529</u>	<u>\$ (781,374)</u>	<u>\$ 420,510</u>	<u>\$ 2,216,665</u>

CITY OF DAVENPORT**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006**

	<u>EMPLOYEE INSURANCE</u>	<u>RISK MANAGEMENT</u>	<u>INFORMATION MANAGEMENT SERVICES</u>	<u>TOTAL INTERNAL SERVICE FUNDS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from users	\$ 10,564,114	\$ 3,279,559	\$ 1,311,009	\$ 15,154,682
Cash paid to suppliers for goods and services	(10,502,274)	(3,055,286)	(712,203)	(14,269,763)
Cash paid to employees for services	(31,927)	(542,993)	(660,819)	(1,235,739)
Other operating revenue	566	265	145	976
Net Cash Provided by (Used for) Operating Activities	<u>30,479</u>	<u>(318,455)</u>	<u>(61,868)</u>	<u>(349,844)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	-	-	(47,573)	(47,573)
Net Cash Provided by (Used for) Non-Capital Financing Activities	-	-	<u>(47,573)</u>	<u>(47,573)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and investment income	<u>145,202</u>	<u>155,249</u>	-	<u>300,451</u>
Net Increase (Decrease) in Cash and Cash Equivalents	175,681	(163,206)	(109,441)	(96,966)
CASH AND CASH EQUIVALENTS- BEGINNING	<u>3,533,740</u>	<u>2,830,407</u>	<u>322,013</u>	<u>6,686,160</u>
CASH AND CASH EQUIVALENTS- ENDING	<u>\$ 3,709,421</u>	<u>\$ 2,667,201</u>	<u>\$ 212,572</u>	<u>\$ 6,589,194</u>

CITY OF DAVENPORT**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006 (Continued)**

	<u>EMPLOYEE INSURANCE</u>	<u>RISK MANAGEMENT</u>	<u>INFORMATION MANAGEMENT SERVICES</u>	<u>TOTAL INTERNAL SERVICE FUNDS</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (208,115)	\$ 88,014	\$ (107,474)	\$ (227,575)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	-	-	108,058	108,058
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	7,417	3,737	3,295	14,449
Decrease (increase) in prepaids	-	687	(88,361)	(87,674)
Increase (decrease) in accounts payable	230,952	(417,320)	12,747	(173,621)
Increase (decrease) in other accrued liabilities	225	6,427	9,867	16,519
Total Adjustments	<u>238,594</u>	<u>(406,469)</u>	<u>45,606</u>	<u>(122,269)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 30,479</u>	<u>\$ (318,455)</u>	<u>\$ (61,868)</u>	<u>\$ (349,844)</u>

Fiduciary Fund Types

Riverfront Task Force Fund – Accounts for receipts of donations to be used toward the formation of a plan for riverfront development.

Library Gift Fund – Accounts for donations to the Davenport Library and disbursements, which include the purchase of books, periodicals and equipment as authorized by the Library Board of Directors.

M.D. Petersen Memorial Fund – Accounts for an annual contribution from the Petersen estate and the disbursement for improvements designated by the Davenport Levee Improvement Commission.

CITY OF DAVENPORT**ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2006**

	BALANCE JULY 1, 2005	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2006
RIVERFRONT TASK FORCE				
ASSETS:				
Cash and investments	\$ 4,979	\$ 180	\$ 2,000	\$ 3,159
Interest receivable	28	35	28	35
TOTAL ASSETS	\$ 5,007	\$ 215	\$ 2,028	\$ 3,194
LIABILITIES:				
Due to other governments	\$ 5,007	\$ 215	\$ 2,028	\$ 3,194
LIBRARY GIFT				
ASSETS:				
Cash and investments	\$ 334,644	\$ 495,333	\$ 598,128	\$ 231,849
Interest receivable	2,016	3,216	2,016	3,216
TOTAL ASSETS	\$ 336,660	\$ 498,549	\$ 600,144	\$ 235,065
LIABILITIES:				
Accounts payable	\$ 40,407	\$ 70,807	\$ 110,199	\$ 1,015
Due to other governments	296,253	427,742	489,945	234,050
TOTAL LIABILITIES	\$ 336,660	\$ 498,549	\$ 600,144	\$ 235,065
M.D. PETERSEN MEMORIAL				
ASSETS:				
Cash and investments	\$ 5,045	\$ 1,814	\$ 5,182	\$ 1,677
Interest receivable	42	23	42	23
TOTAL ASSETS	\$ 5,087	\$ 1,837	\$ 5,224	\$ 1,700
LIABILITIES:				
Accounts payable	\$ 5,045	\$ 843	\$ 5,182	\$ 706
Due to other governments	42	994	42	994
TOTAL LIABILITIES	\$ 5,087	\$ 1,837	\$ 5,224	\$ 1,700
TOTALS - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 344,668	\$ 497,327	\$ 605,310	\$ 236,685
Interest receivable	2,086	3,274	2,086	3,274
TOTAL ASSETS	\$ 346,754	\$ 500,601	\$ 607,396	\$ 239,959
LIABILITIES:				
Accounts payable	\$ 45,452	\$ 71,650	\$ 115,381	\$ 1,721
Due to other governments	301,302	428,951	492,015	238,238
TOTAL LIABILITIES	\$ 346,754	\$ 500,601	\$ 607,396	\$ 239,959

CITY OF DAVENPORT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

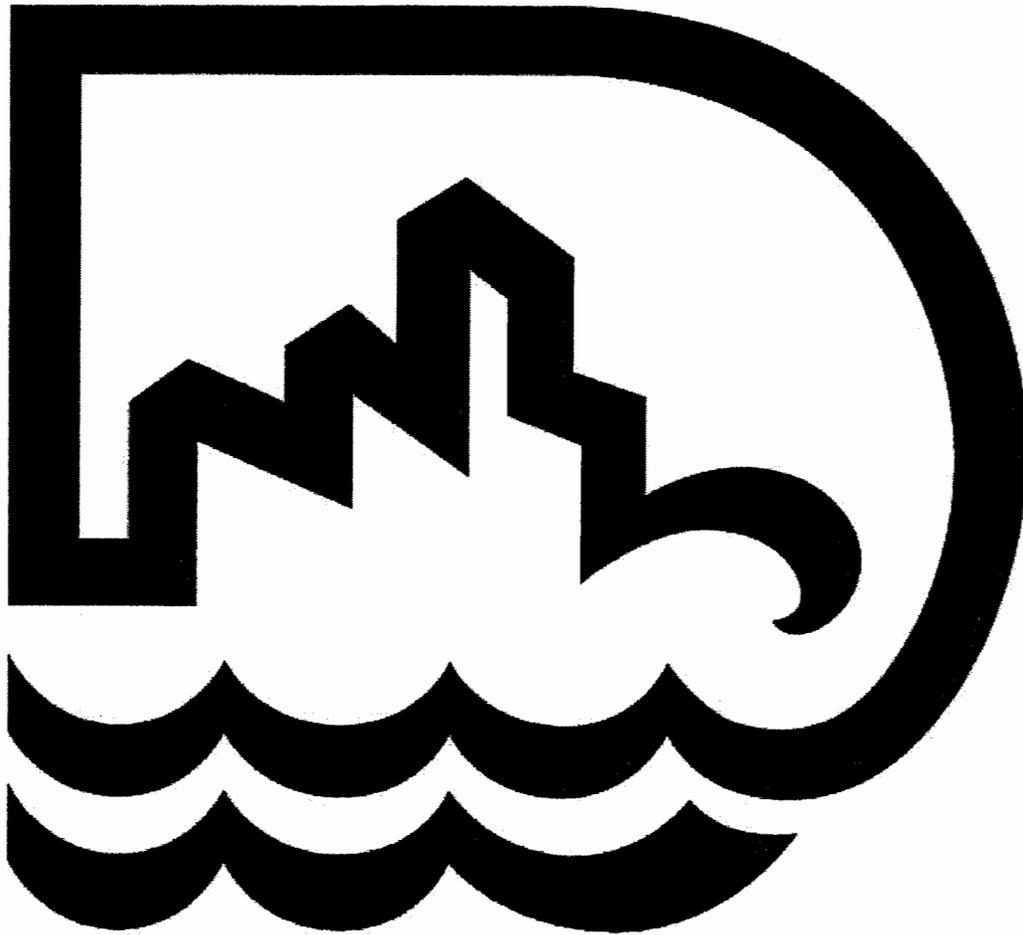
<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>EXPENDITURES</u>
Direct:			
<u>Department of Housing and Urban Development (HUD)</u>			
Community Development Block Grants/Entitlement			
Grants	14.218	BOXMC190002	\$ 2,463,890
HOME Investment Partnerships Program	14.239	MOXMC190200	796,473
Fair Housing Assistance Program	14.401	FF207K047015	37,295
Fair Housing Assistance Program	14.401	FF207K057015	59,580
Fair Housing Assistance Program	14.401	FF207K067015	52,391
			149,266
EDI Special Projects	14.246	B02SPIA0174	19,902
EDI Special Projects	14.246	B03SPIA0194	16,131
			36,033
Public and Indian Housing	14.850	KC9148	105,247
Public and Indian Housing	14.850	KC76237	424,515
			529,762
Public Housing - Capital Fund Program	14.872	KC9148	66,436
Section 8 Housing Choice Vouchers	14.871	KC9027V	2,470,588
<u>Department of Transportation</u>			
Federal Transit - Formula Grants	20.507	IA-90-X249	11,524
Federal Transit - Formula Grants	20.507	IA-90-X278	147,716
Federal Transit - Formula Grants	20.507	IA-90-X297	45,205
Federal Transit - Formula Grants	20.507	IA-90-X290	36,411
Federal Transit - Formula Grants	20.507	IA-90-X313	503,973
			744,829
Airport Improvement Program	20.106	3-19-0024-11	60,561
Airport Improvement Program	20.106	3-19-0024-12	444,882
			505,443
<u>Department of Justice</u>			
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-0915	50,234
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0429	133,624
			183,858
Alcohol, Tobacco and Firearms Training Assistance	16.012		5,960
Bulletproof Vest Partnership Program	16.607		12,751
Drug Enforcement	N/A	NC-IAS-039	8,484
<u>Environmental Protection Agency</u>			
Brownfields Pilot Partnership	66.811	BP987051-01	54,144
Surveys, Studies, Investigations and Special Purpose Grants	66.606	XP987584 01	189,142
<u>Department of Homeland Security</u>			
Assistance to Firefighters	97.044	EMW-2004-FG-17917	223,988
Disaster Assistance Program	97.088	HSFEEM-06-P-5690	48,411
			272,399
Total Direct			\$ 8,489,458

CITY OF DAVENPORT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>EXPENDITURES</u>
Indirect:			
<u>Department of Economic Development</u>			
Emergency Shelter Grant Program	14.231	05-ES-008	<u>\$ 151,854</u>
<u>Department of Transportation</u>			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	STP-U-1827(15)--70-82	1,340,245
Highway Planning and Construction	20.205	STP-U-1827(627)--70-82	10,000
Highway Planning and Construction	20.205	STP-U-1827(628)--70-82	170,096
Highway Planning and Construction	20.205	STP-U-1827(637)--70-82	532,000
Highway Planning and Construction	20.205	STP-U-1827(638)--8V-82	240,000
			<u>\$ 2,292,341</u>
<u>Federal Emergency Management Agency</u>			
Iowa Department of Public Defense:			
Hazard Mitigation Grant	97.039	1367-0001	<u>\$ 116,146</u>
<u>National Highway Traffic Safety Administration</u>			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 05-04 TASK 10	10,971
State and Community Highway Safety	20.600	PAP 05-163 TASK 21	4,583
State and Community Highway Safety	20.600	PAP 06-04 TASK 10	12,123
State and Community Highway Safety	20.600	PAP 06-163 TASK 19	4,212
			<u>31,889</u>
<u>Department of Justice</u>			
Governor's Office of Drug Control Policy:			
Edward Byrne Memorial Justice Assistance Grant	16.738	2005DJBX0442	<u>133,267</u>
Juvenile Accountability Incentive Block Grant	16.523	36-JD03-F504	<u>33,410</u>
Antiterrorism Emergency Reserve	16.321		<u>317</u>
Community Prosecution and Project Safe Neighborhood	16.609 16.609	03-SD05 03S-SD05	<u>21,737</u> <u>15,111</u>
			<u>36,848</u>
			<u>203,842</u>
<u>Department of Homeland Security</u>			
Scott County, Iowa			
State Domestic Preparedness Equipment Support Program	97.004	ODP-2003-MU-TE-0056	3,383
Disaster Grants - Public Assistance Presidentially Declared Disasters	97.036		<u>136,545</u>
			<u>139,928</u>
Total Indirect			<u>2,936,000</u>
Total			<u>\$ 11,425,458</u>

N/A = Not Available



STATISTICAL SECTION

CITY OF DAVENPORT

NET ASSETS BY COMPONENT,
LAST FOUR FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2006	2005	2004	2003
Governmental activities				
Invested in capital assets, net of related debt	\$ 68,823,065	\$ 88,164,547	\$ 77,077,585	\$ 72,111,446
Restricted	52,997,137	35,494,223	40,472,202	41,416,734
Unrestricted	6,977,388	5,903,723	5,574,170	4,568,399
Total governmental activities net assets	<u>\$ 128,797,590</u>	<u>\$ 129,562,493</u>	<u>\$ 123,123,957</u>	<u>\$ 118,096,579</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 114,960,736	\$ 100,497,072	\$ 91,650,821	\$ 93,049,920
Unrestricted	14,110,629	13,644,118	21,741,675	18,449,449
Total business-type activities net assets	<u>\$ 129,071,365</u>	<u>\$ 114,141,190</u>	<u>\$ 113,392,496</u>	<u>\$ 111,499,369</u>
Primary government				
Invested in capital assets, net of related debt	\$ 183,783,801	\$ 188,661,619	\$ 168,728,406	\$ 165,161,366
Restricted	52,997,137	35,494,223	40,472,202	41,416,734
Unrestricted	21,088,017	19,547,841	27,315,845	23,017,848
Total primary government net assets	<u>\$ 257,868,955</u>	<u>\$ 243,703,683</u>	<u>\$ 236,516,453</u>	<u>\$ 229,595,948</u>

CITY OF DAVENPORT

**CHANGES IN NET ASSETS,
LAST FOUR FISCAL YEARS
(accrual basis of accounting)**

	Fiscal Year			
	2006	2005	2004	2003
Expenses				
Governmental activities:				
General government	\$ 6,413,439	\$ 10,445,510	\$ 8,480,484	\$ 6,685,470
Public safety	35,330,398	32,069,077	29,072,920	23,906,370
Public works	19,152,943	18,288,161	25,266,595	27,612,830
Culture and recreation	15,989,106	15,273,271	14,720,304	9,793,268
Community and economic development	10,892,810	12,540,036	14,016,808	20,548,796
Interest on long-term debt	4,977,495	4,697,555	4,088,608	4,307,208
Total governmental activities expenses	92,756,191	93,313,610	95,645,719	92,853,942
Business-type activities:				
Sewer operations	12,359,594	12,336,175	11,612,949	12,072,674
Parking system	2,223,058	1,987,325	2,089,879	1,625,843
Rivercenter	2,287,829	3,856,510	3,976,124	3,220,654
Public transit	4,781,823	4,464,738	4,343,827	4,443,687
Public housing	984,783	956,687	906,413	960,487
Golf courses	2,204,089	2,651,694	2,142,641	2,105,937
Airport	492,146	446,777	469,150	403,870
Solid waste	4,148,895	4,255,444	1,256,114	1,194,442
Clean water (1)	1,608,951	-	-	-
Total business-type activities expenses	31,091,168	30,955,350	26,797,097	26,027,594
Total primary government expenses	\$ 123,847,359	\$ 124,268,960	\$ 122,442,816	\$ 118,881,536
Program revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,807,942	\$ 1,677,053	\$ 1,547,685	\$ 1,599,974
Public safety	2,175,988	1,577,554	1,464,648	1,175,217
Public works	1,941,969	1,753,160	2,058,239	2,059,079
Culture and recreation	3,820,105	499,872	579,825	635,603
Community and economic development	955,624	1,066,391	1,028,891	951,787
Operating grants and contributions	7,016,280	9,990,710	10,022,149	9,877,782
Capital grant and contributions	6,043,958	8,099,263	15,163,936	13,963,733
Total governmental activities program revenues	23,761,866	24,664,003	31,865,373	30,263,175
Business-type activities:				
Charges for services:				
Sewer operations	10,348,088	10,207,702	10,455,763	10,662,507
Parking system	1,657,506	1,630,981	1,779,026	1,261,027
Rivercenter	1,153,477	2,693,539	2,464,777	1,792,285
Public transit	453,792	593,905	411,253	356,238
Public housing	334,919	327,173	330,757	327,964
Golf courses	2,358,403	2,404,051	2,246,411	2,221,928
Airport	173,624	154,581	147,081	142,965
Solid waste (1)	3,777,700	3,729,191	1,610,426	1,255,136
Clean water (2)	1,609,020	-	-	-
Operating grants and contributions	1,669,214	1,363,461	1,655,812	1,442,654
Capital grant and contributions	7,466,146	4,340,112	4,158,826	9,392,192
Total business-type activities program revenues	31,001,889	27,444,696	25,260,132	28,854,896
Total primary government program revenues	\$ 54,763,755	\$ 52,108,699	\$ 57,125,505	\$ 59,118,071

	Fiscal Year			
	2006	2005	2004	2003
Net (Expense)/Revenue				
Governmental activities	\$ (68,994,325)	\$ (68,649,607)	\$ (63,780,346)	\$ (62,590,767)
Business-type activities	(89,279)	(3,510,654)	(1,536,965)	2,827,302
Total primary government net expense	<u>\$ (69,083,604)</u>	<u>\$ (72,160,261)</u>	<u>\$ (65,317,311)</u>	<u>\$ (59,763,465)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 49,714,718	\$ 47,050,918	\$ 43,784,134	\$ 41,751,259
Local option sales tax	13,071,274	12,556,556	12,892,682	12,695,189
Hotel/motel tax	1,611,777	1,395,028	1,453,268	1,439,259
Franchise tax	3,212,235	3,293,130	3,082,228	2,680,182
Road use taxes	8,228,042	8,174,789	8,241,614	7,941,422
Investment earnings	3,010,775	1,943,966	1,542,997	1,546,216
Gain on sale of capital assets	367,546	-	-	-
Miscellaneous	362,904	295,533	291,640	333,941
Transfers	(11,349,849)	(970,101)	(383,019)	(611,958)
Total governmental activities	<u>68,229,422</u>	<u>73,739,819</u>	<u>70,905,544</u>	<u>67,775,510</u>
Business-type activities:				
Property taxes (public transit)	2,905,895	2,769,893	2,628,096	2,552,247
Investment earnings	698,124	462,890	344,863	444,436
Miscellaneous	65,586	56,464	74,114	5,537
Transfers	11,349,849	970,101	383,019	611,958
Total business-type activities	<u>15,019,454</u>	<u>4,259,348</u>	<u>3,430,092</u>	<u>3,614,178</u>
Total primary government	<u>\$ 83,248,876</u>	<u>\$ 77,999,167</u>	<u>\$ 74,335,636</u>	<u>\$ 71,389,688</u>
Change in Net Assets				
Governmental activities	\$ (764,903)	\$ 5,090,212	\$ 7,125,198	\$ 5,184,743
Business-type activities	14,930,175	748,694	1,893,127	6,441,480
Total primary government	<u>\$ 14,165,272</u>	<u>\$ 5,838,906</u>	<u>\$ 9,018,325</u>	<u>\$ 11,626,223</u>

(1) In fiscal year 2005, the city moved the solid waste division from governmental activities, public works to join the existing recycling division and made a combined solid waste business-type activity.

(2) In fiscal year 2006, the city split the clean water division from governmental activities, public works to a business-type activity.

CITY OF DAVENPORT

FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund				
Reserved	\$ 6,466,266	\$ 5,932,616	\$ 5,050,104	\$ 5,060,818
Unreserved	7,561,989	7,173,392	7,520,660	6,607,063
Total general fund	<u>\$ 14,028,255</u>	<u>\$ 13,106,008</u>	<u>\$ 12,570,764</u>	<u>\$ 11,667,881</u>
All Other Governmental funds				
Reserved	\$ 41,987,883	\$ 33,277,257	\$ 33,305,150	\$ 35,191,771
Unreserved, reported in				
Special revenue funds	6,116,563	5,554,019	6,186,458	5,269,271
Capital project funds	(710,670)	(7,430,722)	(3,067,709)	(3,267,011)
Total all other governmental funds	<u>\$ 47,393,776</u>	<u>\$ 31,400,554</u>	<u>\$ 36,423,899</u>	<u>\$ 37,194,031</u>

Fiscal Year					
2002	2001	2000	1999	1998	1997
\$ 6,283,879	\$ 7,555,945	\$ 8,519,108	\$ 9,344,996	\$ 9,184,648	\$ 10,241,427
6,473,599	6,989,297	6,715,063	6,805,306	6,544,896	6,055,276
<u>\$ 12,757,478</u>	<u>\$ 14,545,242</u>	<u>\$ 15,234,171</u>	<u>\$ 16,150,302</u>	<u>\$ 15,729,544</u>	<u>\$ 16,296,703</u>
\$ 36,656,434	\$ 27,044,137	\$ 24,511,318	\$ 23,114,079	\$ 19,419,294	\$ 27,914,226
5,283,533	6,778,424	6,089,770	4,757,474	4,092,615	4,626,364
(4,575,568)	(6,022,870)	(3,909,857)	(5,027,372)	(1,953,265)	(5,794,337)
<u>\$ 37,364,399</u>	<u>\$ 27,799,691</u>	<u>\$ 26,691,231</u>	<u>\$ 22,844,181</u>	<u>\$ 21,558,644</u>	<u>\$ 26,746,253</u>

CITY OF DAVENPORT

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year					
	2006	2005	2004	2003	2002	2001
Revenues						
Taxes	\$ 67,238,905	\$ 63,519,997	\$ 60,657,581	\$ 58,580,723	\$ 56,129,537	\$ 55,449,443
Special assessments	40,535	55,964	18,098	95,885	109,613	229,153
Licenses and permits	1,623,543	1,600,302	1,556,959	1,474,719	1,350,200	1,337,699
Intergovernmental	19,729,182	21,801,090	28,447,769	27,433,000	22,009,253	18,185,211
Charges for services	3,490,189	3,334,847	3,594,151	3,462,165	2,931,111	2,506,285
Use of monies and property	3,010,775	1,943,966	1,542,997	1,546,216	2,185,533	3,695,481
Fines and forfeits	997,004	604,751	533,863	481,059	565,819	373,862
Loan repayments	594,829	978,166	976,217	907,832	981,357	915,789
Other	4,308,377	3,052,499	2,820,598	1,805,786	1,429,359	1,836,291
Total revenues	101,033,339	96,891,582	100,148,233	95,787,385	87,691,782	84,529,214
Expenditures (1)						
General government	7,242,260	6,878,912	6,661,912	6,032,938	-	-
Public safety	33,930,920	31,539,164	29,666,713	19,230,179	-	-
Public works	11,789,864	11,829,081	19,305,594	32,558,630	-	-
Culture and recreation	8,632,061	7,878,176	15,270,977	12,098,168	-	-
Community and economic development	10,016,894	10,937,442	13,964,776	12,526,841	-	-
Policy and administration	-	-	-	-	6,885,044	6,734,448
Community protection	-	-	-	-	28,937,272	28,519,472
Human development	-	-	-	-	8,052,451	8,011,876
Home and community environment	-	-	-	-	19,252,381	20,240,634
Capital outlay	31,196,883	26,981,978	26,820,496	9,802,681	16,867,400	15,096,188
Debt service	-	-	-	-	-	-
Principal	13,049,158	10,809,309	11,095,495	9,971,020	9,237,935	8,844,706
Interest	4,816,787	4,549,030	4,144,917	4,267,994	4,294,564	4,007,944
Bond issuance expense	105,731	35,791	230,021	47,565	-	-
Total expenditures	120,780,558	111,438,883	127,160,901	106,536,016	93,527,047	91,455,268
Excess of revenues over (under) expenditures	(19,747,219)	(14,547,301)	(27,012,668)	(10,748,631)	(5,835,265)	(6,926,054)
Other Financing Sources (Uses)						
Bond issuance	35,660,000	10,355,000	27,475,000	10,140,000	13,967,750	7,870,000
Discount on debt issued	(148,544)	(18,161)	(154,069)	(51,468)	-	-
Refunding bonds issued	-	-	11,337,000	-	5,885,000	9,020,000
Payment to refunded bond escrow agent	-	-	(11,199,276)	-	(5,816,841)	(8,960,105)
Sale of capital assets	1,643,684	95,946	69,783	12,092	17,762	7,308
Transfers in	14,507,366	11,876,152	12,028,025	12,158,543	12,882,356	11,845,657
Transfers out	(14,999,818)	(12,249,737)	(12,411,044)	(12,770,501)	(13,323,818)	(12,437,275)
Total other financing sources (uses)	36,662,688	10,059,200	27,145,419	9,488,666	13,612,209	7,345,585
Net change in fund balances	\$ 16,915,469	\$ (4,488,101)	\$ 132,751	\$ (1,259,965)	\$ 7,776,944	\$ 419,531
Debt service as a percentage of noncapital expenditures	19.94%	18.18%	15.19%	14.72%	17.65%	16.83%

(1) In fiscal year 2003 the state changed the expenditure reporting categories.

Fiscal Year			
2000	1999	1998	1997
\$ 51,494,417	\$ 50,350,720	\$ 47,161,629	\$ 46,322,522
146,888	246,293	369,547	321,396
1,306,031	1,348,876	1,242,875	1,258,361
18,410,052	17,195,091	16,110,502	16,021,942
2,567,138	2,295,543	2,018,583	1,921,748
3,100,405	2,818,884	3,095,571	3,619,202
526,028	528,270	558,377	446,934
839,195	835,315	765,599	710,897
3,683,236	1,561,594	1,070,567	1,542,853
<u>82,073,390</u>	<u>77,180,586</u>	<u>72,393,250</u>	<u>72,165,855</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
6,137,854	6,122,526	6,150,700	6,093,100
25,950,411	25,079,701	23,850,409	22,467,942
7,369,459	6,583,866	6,341,776	5,948,758
18,292,576	16,604,839	17,653,147	16,111,855
13,068,506	14,103,138	22,114,490	19,529,552
8,565,623	7,977,561	8,664,007	8,007,756
4,177,680	4,370,127	4,698,980	4,692,722
<u>83,562,109</u>	<u>80,841,758</u>	<u>89,473,509</u>	<u>82,851,685</u>
<u>(1,488,719)</u>	<u>(3,661,172)</u>	<u>(17,080,259)</u>	<u>(10,685,830)</u>
4,720,000	6,225,000	9,240,000	15,300,000
-	-	16,970,000	-
-	-	(16,770,730)	-
57,300	52,831	2,642,680	41,419
11,991,063	11,306,479	12,428,039	12,213,239
<u>(12,348,725)</u>	<u>(12,216,843)</u>	<u>(13,184,498)</u>	<u>(12,399,682)</u>
<u>4,419,638</u>	<u>5,367,467</u>	<u>11,325,491</u>	<u>15,154,976</u>
<u>\$ 2,930,919</u>	<u>\$ 1,706,295</u>	<u>\$ (5,754,768)</u>	<u>\$ 4,469,146</u>
18.08%	18.50%	19.84%	20.06%

CITY OF DAVENPORT

ASSESSED AND TAXABLE VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
IN THOUSANDS OF DOLLARS

Levy Year	Fiscal Year	ACTUAL VALUE					
		<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Agricultural</u>	<u>Utilities</u>	<u>Other</u>
1995	1997	\$ 1,822,197	\$ 709,939	\$ 146,208	\$ 14,535	\$ 187,754	\$ 92,127
1996	1998	1,861,734	734,025	148,726	14,818	178,988	90,777
1997	1999	2,036,261	878,539	166,052	16,377	224,820	86,415
1998	2000	2,073,460	888,155	167,748	15,999	205,271	82,823
1999	2001	2,276,768	965,403	181,899	17,193	199,418	57,598
2000	2002	2,332,603	997,859	183,034	17,461	197,345	32,952
2001	2003	2,583,593	1,144,674	173,102	17,933	202,306	12,730
2002	2004	2,631,773	1,166,494	171,056	18,107	209,260	979
2003	2005	2,912,339	1,296,665	167,366	14,088	221,476	602
2004	2006	3,126,797	1,317,790	165,524	14,030	230,234	919

Levy Year	Fiscal Year	TAXABLE VALUE					
		<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Agricultural</u>	<u>Utilities</u>	<u>Other</u>
1995	1997	\$ 1,079,354	\$ 687,900	\$ 140,881	\$ 14,402	\$ 187,730	\$ 92,116
1996	1998	1,095,254	730,733	144,452	14,671	178,988	90,777
1997	1999	1,116,872	852,823	159,384	15,648	224,790	86,415
1998	2000	1,169,802	882,995	161,135	15,847	205,271	82,823
1999	2001	1,247,654	950,025	176,148	16,402	199,418	56,784
2000	2002	1,311,263	994,595	178,421	17,274	197,344	32,952
2001	2003	1,334,571	1,118,462	173,102	17,933	202,135	12,720
2002	2004	1,351,999	1,166,494	171,056	18,107	208,836	979
2003	2005	1,410,066	1,286,675	167,366	14,088	225,060	598
2004	2006	1,498,414	1,317,790	165,524	14,030	215,864	919

Notes: By state law all property subject to taxation is valued every 2 years subject to an equalization action of the State Department of Revenue. The Assessor establishes actual valuation (100%) as of January 1 in a calendar year for taxes payable in the succeeding fiscal year. The actual value of property is provided by the assessor to the County Auditor who then determines the taxable value. The taxable value is computed by adjusting the actual value of various classes of property by percentages (roll back rates) determined by the State Department of Revenue. The roll back rates are applied to classes of property on a state-wide basis so that the increase in actual valuations of property in the State will not exceed 4% annually. For property values as of January 1, 2004, the roll back rate was 47.9642% for residential property. For all other classes of property, the taxable value was equal to 100% of actual value.

Source: Levy rate sheet and valuation from Scott County.

<u>Gross valuation</u>	<u>Less Military exemption</u>	<u>Net valuation</u>	<u>Total direct tax rate</u>
\$ 2,972,760	\$ (13,007)	\$ 2,959,753	13.96%
3,029,068	(12,868)	3,016,200	13.96%
3,408,464	(12,458)	3,396,006	13.96%
3,433,456	(12,160)	3,421,296	13.95%
3,698,279	(11,907)	3,686,372	14.63%
3,761,254	(11,716)	3,749,538	14.63%
4,134,338	(11,692)	4,122,646	14.63%
4,197,669	(11,356)	4,186,313	14.96%
4,612,536	(11,066)	4,601,470	15.24%
4,855,294	(10,756)	4,844,538	15.24%

<u>Gross valuation</u>	<u>Less Military exemption</u>	<u>Net valuation</u>
\$ 2,202,383	\$ (13,007)	\$ 2,189,376
2,254,875	(12,868)	2,242,007
2,455,932	(12,458)	2,443,474
2,517,873	(12,160)	2,505,713
2,646,431	(11,907)	2,634,524
2,731,849	(11,716)	2,720,133
2,858,923	(11,692)	2,847,231
2,917,471	(11,356)	2,906,115
3,103,853	(11,066)	3,092,787
3,212,541	(10,756)	3,201,785

CITY OF DAVENPORT

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

(rate per \$1,000 of assessed value)

City Direct Rates

<u>Fiscal Year</u>	<u>General</u>	<u>Tort Liability</u>	<u>Trust & Agency</u>	<u>Library (1)</u>	<u>Transit</u>	<u>Emergency</u>	<u>Debt Service</u>	<u>Total</u>
1997	\$ 8.10	\$ 0.46	\$ 3.23	\$ -	\$ 0.91	\$ 0.27	\$ 0.99	\$ 13.96
1998	8.10	0.46	3.23	-	0.91	0.27	0.99	13.96
1999	8.10	0.46	3.23	-	0.91	0.27	0.99	13.96
2000	8.10	0.46	3.23	-	0.91	0.27	0.99	13.96
2001	8.10	0.36	4.00	-	0.91	0.27	0.99	14.63
2002	8.10	0.36	4.00	-	0.91	0.27	0.99	14.63
2003	8.10	0.00	4.36	-	0.91	0.27	0.99	14.63
2004	8.10	0.34	4.36	-	0.91	0.27	0.99	14.97
2005	8.10	0.34	4.36	0.27	0.91	0.27	0.99	15.24
2006	8.10	0.30	4.40	0.27	0.91	0.27	0.99	15.24

(1) First year for voter approved Library Levy was fiscal year 2005.

Source: City of Davenport Finance Department

Overlapping Rates

	<u>Scott</u> <u>County</u>	<u>Davenport</u> <u>Schools</u>	<u>Area IX</u> <u>College</u>	<u>Other</u>	<u>Total</u>
\$	4.42	\$ 16.59	\$ 0.52	\$ 0.39	\$ 35.88
	4.19	15.20	0.58	0.39	34.32
	3.92	15.23	0.57	0.33	34.01
	4.06	14.93	0.55	0.36	33.86
	4.16	15.51	0.60	0.38	35.28
	4.17	15.47	0.60	0.38	35.25
	4.48	16.96	0.62	0.44	37.13
	4.81	17.08	0.62	0.38	37.86
	4.76	17.10	0.59	0.34	38.03
	5.57	17.10	0.59	0.33	38.83

CITY OF DAVENPORT

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes Levied</u>	<u>Current Collections</u>	<u>Percentage of Levy</u>
1997	\$ 33,680,901	\$ 33,302,910	98.88%
1998	33,583,657	33,335,714	99.26%
1999	36,873,426	36,558,588	99.15%
2000	38,128,886	37,449,757	98.22%
2001	41,824,538	41,127,901	98.33%
2002	43,159,271	42,499,603	98.47%
2003	44,910,592	44,143,261	98.29%
2004	46,532,163	45,815,344	98.46%
2005	50,180,308	49,586,833	98.82%
2006	53,083,691	52,441,378	98.79%

Source: Levy rate sheet from Scott County, current collections per monthly tax allocation reports.
Information not available on delinquent collections by levy year.

CITY OF DAVENPORT

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Name of Property	Property type	2006		% of taxable value	1997		% of taxable value
		Taxable Valuation	Rank		Taxable Valuation	Rank	
Mid American Energy	Utility	\$ 164,646,629	1	5.14%	\$ 182,311,691	1	8.33%
SDG Macerich Properties	Shopping Center	71,516,500	2	2.23%			
Iowa-American Water Co.	Utility	46,613,584	3	1.46%	42,516,220	3	1.94%
Deere & Company	Manufacturing	22,036,631	4	0.69%	35,167,484	4	1.61%
Quanex	Manufacturing	20,862,200	5	0.65%	24,920,117	6	1.14%
Davenport 1031 LLC	Logistics	18,517,300	6	0.58%			
National Amusement Inc.	Theatre Complexes	18,254,200	7	0.57%			
U S West Communications	Utility	16,152,072	8	0.50%	15,342,820	9	0.70%
THF Davenport North Development	Realty	15,723,707	9	0.49%			
Bradley Operating LTD Partners	Shopping Center	14,724,800	10	0.46%			
Equitable Life Assurance	Shopping Center				66,020,414	2	3.02%
Oscar Mayer & Co.	Meat Packing				27,221,380	5	1.24%
Ralston Purina Co.	Grain Milling				23,625,125	7	1.08%
Lee Enterprises	Newspaper				15,624,921	8	0.71%
Rivercenter Plaza Development Co.	Hotel				13,820,266	10	0.63%
Total		<u>\$ 409,047,623</u>		<u>12.78%</u>	<u>\$ 446,570,438</u>		<u>20.40%</u>

Source: Scott County Auditor's Office.

CITY OF DAVENPORT

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)

Fiscal Year	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Other General Obligation Debt	Other Long-term Debt	General Obligation Bonds				
1997	\$ 75,942	\$ 1,137	\$ 1,753	\$ 16,053	\$ 94,885	4.34%	\$ 980	
1998	77,419	1,081	1,573	14,136	94,209	4.07%	973	
1999	75,921	1,020	1,379	12,694	91,014	3.73%	940	
2000	72,348	954	1,173	13,582	88,057	3.48%	904	
2001	71,767	881	952	13,573	87,173	3.37%	881	
2002	77,018	801	716	22,547	101,082	3.82%	1,031	
2003	77,287	715	703	25,648	104,353	3.82%	1,066	
2004	94,701	620	407	25,109	120,837	4.36%	1,237	
2005	94,549	517	206	24,186	119,458	4.25%	1,226	
2006	117,445	404	33	22,280	140,162	unavailable	1,439	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See Demographic and economic statistics schedule for personal income and population data.

The personal income and population data is not yet available.

Source: City of Davenport Finance Department and U.S. Department of Commerce "Survey of Current Business: for Davenport, Rock Island, Moline SMSA."

CITY OF DAVENPORT

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(dollars in thousands, except per capita)**

Fiscal Year	General Obligation Debt	Percentage of Taxable Value of Property (1)	Per Capita
1997	\$ 93,132	4.25%	\$ 962
1998	92,636	4.13%	957
1999	89,635	3.67%	926
2000	86,884	3.47%	892
2001	86,221	3.27%	872
2002	100,366	3.69%	1,024
2003	103,650	3.64%	1,059
2004	120,430	4.14%	1,233
2005	119,252	3.86%	1,224
2006	140,129	4.38%	1,439

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See Assessed and Taxable Value table for property value data.

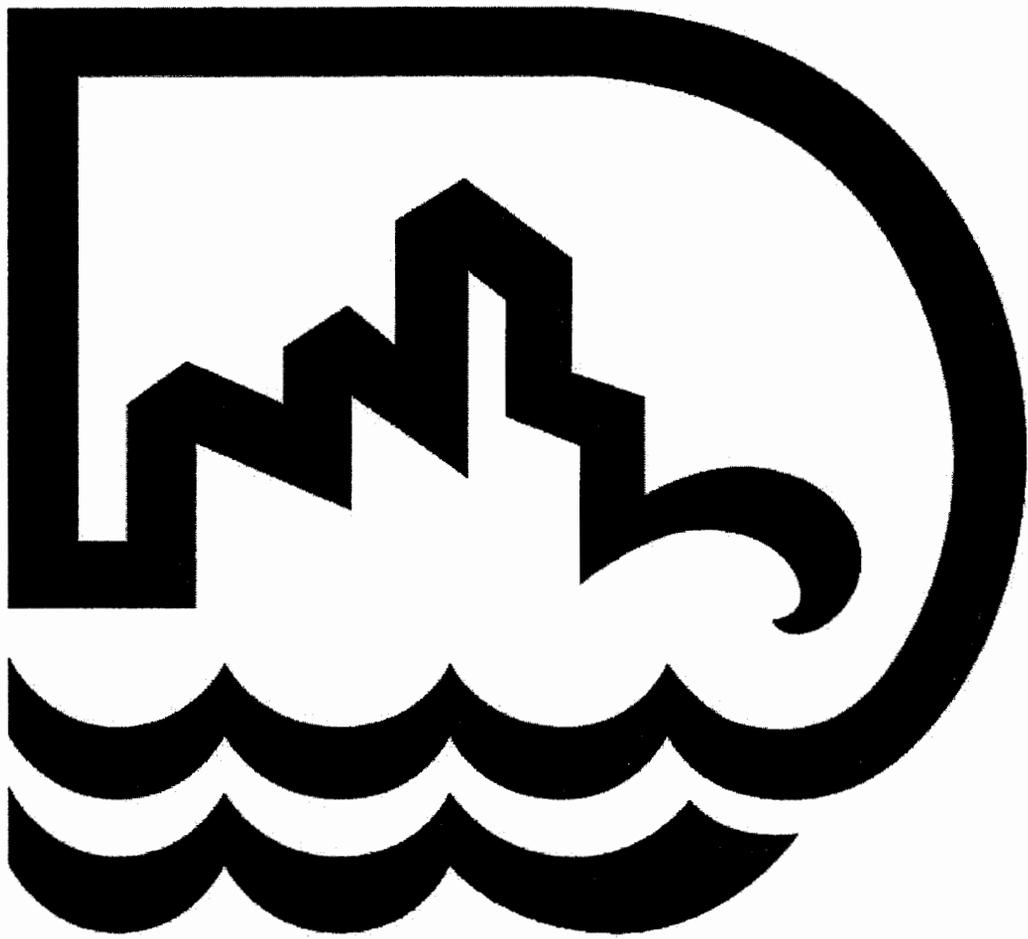
Source: City of Davenport Finance Department and Scott County Auditor's Office.

CITY OF DAVENPORT

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2006
(dollars in thousands)

Governmental Unit	Debt Outstanding	Percentage applicable to City	Share of Overlapping Debt
North Scott Community School District	\$ 8,110	13.76%	\$ 1,116
Scott County	10,480	55.88%	5,856
Bettendorf Community School District	5,585	22.19%	1,239
Eastern Iowa Community College	5,353	33.22%	1,778
Subtotal, overlapping debt			<u>9,989</u>
City direct debt			<u>139,725</u>
Total direct and overlapping debt			<u>\$ 149,714</u>

Sources: Debt outstanding data provided by each governmental unit. Percent applicable to city provided by Scott County.



CITY OF DAVENPORT

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Fiscal year	1997	1998	1999	2000
Debt limit	\$ 152,386,441	\$ 154,119,158	\$ 173,565,684	\$ 174,859,916
Total net debt applicable to limit	<u>94,102,800</u>	<u>93,399,727</u>	<u>90,259,000</u>	<u>87,314,211</u>
Legal debt margin	\$ 58,283,641	\$ 60,719,431	\$ 83,306,684	\$ 87,545,705
Total net debt applicable to the limit as a percentage of debt limit	61.75%	60.60%	52.00%	49.93%

Note: Iowa State law limits local governments debt to 5% of its gross assessed valuation.

Source: City of Davenport Finance Department.

Legal debt margin calculation for Fiscal Year 2006

Assessed valuation	\$ 4,928,524,034	
Debt limit (5% of assessed value)		\$ 246,426,202
Debt applicable to limit:		
General Obligation Bonds	139,760,000	
Tax Increment Financing Rebate Agreements	8,800,226	
Other General Obligation Debt	403,927	
Total G.O. Indebtedness		148,964,153
Legal debt margin		<u>\$ 97,462,049</u>

2001	2002	2003	2004	2005	2006
\$ 187,655,163	\$ 190,875,662	\$ 208,925,388	\$ 211,734,034	\$ 232,991,693	\$ 246,426,202
86,443,837	100,366,235	103,649,548	129,560,074	128,381,797	148,929,153
\$ 101,211,326	\$ 90,509,427	\$ 105,275,840	\$ 82,173,960	\$ 104,609,896	\$ 97,497,049
46.07%	52.58%	49.61%	61.19%	55.10%	60.44%

CITY OF DAVENPORT

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS**

Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
1997	96,800	\$ 2,183,904,800	\$ 22,561	17,045	3.5%
1998	96,800	2,314,100,800	23,906	17,027	3.2%
1999	96,800	2,437,230,400	25,178	16,904	2.7%
2000	97,400	2,532,692,200	26,003	17,181	3.0%
2001	98,900	2,589,795,400	26,186	16,831	2.9%
2002	98,000	2,646,490,000	27,005	17,210	3.7%
2003	97,900	2,729,354,100	27,879	16,544	4.7%
2004	97,700	2,773,116,800	28,384	16,077	4.5%
2005	97,400	2,811,840,600	28,869	15,543	4.8%
2006	97,400	unavailable	unavailable	15,674	4.3%

Sources:

- (1) Sales and Marketing Management, Survey of Buying Power, September issues.
 - (2) U. S. Department of Commerce "Survey of Current Business" for Davenport, Rock Island, Moline SMSA as of calendar year end.
 - (3) Davenport Community School District based on census at start of school year.
 - (4) Iowa Workforce Development, for Davenport as of calendar year end.
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CITY OF DAVENPORT

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	12/31/2005			12/31/1996		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Genesis Medical Centers	3,075	1	6.24%	2,900	1	5.88%
Davenport Community Schools	2,363	2	4.79%	2,537	2	5.15%
Kraft Foods/Oscar Mayer	1,650	3	3.35%	1,660	3	3.37%
Eastern Iowa Community College	1,005	4	2.04%			
APAC Teleservices	1,000	5	2.03%	650	6	1.32%
City of Davenport	946	6	1.92%	1,077	4	2.18%
John Deere Davenport Works	875	7	1.78%	625	7	1.27%
Sears Manufacturing	600	8	1.22%	540	9	0.00%
United Parcel Service	590	9	1.20%			
Von Maur	569	10	1.15%	550	8	1.12%
President Riverboat Casino				1,000	5	2.03%
Target				530	10	1.08%
	12,673		25.71%	12,069		23.39%

Source: Quad City Development Group, Davenport Chamber of Commerce, Iowa Department of Job Service.

CITY OF DAVENPORT

**FULL-TIME & PART-TIME EMPLOYEES BY FUNCTION
LAST TEN CALENDAR YEARS
June 30, 2006**

FUNCTION/PROGRAM	2005		2004		2003		2002	
	FULL TIME	PART TIME						
PUBLIC SAFETY								
Police	203	24	198	24	203	24	203	25
Fire	143	-	140	-	144	-	146	-
PUBLIC WORKS	295	18	293	18	310	21	311	22
CULTURE & RECREATION								
Leisure Facilities and Services	33	45	36	45	43	40	44	33
Library	42	22	35	22	36	24	34	27
Museum of Art	-	- (2)	-	-	9	4	10	3
COMMUNITY & ECONOMIC DEVELOPMENT	46	6	46	6	43	-	40	1
GENERAL GOVERNMENT								
Mayor	2	-	2	-	2	-	2	-
Council	1	10	1	10	1	10	1	10
Finance	23	-	28	-	28	-	31	-
Information Technology	(3) 7	1						
Administration	5	-	5	-	5	-	5	-
Legal	5	-	5	-	6	-	7	-
Human Resources	6	1	7	1	5	-	6	-
Civil Rights	4	4	4	4	4	1	5	-
Total	815	131	800	130	839	124	845	121

(1) In 2000 the city entered into a management agreement with Compass Facilities Management, Inc. to manage, operate and market the RiverCenter and Adler Theatre. Employees working at these facilities at 12/31/00 were Compass employees whereas they were City employees in prior years.

(2) In 2004 the Museum of Art became a stand alone entity whereas in prior years the employees were City employees.

(3) In 2005 Information Technology became a stand alone department. It had previously been reported with Finance.

Source: City of Davenport Department of Human Resources.

2001		2000		1999		1998		1997		1996	
FULL TIME	PART TIME										
202	28	197	25	197	23	196	23	200	26	199	26
148	-	147	-	146	-	145	-	146	-	145	-
303	22	291	23	38	1	38	-	286	26	289	24
46	39	45	19 (1)	295	22	289	26	49	141	56	151
37	25	36	23	36	23	35	28	35	24	35	26
16	8	14	8	15	9	15	9	13	6	14	6
38	-	37	1	44	32	43	12	37	-	38	2
2	-	2	-	2	-	2	-	2	-	2	-
1	10	1	11	1	11	1	11	1	11	1	11
33	-	30	-	29	-	29	1	31	1	32	1
4	-	3	-	4	1	4	1	4	1	4	1
6	-	7	-	7	-	7	-	6	1	6	-
7	-	8	-	8	-	7	-	7	-	6	-
4	1	3	1	2	1	3	1	3	-	2	-
<u>847</u>	<u>133</u>	<u>821</u>	<u>111</u>	<u>824</u>	<u>123</u>	<u>814</u>	<u>112</u>	<u>820</u>	<u>237</u>	<u>829</u>	<u>248</u>

CITY OF DAVENPORT

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
June 30, 2006**

FUNCTION/PROGRAM	FISCAL YEAR			
	2006	2005	2004	2003
PUBLIC SAFETY				
Fire calls answered	12,294	11,729	11,420	11,177
Police-arrests	8,919	7,740	7,608	7,472
Construction permits issued	2,328	2,659	2,690	2,918
PUBLIC WORKS				
Refuse collected (cu yds per year)	71,627	71,324	70,878	71,481
Gallons of wastewater processed (in millions)	(1) 3,206	7,292	8,457	6,952
Yard waste composted (cu yds)	(1) 68,739	90,226	92,042	100,904
Citibus ridership	982,663	940,046	881,947	866,001
Utility service customers	40,000	38,340	38,000	38,000
CULTURE & RECREATION				
Rounds of golf played	111,329	109,499	112,712	110,158
Swimming pools attendance	27,373	33,064	27,063	33,729
Recreation programs available	410	305	298	unavailable
Recreation program enrollment	53,517	37,097	4,433	unavailable
Library - walk-in patrons served	307,330	279,751	295,963	311,733
COMMUNITY & ECONOMIC DEVELOPMENT				
Planning & zoning-final development review	unavailable	23	10	23
Households assisted with rental assistance	672	711	725	747

(1) Statistics are reported on a calendar year basis. The 2006 figure is a YTD total.

Source: Various City of Davenport departments.

FISCAL YEAR					
2002	2001	2000	1999	1998	1997
11,248	10,926	10,142	10,067	9,698	91,113
7,178	7,223	6,999	7,761	7,138	7,221
3,352	4,020	2,775	2,807	2,967	3,098
73,206	74,224	66,994	65,641	66,099	59,855
8,722	9,816	8,869	unavailable	unavailable	unavailable
95,850	98,834	104,411	101,096	85,859	92,392
unavailable	unavailable	unavailable	unavailable	unavailable	unavailable
38,000	38,000	38,000	38,000	38,000	38,000
89,892	90,830	124,185	118,017	114,812	119,193
61,790	42,893	35,625	49,993	28,461	30,420
unavailable	unavailable	unavailable	unavailable	unavailable	unavailable
unavailable	unavailable	unavailable	unavailable	unavailable	unavailable
309,693	310,531	306,759	311,838	331,527	347,608
20	23	unavailable	unavailable	unavailable	unavailable
617	616	642	unavailable	unavailable	unavailable

CITY OF DAVENPORT

**CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
June 30, 2006**

FUNCTION/PROGRAM	FISCAL YEAR			
	2006	2005	2004	2003
PUBLIC SAFETY				
Police cars	77	68	62	72
Fire stations	7	7	7	7
Fire trucks	13	13	13	14
PUBLIC WORKS				
Streets (miles)	690	684	684	581
Traffic signals	150	146	144	138
Street lights	9,237	9,263	9,174	8,947
Refuse collection trucks	48	40	42	37
Buses	20	20	25	30
CULTURE & RECREATION				
Golf courses	4	4	4	3
Acres of parks	1,700	1,700	1,700	1,700
Swimming pools	4	4	4	4
Libraries	2	1	1	1

Note: No capital asset indicators are available for General Government and Community & Economic Development functions.

Source: City of Davenport Summary of Fixed Assets Report.

FISCAL YEAR

2002	2001	2000	1999	1998	1997
61	63	unavailable	unavailable	unavailable	unavailable
7	7	7	7	7	7
14	14	unavailable	unavailable	unavailable	unavailable
581	581	574	566	563	563
134	125	122	121	112	110
8,815	8,766	8,732	8,403	8,037	8,037
36	35	unavailable	unavailable	unavailable	unavailable
19	19	unavailable	unavailable	unavailable	unavailable
3	3	3	3	3	3
1,700	1,700	1,700	1,700	1,700	1,700
4	3	3	3	3	3
1	1	1	1	1	1

**INFORMATION TO COMPLY WITH *GOVERNMENT AUDITING STANDARDS*
AND OMB CIRCULAR A-133, *AUDITS OF STATES, LOCAL GOVERNMENTS,*
AND NON-PROFIT ORGANIZATIONS
FOR THE YEAR ENDED JUNE 30, 2006**

CITY OF DAVENPORT, IOWA

CITY OF DAVENPORT, IOWA

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CPAs & BUSINESS ADVISORS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davenport, 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 October 25, 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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

We noted certain matters that we reported to management of the City of Davenport, Iowa, in a separate letter dated October 25, 2006.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Davenport, Iowa, and other parties to whom the City of Davenport, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

Dubuque, Iowa
October 25, 2006



CPAs & BUSINESS ADVISORS

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

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

Compliance

We have audited the compliance of the City of Davenport, 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 programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the management of the City of Davenport, Iowa. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Davenport, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Davenport, Iowa, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 25, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Davenport, Iowa, and other parties to whom the City of Davenport, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Dubuque, Iowa
October 25, 2006

CITY OF DAVENPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Housing and Urban Development:			
Community Development Block Grants/ Entitlement Grants	14.218	B0XMC190002	<u>\$ 2,463,890</u>
HOME Investment Partnerships Program	14.239	M0XMC190200	<u>796,473</u>
Community Development Block Grants/ Brownfields Economic Development Initiative	14.246	B02SPIA0174	19,902
Community Development Block Grants/ Brownfields Economic Development Initiative	14.246	B03SPIA0194	<u>16,131</u>
			<u>36,033</u>
Fair Housing Assistance Program – State and Local	14.401	FF207K067015	52,391
Fair Housing Assistance Program – State and Local	14.401	FF207K057015	59,580
Fair Housing Assistance Program – State and Local	14.401	FF207K047015	<u>37,295</u>
			<u>149,266</u>
Public and Indian Housing	14.850	KC9148	105,247
Public and Indian Housing	14.850	KC76237	<u>424,515</u>
			<u>529,762</u>
Section 8 Housing Choice Vouchers	14.871	KC9027V	<u>2,470,588</u>
Public Housing Capital Fund	14.872	KC9148	<u>66,436</u>
Department of Justice:			
Alcohol, Tobacco, and Firearms Training Assistance	16.012		<u>5,960</u>
Local Law Enforcement Block Grants Program	16.592		2004-LB-BX- 0915 50,234
Local Law Enforcement Block Grants Program	16.592		2003-LB-BX- 0429 <u>133,624</u>
			<u>183,858</u>
Bulletproof Vest Partnership Program	16.607		<u>12,751</u>
Drug Enforcement	N/A	NC-IAS-039	<u>8,484</u>
Department of Transportation:			
Airport Improvement Program	20.106	3-19-0024-11	60,561
Airport Improvement Program	20.106	3-19-0024-12	<u>444,882</u>
			<u>505,443</u>

(continued)

CITY OF DAVENPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct: (continued)			
Department of Transportation: (continued)			
Federal Transit – Formula Grants	20.507	IA-90-X290	\$ 36,411
Federal Transit – Formula Grants	20.507	IA-90-X249	11,524
Federal Transit – Formula Grants	20.507	IA-90-X278	147,716
Federal Transit – Formula Grants	20.507	IA-90-X297	45,205
Federal Transit – Formula Grants	20.507	IA-90-X313	<u>503,973</u>
			<u>744,829</u>
Environmental Protection Agency:			
Surveys, Studies, Investigations, and Special Purpose Grants	66.606	XP98758401	<u>189,142</u>
Brownfields Pilots Cooperative Agreements	66.811	BP98705101	<u>54,144</u>
Department of Homeland Security:			
Assistance to Firefighters Grant	97.044	EMW-2004-FG-17917	<u>223,988</u>
Disaster Assistance Program	97.088	HSFEEM-06-P-5690	<u>48,411</u>
Total direct			<u>8,489,458</u>
Indirect:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Emergency Shelter Grants Program	14.231	05-ES-008	<u>151,854</u>
Department of Justice:			
Governor’s Office of Drug Control Policy:			
Antiterrorism Emergency Reserve	16.321		<u>317</u>
Juvenile Accountability Incentive Block Grants	16.523	36-JD03-F504	<u>33,410</u>
Edward Byrne Memorial Justice Assistance Grant	16.738	2005DJBX0442	<u>133,267</u>
Community Prosecution and Project Safe Neighborhoods	16.609	03-SD05	21,737
Community Prosecution and Project Safe Neighborhoods	16.609	03S-SD05	<u>15,111</u>
			<u>36,848</u>
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-1827(15)--70-82	1,340,245
Highway Planning and Construction	20.205	STP-U-1827(627)--70-82	10,000
Highway Planning and Construction	20.205	STP-U-1827(628)--70-82	170,096
Highway Planning and Construction	20.205	STP-U-1827(637)--70-82	532,000
Highway Planning and Construction	20.205	STP-U-1827(638)--8V-82	<u>240,000</u>
			<u>2,292,341</u>

(continued)
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CITY OF DAVENPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct: (continued)			
Department of Transportation: (continued)			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP06-04, Task 10	\$ 12,123
State and Community Highway Safety	20.600	PAP05-04, Task 10	10,971
State and Community Highway Safety	20.600	PAP06-163, Task 19	4,212
State and Community Highway Safety	20.600	PAP05-163, Task 21	<u>4,583</u>
			<u>31,889</u>
Department of Homeland Security:			
Iowa Department of Homeland Security:			
Hazard Mitigation Grant	97.039	1367-0001	<u>116,146</u>
Scott County, Iowa:			
State Domestic Preparedness Equipment Support Program	97.004	ODP-2003-MU-TE-0056	<u>3,383</u>
Disaster Grants – Public Assistance Presidentially Declared Disasters	97.036		<u>136,545</u>
Total indirect			<u>2,936,000</u>
Total			<u>\$ 11,425,458</u>

N/A – Not Available.

See notes to the Schedule of Expenditures of Federal Awards.

CITY OF DAVENPORT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE 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 Davenport, Iowa, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 748,439
Emergency Shelter Grants Program	14.231	151,854
HOME Investment Partnerships Program	14.239	263,991
Community Development Block Grants/ Brownfields Economic Development Initiative	14.246	36,033
Local Law Enforcement Block Grants Program	16.592	41,312

**CITY OF DAVENPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each of the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 14.218 – Community Development Block Grants/Entitlement Grants
 - CFDA Number 20.106 – Airport Improvement Program
 - CFDA Number 97.044 – Assistance to Firefighters Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$342,764.
- (i) The City of Davenport, Iowa, qualified as a low-risk auditee.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, did not exceed the amounts budgeted.
- II-B-06 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-06 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Michael Farris, Risk Management, owner of Mississippi Valley Lab, LLC	Services	\$ 97

**CITY OF DAVENPORT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2006**

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

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jay Verhorevoort, Police Department paid consultant with Digital Intelligence, Inc.	Services	\$ 72
Ian Frink, Alderman, minority owner of Monoxivent	Services	\$ 670

In accordance with Chapter 365.5(10) of the Code of Iowa, the transactions with the above listed parties do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

- II-E-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

- II-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.