

**CITY OF DAVENPORT, IOWA**  
**COMPREHENSIVE ANNUAL FINANCIAL**  
**REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Prepared by:**  
**Finance Department**  
**Accounting Division**

**Front Cover: Designed by Helen Boyd, Engineering Division**

# INTRODUCTORY SECTION

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### INTRODUCTORY SECTION

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December 5, 2008

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, 2008.

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, 2008 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, 2008 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, 2008 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 2008 unemployment rate (through nine months) of 5.1% was slightly lower than the nation (6.0%). The total number of jobs in the MSA has grown the past two years, and of the 208,150 persons in the labor force in 2008, 197,517 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.

Tax base composition is diverse, consisting of 46 percent residential, 42 percent commercial, 6 percent utility and 6 percent industrial properties. The tax base is not concentrated; the largest taxpayer accounts for 5.2 percent of total value and the remaining nine leading taxpayers account for just 6.8 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 has diversified to expand beyond 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. All of the River Renaissance projects are now completed. This has spurred additional investments to Downtown Davenport including One Renaissance Plaza, a new \$14 million, 90,000-square-foot, Class A office facility in the downtown and approximately 200 loft apartments constructed in the old warehouse district. In addition, two major corporations, AT&T (previously Cingular) and eServ, a Perot Systems Company have committed to new facilities in Davenport. AT&T is now occupying a 75,000 square foot facility, bringing 510 jobs with a total payroll of \$11 million. eServe will be constructing a new building valued at \$5.95 million providing at least 105 new positions for a total of 275 jobs. Approximately 100 engineering jobs will be created with an average annual wage of \$61,000 per year.

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 actual experience has fallen short by \$50,000 per year. The taxable property tax base has grown moderately, an average of 4.0 percent annually over the last ten fiscal years ending in FY 2008, despite the above State limitations. Personnel costs represent 80 percent of the fund's expenditures. Wages have grown at an average annual rate of 4.5 percent over the last several years. Employee benefits include funding for health claims which have increased an average of 6 percent per year over the last 10 years ending in FY 2008. In addition, contributions to the state-wide fire and police pension system have increased 48% from FY 2004 to FY 2008 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 required 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 2008 budget message projects the increase to be to \$1.76/\$1,000 assessed value in FY 2008, which the City Council approved in the adopted budget. The City Council approved the debt service levy rate increase to \$1.76/\$1,000 in the FY 2007 budget as presented in the long term financial model. The rate remained the same in FY 2008 and is projected to remain at that level through the life of the six-year program.

Highlights of the Capital Improvement Program which is scheduled to begin in fiscal year 2009 include:

- Street improvements of approximately \$80 million including:
  - a. Division Street widening \$4 million
  - b. Kimberly Road widening \$3.8 million
  - c. Street resurfacing and full depth patching \$9.8 million
- Riverfront trail bridge – Credit Island \$1.7 million
- Northeast Branch Library \$6.9 million
- Rail for Eastern Iowa industrial center \$4.6 million
- Technology improvements – \$2.5 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. (\$49 million total cost)

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 3 days to 333 days, with an average maturity of 131 days. The average yield on investments was 4.22 percent and interest income earned by all funds during the year totaled \$2,818,470.

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 2008 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, 2007. This was the 25<sup>th</sup> 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 2008. This was the 12<sup>th</sup> 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

# 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, 2007

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.



*Oliver S. Cox*

President

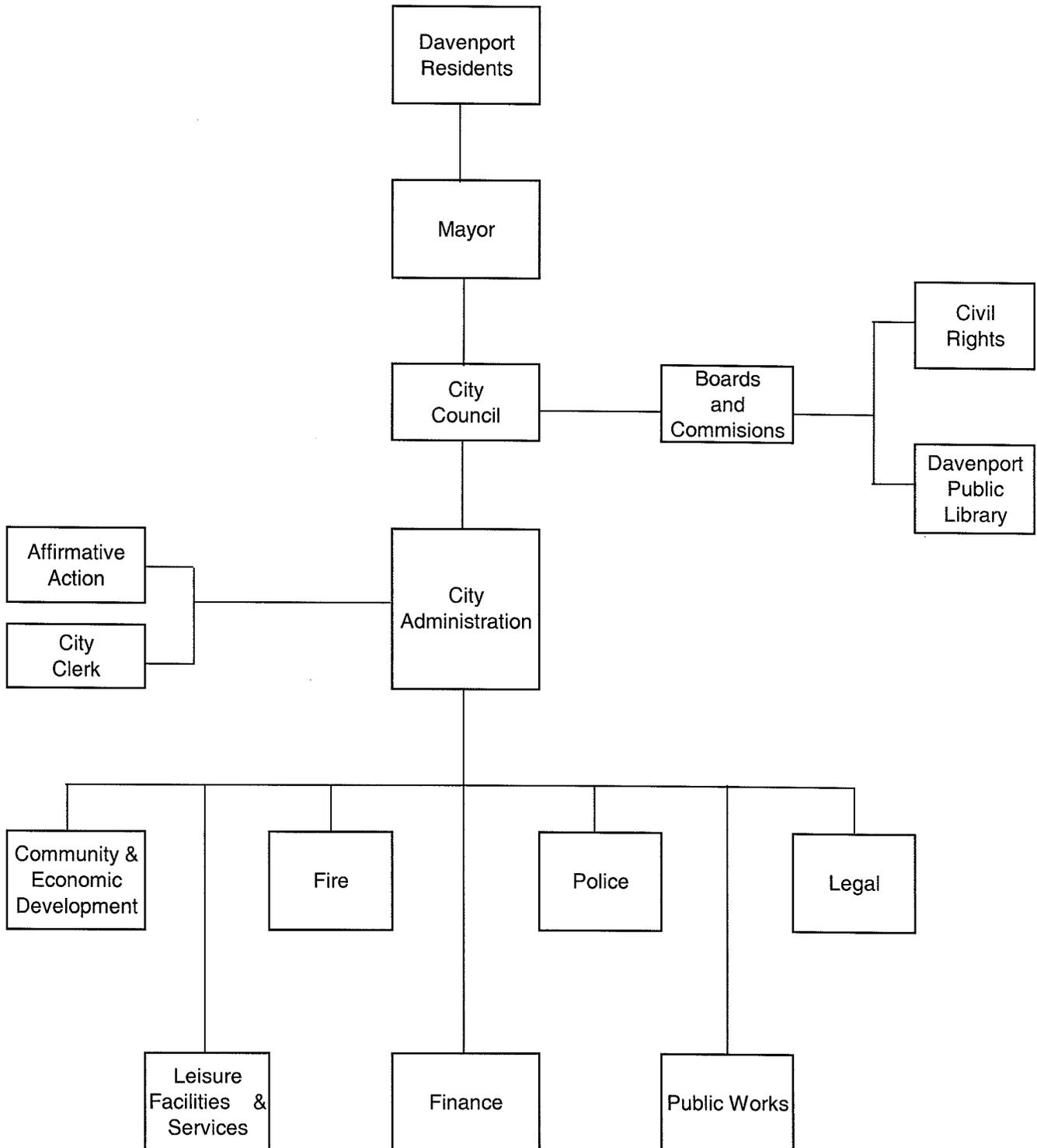
*Jeffrey R. Emmer*

Executive Director

CITY OF DAVENPORT

ORGANIZATIONAL CHART  
JUNE 30, 2008

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**CITY OF DAVENPORT**

**CITY OFFICIALS**

**June 30, 2008**

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<u>OFFICIAL TITLE</u>	<u>OFFICIAL</u>	<u>TERM EXPIRATION DATE OF ELECTED OFFICIALS</u>
<u>Elected Officials</u>		
Mayor	William E. Gluba	1/10
Alderman at Large	Gene Meeker	1/10
Alderman at Large	Ian Frink	1/10
Alderman First Ward	Nathan Brown	1/10
Alderman Second Ward	Shawn Hamerlinck	1/10
Alderman Third Ward	William J. Boom	1/10
Alderman Fourth Ward	Raymond A. Ambrose	1/10
Alderman Fifth Ward	Bill Lynn	1/10
Alderman Sixth Ward	Jeffrey W. Justin	1/10
Alderman Seventh Ward	Morris D Barnhill	1/10
Alderman Eighth Ward	Mike Matson	1/10

Administration

City Administrator                      Craig Malin

Departments

Civil Rights	Judith Morrell
Community and Economic Development	Pamela S. Miner
Finance	Alan E. Guard
Fire	Mark Frese
Human Resources	Dawn M. Sherman
Information Technology	Rob Henry
Legal	Thomas D. Warner
Leisure Facilities & Services	Daniel Sherman
Library	LaWanda Roudebush
Police	Francis R. Donchez
Public Works	Dee Bruemmer

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# FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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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, 2008, 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, 2008, and the respective changes in financial position and, where applicable, cash flows 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 November 25, 2008, 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.

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 section 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 and statistical sections 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.

*Eide Sully LLP*

Dubuque, Iowa  
November 25, 2008

## 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, 2008. 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, 2008 by \$267,616 (net assets). Current assets exceeded current liabilities by \$41,048.
- The government's total net assets increased by \$7,280 during fiscal year (FY) 2008.
- At June 30, 2008, unreserved, undesignated fund balance for the General Fund was \$4,818, or 8 percent of total General Fund expenditures, while total fund balance represents 18 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 2008. 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), 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 60 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 65 through 85 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 2007 and 2008 are presented below. In Davenport, assets exceeded liabilities by \$267,616 at the close of the fiscal year ended June 30, 2008.

#### City of Davenport's Net Assets

	Governmental Activities		Business-type activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 127,808	\$ 133,140	\$ 20,864	\$ 19,272	\$ 148,672	\$ 152,412
Capital assets	222,681	207,005	126,348	129,612	349,029	336,617
<b>Total assets</b>	<b>350,489</b>	<b>340,145</b>	<b>147,212</b>	<b>148,884</b>	<b>497,701</b>	<b>489,029</b>
Noncurrent liabilities outstanding	104,771	106,604	18,184	18,514	122,955	125,118
Other liabilities	99,731	95,920	7,398	7,653	107,129	103,573
<b>Total liabilities</b>	<b>204,502</b>	<b>202,524</b>	<b>25,582</b>	<b>26,167</b>	<b>230,084</b>	<b>228,691</b>
Net assets:						
Invested in capital assets,						
net of related debt	107,377	89,441	109,165	109,969	216,542	199,410
Restricted	34,634	43,140	-	-	34,634	43,140
Unrestricted	3,976	5,040	12,464	12,747	16,440	17,787
<b>Total net assets</b>	<b>\$ 145,987</b>	<b>\$ 137,621</b>	<b>\$ 121,629</b>	<b>\$ 122,716</b>	<b>\$ 267,616</b>	<b>\$ 260,337</b>

By far the largest portion of the City of Davenport's net assets (81 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 (13 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 \$41,543, \$28,077 and \$13,466, respectively.

At June 30, 2008, 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, 2007.

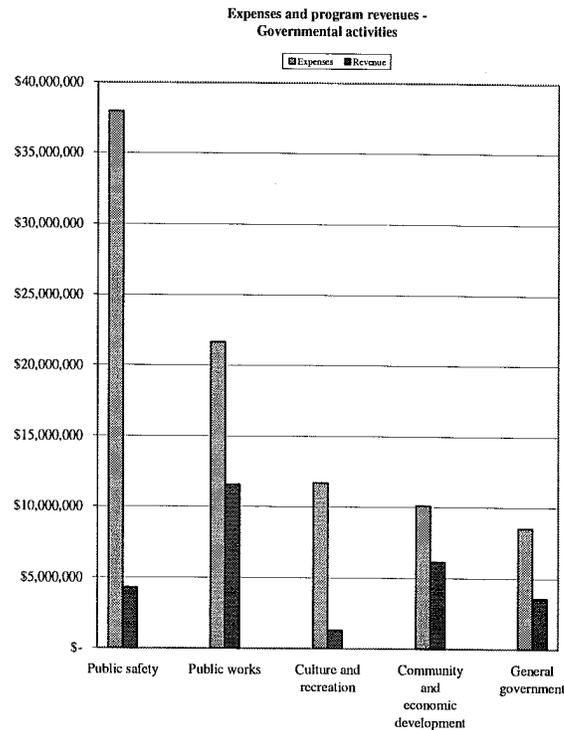
**City of Davenport's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 8,427	\$ 8,091	\$ 23,155	\$ 22,292	\$ 31,582	\$ 30,383
Operating grants and contributions	14,562	14,410	1,792	1,464	16,354	15,874
Capital grants and contributions	3,851	4,410	2,170	4,192	6,021	8,602
<b>General revenues:</b>						
Property taxes	54,216	52,303	3,098	3,017	57,314	55,320
Other taxes	19,950	19,350	-	-	19,950	19,350
Other	3,068	3,959	715	(5,038)	3,783	(1,079)
<b>Total revenues</b>	<b>104,074</b>	<b>102,523</b>	<b>30,930</b>	<b>25,927</b>	<b>135,004</b>	<b>128,450</b>
<b>Expenses:</b>						
Public safety	37,930	37,867	-	-	37,930	37,867
Public works	21,654	18,515	-	-	21,654	18,515
Culture and recreation	11,663	11,831	-	-	11,663	11,831
Community and economic development	10,084	10,485	-	-	10,084	10,485
General government	8,523	8,710	-	-	8,523	8,710
Interest on long-term debt	5,352	5,437	-	-	5,352	5,437
Parking system	-	-	2,214	2,298	2,214	2,298
Sewer operations	-	-	12,933	13,276	12,933	13,276
RiverCenter	-	-	2,075	2,045	2,075	2,045
Public transit	-	-	5,109	5,200	5,109	5,200
Public housing	-	-	1,089	1,056	1,089	1,056
Golf courses	-	-	2,360	2,389	2,360	2,389
Airport	-	-	564	534	564	534
Curbside recycling	-	-	4,427	4,584	4,427	4,584
Clean water	-	-	1,748	1,684	1,748	1,684
<b>Total expenses</b>	<b>95,206</b>	<b>92,845</b>	<b>32,519</b>	<b>33,066</b>	<b>127,725</b>	<b>125,911</b>
Increase/(decrease) in net assets before transfers	8,868	9,678	(1,589)	(7,139)	7,279	2,539
Transfers	(502)	(784)	502	784	-	-
Increase/(decrease) in net assets	8,366	8,894	(1,087)	(6,355)	7,279	2,539
Net assets-beginning	137,621	128,727	122,716	129,071	260,337	257,798
Net assets-ending	\$ 145,987	\$ 137,621	\$ 121,629	\$ 122,716	\$ 267,616	\$ 260,337

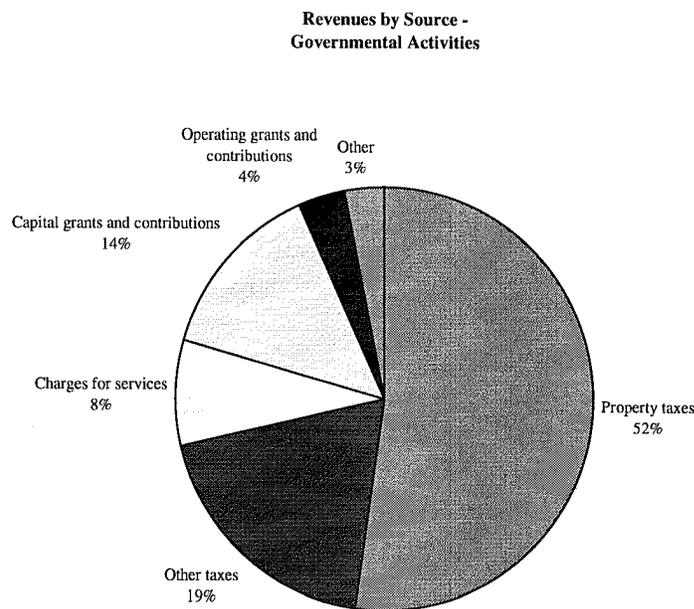
**Governmental activities.** Governmental activities increased the City's net assets by \$8,868, before transfers. The key element of this increase follows.

- Contributions of and investment in capital assets during the year net of related debt issuance resulted in an increase in governmental capital assets of \$17,936. However about one third of this increase is nearly offset by a decrease in the Capital Projects Fund net assets reserved for capital projects of \$6,873. 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 \$26,840. 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.



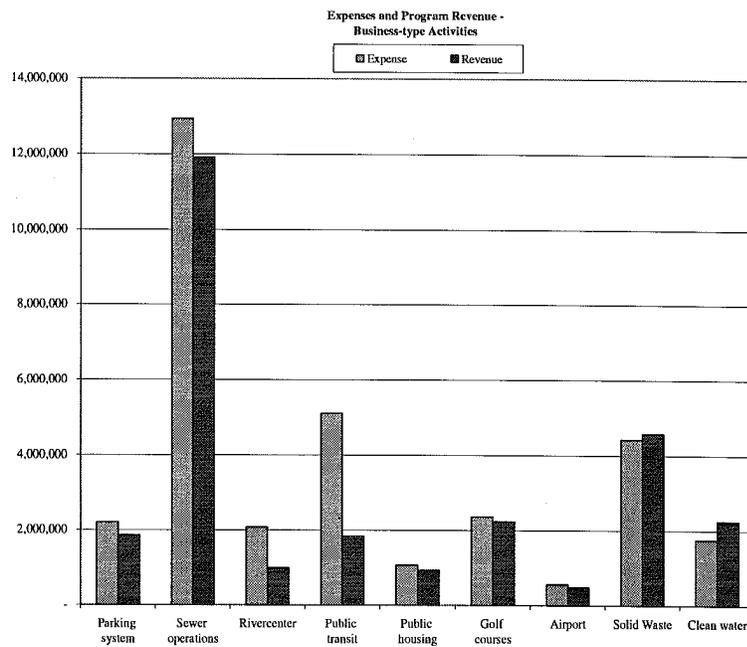
Total governmental activities' revenues for FY 2008 were \$104,074, a decrease of \$1,551 from FY 2007. The largest single revenue source was property taxes of \$54,216, which increased by \$1,913 (4 percent) during FY 2008. This increase resulted from an increase in the tax base of 3.5 percent and an improved overall collection rate. Capital grants and contributions decreased by \$559 during FY 2008. This was due to the completion of various road projects funded with grant revenue.

**Business-type activities.** Business-type activities decreased the City of Davenport’s net assets by \$1,589. The key elements of this decrease follow:

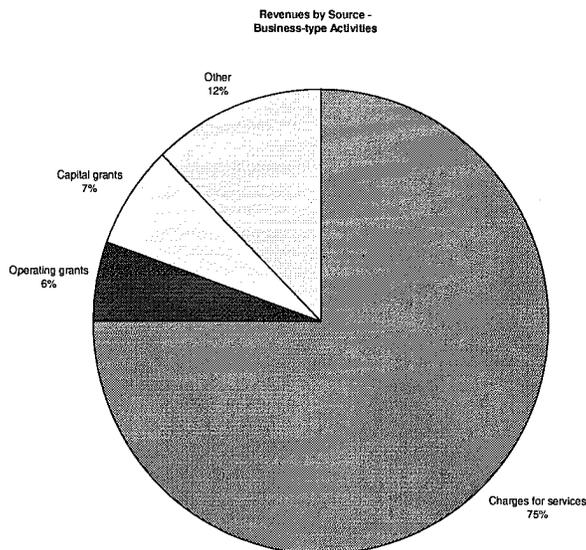
- Operating expenses increased 4.8 percent, but operating revenues only increased 3.8 percent. Capital contributions decreased from FY 2007 to FY 2008 by nearly 50 percent.

Total business-type activities’ revenue for the fiscal year was \$30,930.

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 2008, the City of Davenport's governmental funds reported combined ending fund balances of \$41,479, a decrease of \$10,393 in comparison with the prior year. The decrease in governmental fund balance is attributed to a decrease in the capital projects fund of \$6,873, explained in the following paragraphs; a decrease in the general fund of \$2,030, explained in the following paragraphs and a decrease in non-major governmental funds of \$3,396, due to use of the Road Use Tax fund balance to cover operations during a severe winter and the use of Tax Increment Financing Debt Service fund balance to pay obligations due to developers. Approximately 21 percent of this total amount, \$8,811, 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 \$717, (2) to pay debt service \$9,777, (3) to pay for capital improvements of \$15,222, (4) to pay employee benefits \$2,919, (5) to pay insurance and claims \$1,598, and (6) for a variety of other restricted purposes \$2,435.

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. The General Fund group as reported combines a number of individual funds each with a specific purpose. These include the General Fund, the City's primary operating fund; the Trust and Agency Fund, which accounts for employee benefits; Hotel/Motel Tax Fund; the Library Special Levy Fund, used to enhance library services; Parks Special Needs Funds and the Flood Fund. At the end of the current fiscal year 2008, unreserved, undesignated fund balance of the General Fund was \$4,818, while total fund balance was \$10,525. 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 8 percent of total General Fund expenditures, 11.3 percent General Fund expenditures excluding the specific purpose funds, while total fund balance represents 18 percent of the total expenditures.

The total fund balance of the City of Davenport's General Fund decreased by \$2,030 during the current fiscal year and the undesignated fund balance decreased by \$1,022. 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 fund balance of the General Fund, excluding the other specific-use funds, is that the unreserved fund balance will be maintained at 10 to 15 percent of the 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 \$9,194, 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 increase in fund balance during the current year in the General Debt Service Fund was \$1,592. The city prepares a rolling six-year capital improvement program. 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 \$8,538, of which, \$8,378 is reserved for capital projects and \$160 is reserved for encumbrances. 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 increase in fund balance during the current year was \$314, due to capital projects not being completed.

The Capital Projects Fund has a total fund balance of \$7,103, all of which is reserved for encumbrances and capital projects. The net decrease in fund balance during the current year in the Capital Projects Fund was \$6,873, primarily due to the police building construction being 100 percent complete in comparison to June 30, 2007 with only 78 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 62 and 63.

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

- The total original revenue budget of \$153,247 was increased to \$184,911, an increase of \$31,664. 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 \$20,012. In the other revenue category, \$835 of Community Economic Betterment Act pass through grant funds were budgeted. There were also special revenue grant rollovers amounting to \$2,296.
- The total original expenditure budget of \$178,552 was increased to \$243,655, an increase of \$65,103. In the community and economic development category, \$5,834 was carried forward for on-going grants. In the capital outlay category, \$48,564 was carried forward in the budget amendment to reflect on-going construction in progress of capital projects. In the debt service category an additional \$2,997 was budgeted to reflect three refunding issues.

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 in the amount of \$20,853 were not accrued or received due to construction projects not completed.
- In the community and economic development expenditure category, \$2,501 was not spent in special revenue funds and will be carried forward. In the capital outlay category, \$60,034 of expenditures were budgeted and not spent, due to construction projects not completed. In the business type category, \$1,825 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 62 and 63 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 \$56,668 was increased to \$57,591, an increase of \$923. In the intergovernmental revenue category, federal grants in the amount of \$181 and state grants in the amount of \$62 received subsequent to original budget adoption are included as both revenues and expenditures.
- The total original expenditure budget of \$57,718 was increased to \$59,198, an increase of \$1,480. Police forfeiture and seizure monies of \$320 held as reserved General Fund balance at June 30, 2007 were included in amendments in order to authorize the expenditure during FY 2008. Other public safety expenditures included in amendments were \$212 for additional police overtime, \$66 for increased fuel

costs, and \$57 for fire community services division for seasonal weed cutting and other professional services related to enforcement. Public works expenditures were increased in amendments by \$188 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 \$284 and new grants received as noted under the revenue discussion, and \$12 for increased fuel costs.

- Other financing uses were increased from \$1,741 to \$2,502. 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, 2007 and included as designated General Fund balance in the amounts of \$330 and \$106, respectively, in order to authorize the expenditure during FY 2008. These amendment items increased transfers out by \$436.

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 2008 was (\$2,030), a positive variance from the budgeted change (\$3,920) of \$1,740.
- Transfers out in the final amended budget included hotel/motel taxes and gaming revenues to CIP as discussed above in the amounts of \$544 and \$552, respectively. Actual transfers made in FY 2008 were \$334 and \$102 respectively, resulting in a favorable variance of \$660. However, remaining commitments to the CIP are reflected in a designation of General Fund balance at June 30, 2008. The subsidy to the RiverCenter operations was less than budgeted, resulting in a favorable variance of \$19.
- Grant monies received which remained unexpended at June 30, 2008 are also reflected in a designation of General Fund balance in the amount of \$216 and are part of the favorable variance.
- The amended appropriation in the amount of \$320 related to the forfeiture and seizures monies held at June 30, 2007 discussed above was offset by expenditures of \$297 during FY 2008 resulting in a decrease of reserving fund balance by \$168 at June 30, 2008.
- 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 \$687 were a part of the favorable variance and a reservation of General Fund balance at June 30, 2008.

### **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, 2008, amounts to \$349,028 (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 3.7 percent. Governmental activities accounted for the increase, as the business type activities reflected greater depreciation than acquisition of new assets. At June 30, 2008, and June 30, 2007 the depreciable capital assets of the City were 38 percent depreciated. This indicates that the City is replacing its assets as they are depreciating.

Major capital asset activities during fiscal year 2008 include the following:

#### Governmental activities

- Completion of a new police station \$22,620.
- Paving work completed by the City of \$9,380 including \$1,517 of street resurfacing, \$2,541 of full-depth patching, \$571 for Locust Street widening, \$861 for left turn lanes at Concord and River Drive, and \$2,793 for 49<sup>th</sup> Street paving.
- Paving completed and contributed by developers \$898.

Business-type activities

- Sanitary sewers built and contributed by developers \$778.
- Storm sewers built and contributed by developers \$389.
- Building improvements at the Compost plant \$1,051.
- Golf course improvements \$309.

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

	<b>City of Davenport's Capital Assets</b>					
	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 15,870	\$ 15,557	\$ 11,090	\$ 10,919	\$ 26,960	\$ 26,476
Buildings	92,019	69,772	89,664	87,902	181,683	157,674
Improvements other than buildings	12,246	11,927	9,432	9,084	21,678	21,011
Sanitary sewers	-	-	62,049	61,271	62,049	61,271
Equipment and vehicles	32,462	29,814	28,168	27,363	60,630	57,177
Bridges	4,474	4,474	-	-	4,474	4,474
Traffic signals	7,230	7,153	-	-	7,230	7,153
Storm sewers	-	-	17,403	17,014	17,403	17,014
Paving	140,891	130,580	183	183	141,074	130,763
Seawalls	623	623	-	-	623	623
Tunnels	54	54	-	-	54	54
Construction in progress	11,396	24,549	3,160	3,594	14,556	28,143
Accumulated depreciation	(94,584)	(87,585)	(94,802)	(88,149)	(189,386)	(175,734)
<b>Total</b>	<b>\$ 222,681</b>	<b>\$ 206,918</b>	<b>\$ 126,347</b>	<b>\$ 129,181</b>	<b>\$ 349,028</b>	<b>\$ 336,099</b>

**Long-term debt.** At the end of the current fiscal year, the City of Davenport had total bonded debt outstanding of \$135,695. Of this amount, \$104,012 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 94 and 95 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	General obligation Bonds	\$ 115,885	\$ 118,239	\$ 19,810	\$ 20,606	\$ 135,695

The City of Davenport's total debt decreased by \$3,150 during the current fiscal year. Debt retirement during the year slightly exceeded the new issuance of \$11,230 in May 2008. The issuance was to finance the City's capital improvement program including streets, buildings, and sanitary sewers (abated by user fees).

The City's scheduled debt repayment is rapid, with 83 percent of outstanding bonded debt scheduled for repayment in 10 years and 98 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 \$274,332, which is significantly in excess of the City of Davenport's outstanding general obligation debt, \$135,695, and other debt subject to the debt limitation \$12,806.

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**

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 was 27.75 percent and these pension contributions have stabilized. This stabilization is further evidenced by a reduction in the pension rate to 25.48% for FY 2008, 18.75% for FY 2009 and 17% for FY 2010.

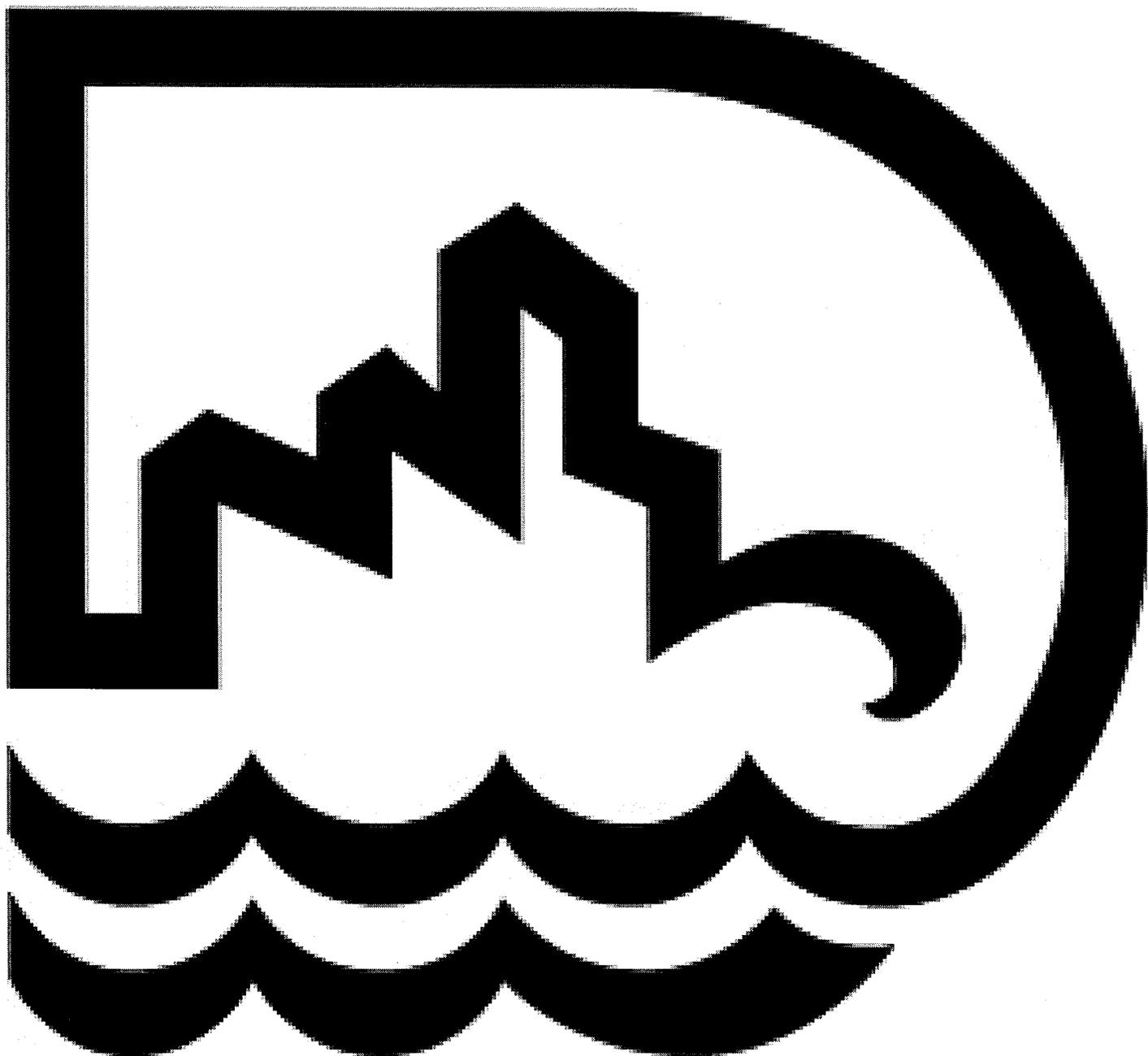
Total employee benefit health claims decreased 2.16 percent and increased 13.5 percent during fiscal years 2006 and 2007, respectively. Benefit health claims decreased 18.9 percent in FY 2008. The City's contribution to the Employee Health Insurance Fund for the majority of its employees (General Fund 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 2007 through 2009, the City sought and received increases in employee monthly premiums from all employees. While the premium amounts are relatively small (2 percent and 4 percent or equivalent dollars of City cost) the precedent has been important moving forward. Also, these 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 provided \$700 in reduced costs over the three years of the contract and are anticipated to provide \$567 per year going forward. Concessions phased in over three years include increased co-pays and higher deductibles and out-of-pocket payments. The City is beginning negotiations with all union groups for FY 2010.

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 the aforementioned consolidated dispatch project.

**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, 2008**

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b>Current assets:</b>			
Unrestricted current assets:			
Cash and investments	\$ 48,550,835	\$ 4,554,066	\$ 53,104,901
Delinquent property taxes receivable	1,085,928	62,744	1,148,672
Succeeding year property taxes receivable	56,081,089	3,225,011	59,306,100
Other taxes receivable	2,940,480	-	2,940,480
Special assessments	1,181,249	-	1,181,249
Accounts receivable	950,341	5,783,453	6,733,794
Loans receivable	10,483,033	-	10,483,033
Accrued interest receivable	309,886	69,242	379,128
Internal balances	2,601,804	(2,601,804)	-
Due from other governments	3,107,789	1,089,225	4,197,014
Prepaid items	160,644	62,460	223,104
Deferred charge-issuance cost	273,670	140,390	414,060
Total unrestricted current assets	<u>127,726,748</u>	<u>12,384,787</u>	<u>140,111,535</u>
Restricted current assets:			
Cash and cash equivalents	81,471	7,983,615	8,065,086
Total current assets	<u>127,808,219</u>	<u>20,368,402</u>	<u>148,176,621</u>
<b>Noncurrent assets:</b>			
Investment in joint venture	-	495,603	495,603
<b>Capital assets:</b>			
Land	15,869,740	11,090,268	26,960,008
Buildings	92,019,277	89,664,032	181,683,309
Improvements other than buildings	12,245,862	9,432,128	21,677,990
Sanitary sewers	-	62,048,697	62,048,697
Equipment and vehicles	32,461,463	28,168,129	60,629,592
Bridges	4,474,397	-	4,474,397
Traffic signals	7,229,970	-	7,229,970
Storm sewers	-	17,403,421	17,403,421
Paving	140,890,921	182,774	141,073,695
Seawalls	622,467	-	622,467
Tunnels	54,326	-	54,326
Construction in progress	11,396,055	3,159,720	14,555,775
Accumulated depreciation	(94,583,850)	(94,801,650)	(189,385,500)
Total capital assets	<u>222,680,628</u>	<u>126,347,519</u>	<u>349,028,147</u>
Total noncurrent assets	<u>222,680,628</u>	<u>126,843,122</u>	<u>349,523,750</u>
<b>Total assets</b>	<u>\$ 350,488,847</u>	<u>\$ 147,211,524</u>	<u>\$ 497,700,371</u>

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>LIABILITIES</b>			
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 5,695,728	\$ 470,610	\$ 6,166,338
Contracts payable	1,380,117	-	1,380,117
Accrued wages payable	2,525,684	471,987	2,997,671
Accrued compensated absences	4,648,782	514,739	5,163,521
Claims and judgments	5,022,142	-	5,022,142
Due to other governments	9,245	-	9,245
Accrued interest payable	447,725	62,673	510,398
General obligation bonds payable	11,991,825	1,693,175	13,685,000
<b>Unearned revenue:</b>			
Succeeding year property tax	56,081,089	3,225,011	59,306,100
Other	11,700,063	47,334	11,747,397
<b>Total</b>	<u>99,502,400</u>	<u>6,485,529</u>	<u>105,987,929</u>
<b>Current liabilities payable from restricted assets:</b>			
Accounts payable	81,471	-	81,471
Deposits payable	-	912,824	912,824
Notes payable	146,587	-	146,587
<b>Total current liabilities payable from restricted assets</b>	<u>228,058</u>	<u>912,824</u>	<u>1,140,882</u>
<b>Total current liabilities</b>	<u>99,730,458</u>	<u>7,398,353</u>	<u>107,128,811</u>
<b>Noncurrent liabilities:</b>			
Accrued compensated absences	1,319,612	146,116	1,465,728
General obligation bonds payable	102,270,382	18,037,771	120,308,153
Special assessment with government commitment	1,181,249	-	1,181,249
<b>Total noncurrent liabilities</b>	<u>104,771,243</u>	<u>18,183,887</u>	<u>122,955,130</u>
<b>Total liabilities</b>	<u>204,501,701</u>	<u>25,582,240</u>	<u>230,083,941</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	107,377,588	109,164,803	216,542,391
<b>Restricted:</b>			
Employee benefits	2,990,659	-	2,990,659
Tort liability	1,598,490	-	1,598,490
Capital projects	7,103,277	-	7,103,277
Debt retirement	9,371,715	-	9,371,715
Local option sales tax-capital projects	8,537,801	-	8,537,801
Road use tax	3,434,381	-	3,434,381
Municipal improvement districts	707,413	-	707,413
Revolving loans	890,272	-	890,272
<b>Unrestricted</b>	<u>3,975,550</u>	<u>12,464,481</u>	<u>16,440,031</u>
<b>Total net assets</b>	<u>\$ 145,987,146</u>	<u>\$ 121,629,284</u>	<u>\$ 267,616,430</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, 2008**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SALES AND SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
Public safety	\$ 37,929,524	\$ 1,769,379	\$ -	\$ 2,552,902
Public works	21,653,523	2,212,146	8,427,878	897,633
Culture and recreation	11,663,190	1,110,907	-	180,262
Community and economic development	10,083,864	842,579	5,288,730	-
General government	8,523,359	2,492,146	845,397	220,502
Interest on long-term debt	5,352,084	-	-	-
Total governmental activities	<u>95,205,544</u>	<u>8,427,157</u>	<u>14,562,005</u>	<u>3,851,299</u>
Business-type activities:				
Parking system	2,214,256	1,699,437	-	161,476
Sewer operations	12,933,042	10,863,016	-	1,046,194
Rivercenter	2,075,251	988,216	-	17,655
Public transit	5,108,767	451,139	1,230,706	167,015
Public housing	1,088,723	388,640	561,394	-
Golf courses	2,360,114	2,236,252	-	-
Airport	564,139	185,644	-	302,072
Solid waste	4,426,700	4,577,669	-	-
Clean water	1,747,692	1,765,014	-	475,477
Total business-type activities	<u>32,518,684</u>	<u>23,155,027</u>	<u>1,792,100</u>	<u>2,169,889</u>
Total government	<u>\$ 127,724,228</u>	<u>\$ 31,582,184</u>	<u>\$ 16,354,105</u>	<u>\$ 6,021,188</u>

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

Investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning, as restated

Net assets, ending

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

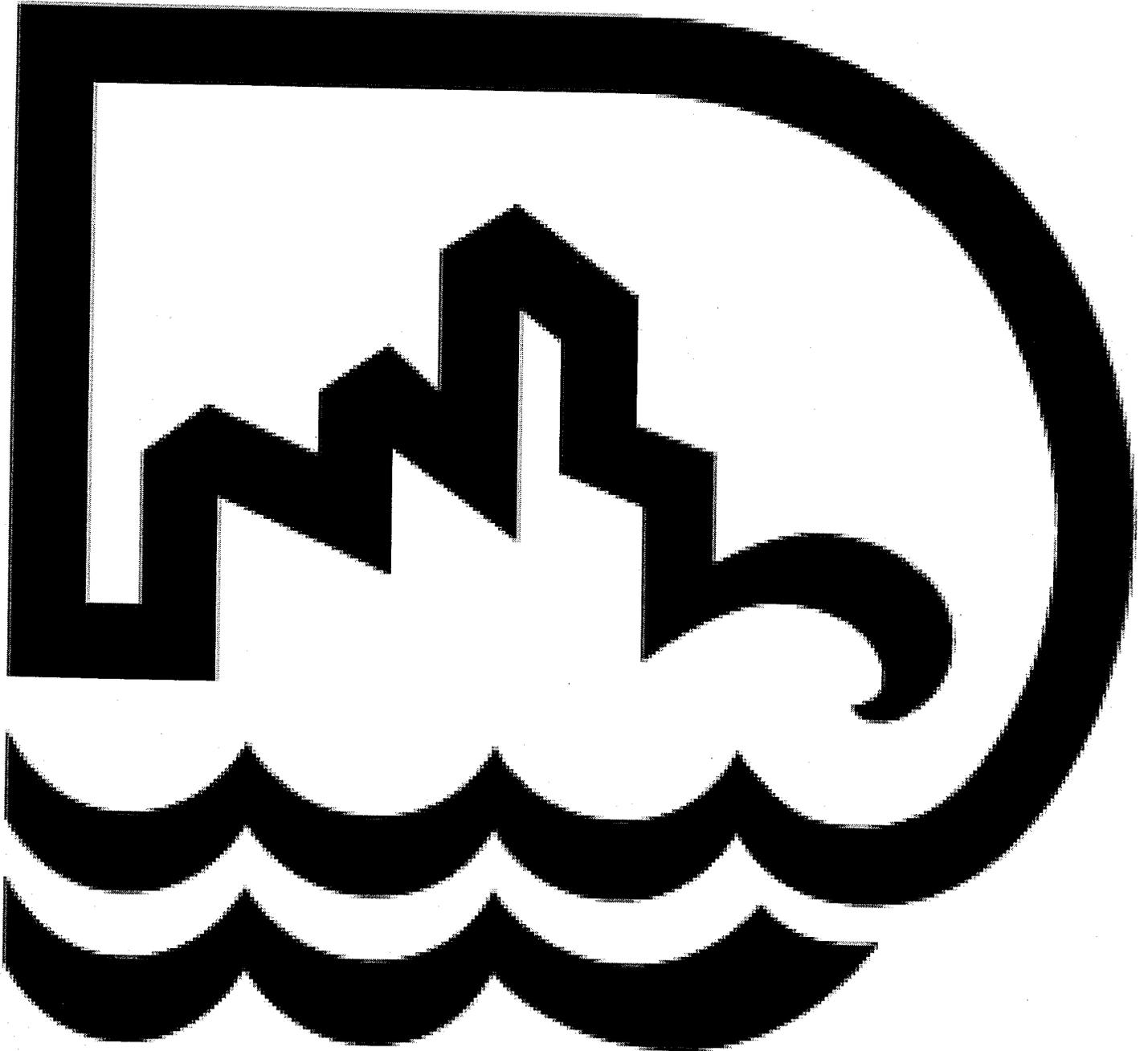
<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (33,607,243)	\$ -	\$ (33,607,243)
(10,115,866)	-	(10,115,866)
(10,372,021)	-	(10,372,021)
(3,952,555)	-	(3,952,555)
(4,965,314)	-	(4,965,314)
(5,352,084)	-	(5,352,084)
<u>(68,365,083)</u>	<u>-</u>	<u>(68,365,083)</u>
-	(353,343)	(353,343)
-	(1,023,832)	(1,023,832)
-	(1,069,380)	(1,069,380)
-	(3,259,907)	(3,259,907)
-	(138,689)	(138,689)
-	(123,862)	(123,862)
-	(76,423)	(76,423)
-	150,969	150,969
-	492,799	492,799
-	(5,401,668)	(5,401,668)
<u>(68,365,083)</u>	<u>(5,401,668)</u>	<u>(73,766,751)</u>
44,878,372	-	44,878,372
9,337,660	-	9,337,660
	3,097,575	3,097,575
14,925,248	-	14,925,248
1,687,454	-	1,687,454
3,337,590	-	3,337,590
2,953,986	649,905	3,603,891
51,385	-	51,385
62,432	65,564	127,996
(501,515)	501,515	-
<u>76,732,612</u>	<u>4,314,559</u>	<u>81,047,171</u>
8,367,529	(1,087,109)	7,280,420
<u>137,619,617</u>	<u>122,716,393</u>	<u>260,336,010</u>
<u>\$ 145,987,146</u>	<u>\$ 121,629,284</u>	<u>\$ 267,616,430</u>

**CITY OF DAVENPORT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2008**

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>LOCAL OPTION SALES TAX FUND</u>	<u>GENERAL DEBT SERVICE FUND</u>
Cash and investments	\$ 9,295,373	\$ 8,813,113	\$ 7,556,116
Receivables:			
Property taxes:			
Delinquent	888,542	-	115,379
Succeeding year	45,838,668	-	6,274,064
Other taxes	723,418	2,217,062	-
Accounts	736,045	24,750	105,711
Special assessments	-	10,697	1,170,552
Loans	-	-	-
Interest	144,712	-	97,249
Interfund loans receivable	2,090,492	-	1,330,237
Due from other governments	1,023,868	28,597	-
Prepays	4,044	-	-
Restricted assets-cash and investments	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 60,745,162</u></b>	<b><u>\$ 11,094,219</u></b>	<b><u>\$ 16,649,308</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>LIABILITIES:</b>			
Wages payable	\$ 2,151,343	\$ 59,838	\$ -
Accounts payable	724,491	193,970	4,000
Contracts payable	-	-	-
Payable from restricted assets	-	-	-
Interfund loans payable	228,984	2,292,873	-
Due to other governments	-	-	-
Deferred revenue:			
Succeeding year property tax	45,838,668	-	6,274,064
Other	1,276,332	9,737	1,153,635
Matured bonds payable	-	-	20,000
Matured interest payable	-	-	3,381
<b>Total Liabilities</b>	<b><u>50,219,818</u></b>	<b><u>2,556,418</u></b>	<b><u>7,455,080</u></b>
<b>FUND BALANCES:</b>			
Reserved for encumbrances	111,395	159,761	-
Reserved for future projects	-	-	-
Reserved for tort liability	1,598,490	-	-
Reserved for loan applicants	-	-	-
Reserved for employee benefits	2,919,143	-	-
Reserved for library	683,608	-	-
Reserved for prepaids	4,044	-	-
Reserved for debt retirement	-	-	9,194,228
Reserved for drug enforcement	151,648	-	-
Reserved for capital projects	-	8,378,040	-
Unreserved:			
Designated for specific projects:			
General	238,761	-	-
Undesignated:			
General	4,818,255	-	-
Special revenue	-	-	-
<b>Total Fund Balances</b>	<b><u>10,525,344</u></b>	<b><u>8,537,801</u></b>	<b><u>9,194,228</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 60,745,162</u></b>	<b><u>\$ 11,094,219</u></b>	<b><u>\$ 16,649,308</u></b>

CAPITAL PROJECTS FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 10,247,794	\$ 6,294,358	\$ 42,206,754
-	82,007	1,085,928
-	3,968,357	56,081,089
-	-	2,940,480
-	83,770	950,276
-	-	1,181,249
-	10,483,033	10,483,033
-	22,378	264,339
1,703,005	-	5,123,734
510,994	1,543,020	3,106,479
-	1,599	5,643
-	81,471	81,471
<u>\$ 12,461,793</u>	<u>\$ 22,559,993</u>	<u>\$ 123,510,475</u>
\$ 470	\$ 248,788	\$ 2,460,439
3,584,512	581,920	5,088,893
1,380,117	-	1,380,117
-	81,471	81,471
-	673,794	3,195,651
-	2,578	2,578
-	3,968,357	56,081,089
393,417	10,884,679	13,717,800
-	-	20,000
-	-	3,381
<u>5,358,516</u>	<u>16,441,587</u>	<u>82,031,419</u>
259,733	185,817	716,706
-	705,600	705,600
-	-	1,598,490
-	890,272	890,272
-	-	2,919,143
-	-	683,608
-	-	4,044
-	582,623	9,776,851
-	-	151,648
6,843,544	-	15,221,584
-	-	238,761
-	-	4,818,255
-	3,754,094	3,754,094
<u>7,103,277</u>	<u>6,118,406</u>	<u>41,479,056</u>
<u>\$ 12,461,793</u>	<u>\$ 22,559,993</u>	<u>\$ 123,510,475</u>



**CITY OF DAVENPORT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
NET ASSETS  
June 30, 2008**

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Total governmental fund balances	\$ 41,479,056
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.	221,500,276
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,017,737
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.	1,904,606
Internal service fund activities allocated to business-type activities	673,721
Deferred charges	273,670
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	(5,840,866)
Accrued interest payable	(444,344)
Notes payable	(146,587)
General obligation bonds payable	(115,423,456)
Loans payable	(6,667)
	<u>(121,861,920)</u>
Net assets of governmental activities	<u>\$ 145,987,146</u>

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

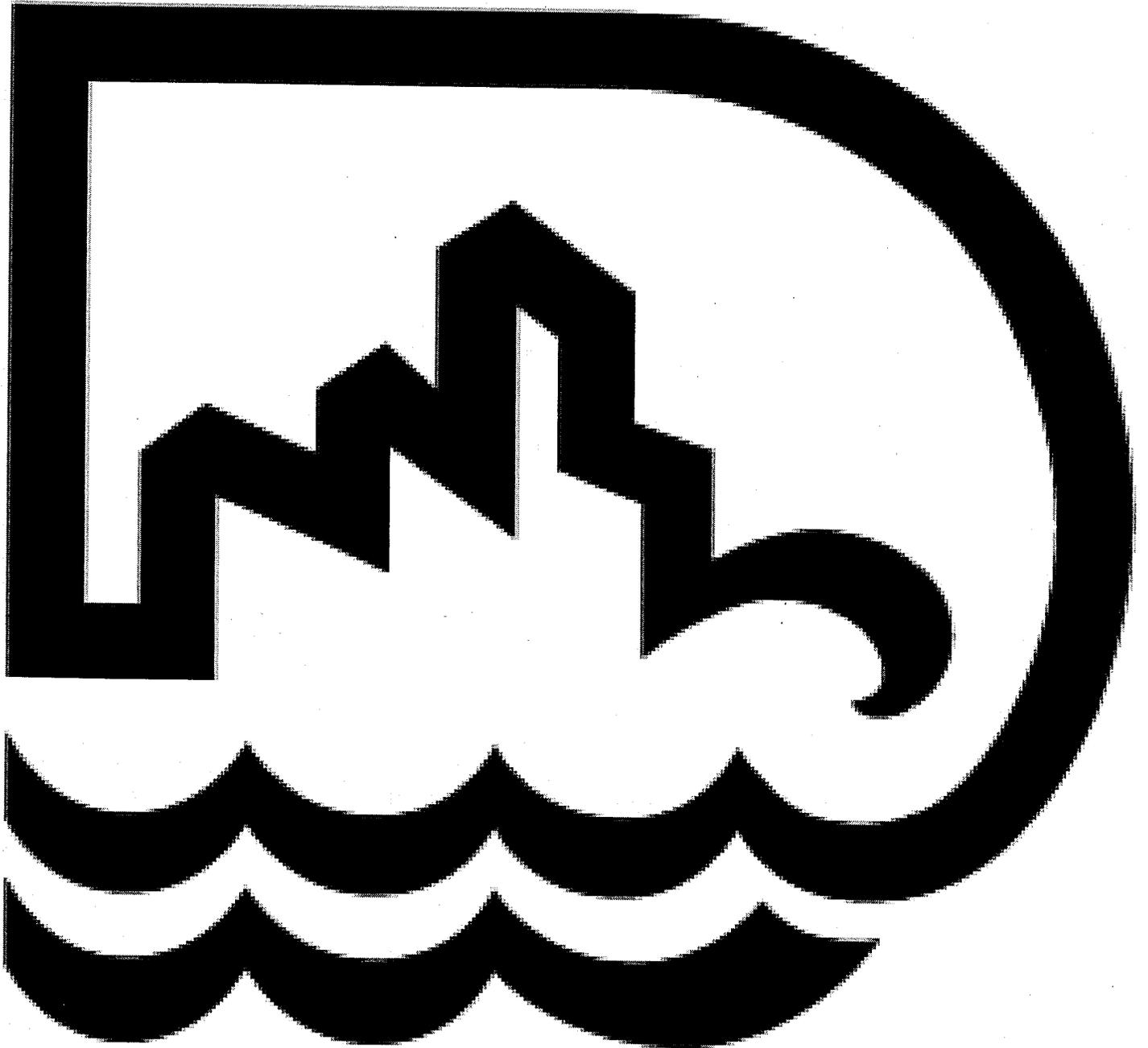
**CITY OF DAVENPORT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Fiscal Year Ended June 30, 2008**

	GENERAL FUND	LOCAL OPTION SALES TAX FUND	GENERAL DEBT SERVICE FUND	CAPITAL PROJECTS FUND
<b>REVENUES:</b>				
Taxes	\$ 48,481,217	\$ 14,925,248	\$ 6,148,528	\$ -
Special assessments	-	-	139,517	-
Licenses and permits	1,439,151	-	-	-
Intergovernmental	747,229	-	-	2,935,306
Charges for services	3,377,361	239,027	-	-
Use of monies and property	1,219,397	21,909	952,824	175,942
Fines and forfeits	554,937	-	-	-
Loan repayments	-	-	-	-
Other	858,805	-	266,057	868,306
Total Revenues	<u>56,678,097</u>	<u>15,186,184</u>	<u>7,506,926</u>	<u>3,979,554</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	37,269,815	547,437	-	-
Public works	3,098,523	1,221,575	-	-
Culture and recreation	9,762,939	334,912	-	-
Community and economic development	1,206,895	292,039	-	-
General government	7,684,399	86,698	4,000	-
Capital outlay	-	-	-	24,969,390
Debt service:				
Principal retirement	-	-	10,474,656	-
Interest	-	-	4,354,584	-
Bond issuance costs	-	-	59,745	24,641
Total Expenditures	<u>59,022,571</u>	<u>2,482,661</u>	<u>14,892,985</u>	<u>24,994,031</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,344,474)</u>	<u>12,703,523</u>	<u>(7,386,059)</u>	<u>(21,014,477)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond issuance	-	-	-	9,910,000
Discount on debt issued	-	-	-	155,453
Sale of capital assets	-	48,279	-	-
Transfers in	1,361,829	-	8,952,407	4,076,196
Transfers out	(1,047,865)	(12,437,393)	-	-
Refunding bond issuance	-	-	4,265,000	-
Payment to refunded bond escrow agent	-	-	(4,239,806)	-
Total Other Financing Sources (Uses)	<u>313,964</u>	<u>(12,389,114)</u>	<u>8,977,601</u>	<u>14,141,649</u>
<b>NET CHANGE IN FUND BALANCES</b>	(2,030,510)	314,409	1,591,542	(6,872,828)
<b>FUND BALANCES-BEGINNING, AS RESTATED</b>	<u>12,555,854</u>	<u>8,223,392</u>	<u>7,602,686</u>	<u>13,976,105</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 10,525,344</u>	<u>\$ 8,537,801</u>	<u>\$ 9,194,228</u>	<u>\$ 7,103,277</u>

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

TOTAL NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 4,345,387	\$ 73,900,380
-	139,517
57,481	1,496,632
13,734,968	17,417,503
-	3,616,388
583,914	2,953,986
-	554,937
584,230	584,230
113,580	2,106,748
<u>19,419,560</u>	<u>102,770,321</u>
-	37,817,252
10,996,065	15,316,163
84,617	10,182,468
8,431,188	9,930,122
133,882	7,908,979
-	24,969,390
1,991,976	12,466,632
797,131	5,151,715
-	84,386
<u>22,434,859</u>	<u>123,827,107</u>
<u>(3,015,299)</u>	<u>(21,056,786)</u>
-	9,910,000
-	155,453
3,106	51,385
183,729	14,574,161
(567,519)	(14,052,777)
115,000	4,380,000
(115,000)	(4,354,806)
<u>(380,684)</u>	<u>10,663,416</u>
(3,395,983)	(10,393,370)
<u>9,514,389</u>	<u>51,872,426</u>
<u>\$ 6,118,406</u>	<u>\$ 41,479,056</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, 2008**

---

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

Net change in fund balances: total governmental funds \$ (10,393,370)

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 Expenditures	24,427,570
Depreciation	<u>(9,592,108)</u>
	<u>14,835,462</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	897,633
Disposals	(637,220)
Transfers of capital assets to enterprise capital assets	<u>(72,899)</u>
	<u>187,514</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 355,249

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	(14,463,320)
Repayment of bond principal	16,721,117
Deferred charges	2,205
Interest	<u>15,976</u>
	<u>2,275,978</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. (375,683)

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. 1,482,379

Change in net assets of governmental activities \$8,367,529

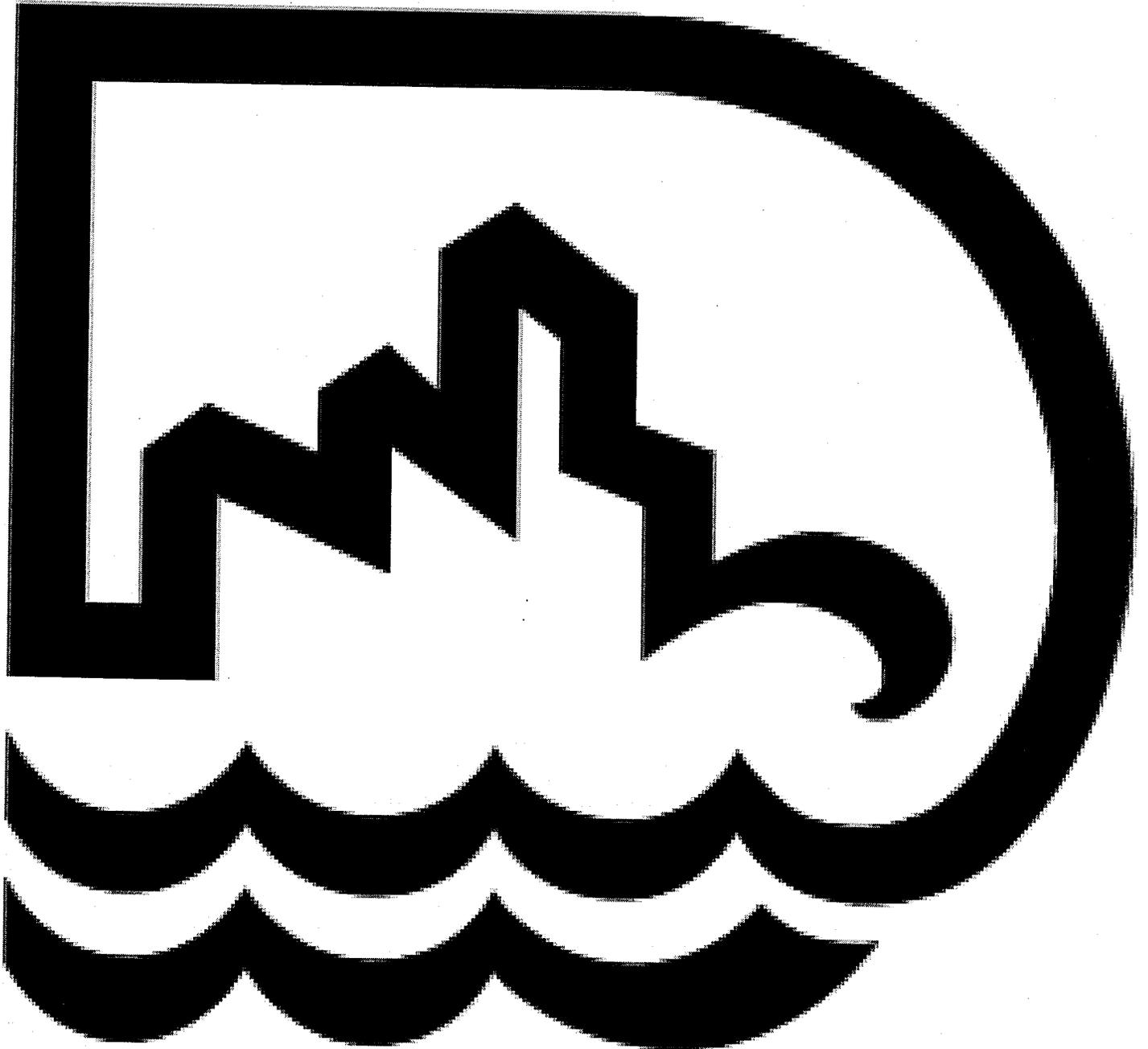
The notes to the financial statements are an integral part of this statement

**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

ASSETS	BUSINESS-TYPE ACTIVITIES -	
	PARKING SYSTEM	SEWER OPERATIONS
Current assets:		
Cash and cash equivalents	\$ 1,348,229	\$ 1,197,421
Receivables:		
Property taxes:		
Delinquent	-	-
Succeeding year	-	-
Accounts	35,059	3,114,101
Interest	9,844	49,613
Due from other governments	-	188,684
Prepays	-	-
Restricted cash and cash equivalents	-	7,955,192
Total current assets	<u>1,393,132</u>	<u>12,505,011</u>
Noncurrent assets:		
Deferred charges	31,790	104,933
Investment in joint venture	-	-
Capital assets:		
Land	3,547,368	779,435
Buildings	26,238,949	31,208,147
Improvements other than buildings	-	68,334
Sanitary sewers	-	62,048,697
Equipment and vehicles	534,628	16,957,361
Paving	-	-
Storm sewers	-	-
Less accumulated depreciation	(5,992,610)	(54,415,346)
Construction in progress	-	2,404,560
Total noncurrent assets	<u>24,360,125</u>	<u>59,156,121</u>
Total assets	<u>25,753,257</u>	<u>71,661,132</u>
<b>LIABILITIES</b>		
LIABILITIES:		
Current liabilities:		
Wages payable	20,656	193,727
Accounts payable	16,671	130,386
Accrued interest payable	23,404	37,103
Compensated absences	7,801	260,986
Claims and judgments	-	-
Interfund loans payable	-	259,385
Deferred revenue:		
Succeeding year property tax	-	-
Other	-	-
General obligation bonds - current	372,500	1,223,675
Total current liabilities	<u>441,032</u>	<u>2,105,262</u>
Current liabilities payable from restricted assets:		
Deposits payable	-	884,401
Noncurrent liabilities:		
Compensated absences	2,214	74,085
General obligation bonds -long term	8,628,817	8,802,721
Total noncurrent liabilities	<u>8,631,031</u>	<u>8,876,806</u>
Total liabilities	<u>9,072,063</u>	<u>11,866,469</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	15,358,808	51,516,831
Unrestricted	1,322,386	8,277,832
Total net assets	<u>\$ 16,681,194</u>	<u>\$ 59,794,663</u>

**ENTERPRISE FUNDS**

<u>RIVERCENTER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</u>
\$ 307,731	\$ 1,700,685	\$ 4,554,066	\$ 6,344,081
-	62,744	62,744	-
-	3,225,011	3,225,011	-
225,303	2,408,990	5,783,453	65
-	9,785	69,242	45,547
-	900,541	1,089,225	1,310
3,132	59,328	62,460	155,001
-	28,423	7,983,615	-
<u>536,166</u>	<u>8,395,507</u>	<u>22,829,816</u>	<u>6,546,004</u>
-	3,667	140,390	-
-	495,603	495,603	-
2,472,550	4,290,915	11,090,268	-
18,242,537	13,974,399	89,664,032	-
39,006	9,324,788	9,432,128	-
-	-	62,048,697	-
467,800	10,208,340	28,168,129	2,314,599
84,121	98,653	182,774	-
-	17,403,421	17,403,421	-
(8,028,678)	(26,365,016)	(94,801,650)	(1,245,389)
-	755,160	3,159,720	111,142
<u>13,277,336</u>	<u>30,189,930</u>	<u>126,983,512</u>	<u>1,180,352</u>
<u>13,813,502</u>	<u>38,585,437</u>	<u>149,813,328</u>	<u>7,726,356</u>
1,652	255,952	471,987	65,245
57,510	266,043	470,610	606,835
-	2,166	62,673	-
2,669	243,283	514,739	99,331
-	-	-	5,022,142
-	1,668,698	1,928,083	-
-	3,225,011	3,225,011	-
34,807	12,527	47,334	-
-	97,000	1,693,175	-
<u>96,638</u>	<u>5,770,680</u>	<u>8,413,612</u>	<u>5,793,553</u>
-	28,423	912,824	-
757	69,060	146,116	28,197
-	606,233	18,037,771	-
757	675,293	18,183,887	28,197
<u>97,395</u>	<u>6,474,396</u>	<u>27,510,323</u>	<u>5,821,750</u>
13,277,336	29,011,828	109,164,803	1,180,352
438,771	3,099,213	13,138,202	724,254
<u>\$ 13,716,107</u>	<u>\$ 32,111,041</u>	<u>\$ 122,303,005</u>	<u>\$ 1,904,606</u>



**CITY OF DAVENPORT**

**RECONCILIATION OF ENTERPRISE FUNDS NET ASSETS TO THE STATEMENT OF NET ASSETS**  
**June 30, 2008**

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Total enterprise funds net assets	\$ 122,303,005
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.	675,431
Adjustments to reflect the consolidation of prior years internal service fund activities related to enterprise funds.	<u>(1,349,152)</u>
Net assets of business-type activities	<u>\$ 121,629,284</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, 2008**

	<b><u>BUSINESS-TYPE ACTIVITIES -</u></b>		
	<b><u>PARKING SYSTEM</u></b>	<b><u>SEWER OPERATIONS</u></b>	<b><u>RIVERCENTER</u></b>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 1,543,972	\$ 10,875,690	\$ 988,216
Fines and forfeits	155,465	-	-
Other	2,012	10,909	-
Total Operating Revenues	<u>1,701,449</u>	<u>10,886,599</u>	<u>988,216</u>
<b>OPERATING EXPENSES:</b>			
Employee expenses	558,286	4,945,028	50,445
Supplies and services	591,793	4,563,602	1,550,115
Depreciation	713,380	3,260,377	482,342
Total Operating Expenses	<u>1,863,459</u>	<u>12,769,007</u>	<u>2,082,902</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(162,010)</u>	<u>(1,882,408)</u>	<u>(1,094,686)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Taxes	-	-	-
Operating grants	-	-	-
Use of monies and property	78,108	422,609	-
Interest expense	(382,804)	(456,747)	-
Gain (loss) on disposition of capital assets	-	(12,674)	-
Joint venture adjustment	-	-	-
Total Non-operating Revenues (Expenses)	<u>(304,696)</u>	<u>(46,812)</u>	<u>-</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(466,706)</u>	<u>(1,929,220)</u>	<u>(1,094,686)</u>
Capital contributions	-	1,046,194	17,655
Transfers in	-	-	612,345
Transfers out	-	-	-
Change in net assets	<u>(466,706)</u>	<u>(883,026)</u>	<u>(464,686)</u>
Total net assets - beginning	<u>17,147,900</u>	<u>60,677,689</u>	<u>14,180,793</u>
Total net assets - ending	<u>\$ 16,681,194</u>	<u>\$ 59,794,663</u>	<u>\$ 13,716,107</u>

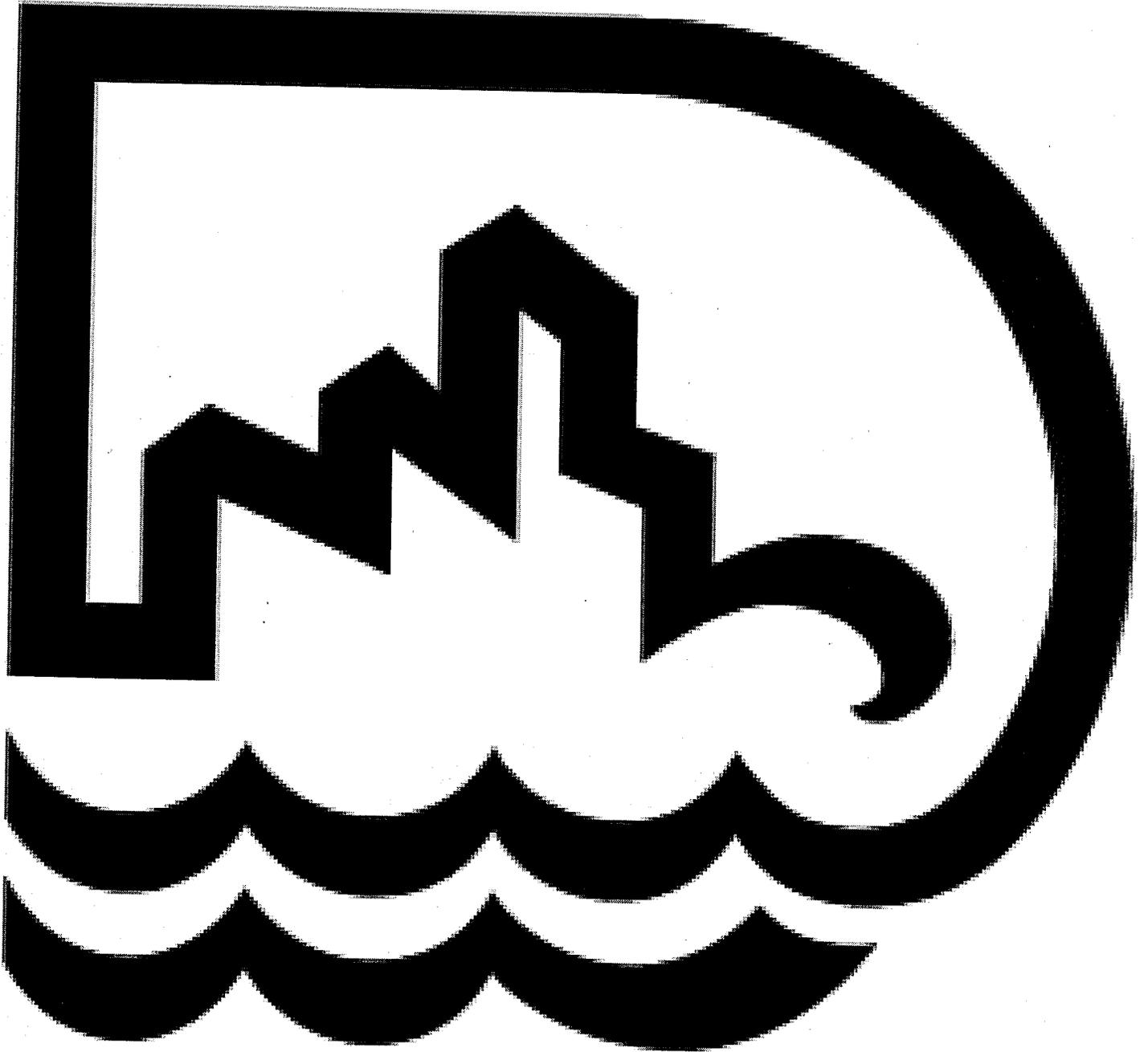
The notes to the financial statements are an integral part of this statement.

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**ENTERPRISE FUNDS**

<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS</u>
\$ 9,602,133	\$ 23,010,011	\$ 17,239,420
-	155,465	-
52,643	65,564	2,308
<u>9,654,776</u>	<u>23,231,040</u>	<u>17,241,728</u>
6,467,738	12,021,497	1,607,960
7,052,684	13,758,194	13,494,898
2,047,928	6,504,027	112,867
<u>15,568,350</u>	<u>32,283,718</u>	<u>15,215,725</u>
<u>(5,913,574)</u>	<u>(9,052,678)</u>	<u>2,026,003</u>
3,097,575	3,097,575	-
1,792,100	1,792,100	-
149,188	649,905	315,747
(49,616)	(889,167)	-
2,225	(10,449)	-
(21,230)	(21,230)	-
<u>4,970,242</u>	<u>4,618,734</u>	<u>315,747</u>
(943,332)	(4,433,944)	2,341,750
1,178,939	2,242,788	766,060
-	612,345	-
(183,729)	(183,729)	(950,000)
<u>51,878</u>	<u>(1,762,540)</u>	<u>2,157,810</u>
<u>32,059,163</u>	<u>124,065,545</u>	<u>(253,204)</u>
<u>\$ 32,111,041</u>	<u>\$ 122,303,005</u>	<u>\$ 1,904,606</u>

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**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, 2008**

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Net change in net assets in enterprise funds \$ (1,762,540)

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.

675,431

Change in net assets of business-type activities \$ (1,087,109)

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

**CITY OF DAVENPORT****PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2008****BUSINESS-TYPE ACTIVITIES -**

	PARKING SYSTEM	SEWER OPERATIONS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from users	\$ 1,734,461	\$ 10,558,148
Cash paid to suppliers for goods and services	(602,814)	(4,671,819)
Cash paid to employees for services	(563,369)	(4,885,744)
Other operating revenue	2,012	10,909
Net Cash Provided by (Used for) Operating Activities	<u>570,290</u>	<u>1,011,494</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Repayments to other funds	-	(920,735)
Advances from other funds	-	1,122,292
Operating grants	-	-
Property tax	-	-
Transfers in	-	-
Transfers out	-	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>-</u>	<u>201,557</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from general obligation bonds	-	1,320,000
Refunding discount/issue costs	-	(10,113)
Proceeds from the sale of capital assets	-	-
Acquisition and construction of capital assets	(49,681)	(911,536)
Principal paid on long-term debt	(312,000)	(1,579,000)
Interest paid on long-term debt	(378,529)	(421,188)
Special assessments	-	16
Refunding bond proceeds	-	1,685,000
Payment to refunding bond escrow agent	-	(1,685,000)
Refunding issue costs	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(740,210)</u>	<u>(1,601,821)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and investment income	<u>73,310</u>	<u>401,192</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(96,610)	12,422
CASH AND CASH EQUIVALENTS-BEGINNING	<u>1,444,839</u>	<u>9,140,191</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 1,348,229</u>	<u>\$ 9,152,613</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>
\$ 867,644	\$ 9,091,082	\$ 22,251,335	\$ 17,252,559
(1,543,864)	(7,178,220)	(13,996,717)	(14,202,887)
(60,951)	(6,414,693)	(11,924,757)	(1,558,170)
-	52,643	65,564	2,308
<u>(737,171)</u>	<u>(4,449,188)</u>	<u>(3,604,575)</u>	<u>1,493,810</u>
-	(890,814)	(1,811,549)	-
-	1,668,688	2,790,980	-
-	1,792,100	1,792,100	-
-	3,097,575	3,097,575	-
612,345	-	612,345	-
-	(183,729)	(183,729)	(950,000)
<u>612,345</u>	<u>5,483,820</u>	<u>6,297,722</u>	<u>(950,000)</u>
-	-	1,320,000	-
-	(6,502)	(16,615)	-
-	2,224	2,224	-
-	(537,164)	(1,498,381)	-
-	(255,000)	(2,146,000)	-
-	(31,232)	(830,949)	-
-	-	16	-
-	540,000	2,225,000	-
-	(540,000)	(2,225,000)	-
-	-	-	-
-	(827,674)	(3,169,705)	-
-	141,800	616,302	292,878
(124,826)	348,758	139,744	836,688
<u>432,557</u>	<u>1,380,350</u>	<u>12,397,937</u>	<u>5,507,393</u>
<u>\$ 307,731</u>	<u>\$ 1,729,108</u>	<u>\$ 12,537,681</u>	<u>\$ 6,344,081</u>

**CITY OF DAVENPORT**

**PROPRIETARY FUNDS (CONTINUED)  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2008**

	<b><u>BUSINESS-TYPE ACTIVITIES -</u></b>	
	<b><u>PARKING SYSTEM</u></b>	<b><u>SEWER OPERATIONS</u></b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u></b>		
Operating Income (Loss)	<u>\$ (162,010)</u>	<u>\$ (1,882,408)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	713,380	3,260,377
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	35,024	(290,779)
Decrease (increase) in due from other governments	-	(26,763)
Decrease (increase) in prepaids	-	1,660
Increase (decrease) in accounts payable	(11,021)	(109,877)
Increase (decrease) in other accrued liabilities	(5,083)	59,284
Increase (decrease) in other deferred revenue	-	-
Total Adjustments	<u>732,300</u>	<u>2,893,902</u>
NET CASH PROVIDED BY ( USED FOR) OPERATING ACTIVITIES	<u>\$ 570,290</u>	<u>\$ 1,011,494</u>
<b><u>SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</u></b>		
Acquisition of capital assets	\$ -	\$ 1,046,194
Contribution of capital assets by municipality	-	-
Contribution of capital assets by subdividers	-	(777,514)
Contribution of capital assets by state and federal governments	-	(268,680)

**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>\$ (1,094,686)</u>	<u>\$ (5,913,574)</u>	<u>\$ (9,052,678)</u>	<u>\$ 2,026,003</u>
482,342	2,047,928	6,504,027	112,867
(119,880)	(265,282)	(640,917)	13,139
-	(394,055)	(420,818)	-
(1,552)	(59,328)	(59,220)	(38,755)
7,803	(66,208)	(179,303)	(649,182)
(10,506)	53,045	96,740	29,738
(692)	148,286	147,594	-
<u>357,515</u>	<u>1,464,386</u>	<u>5,448,103</u>	<u>(532,193)</u>
<u>\$ (737,171)</u>	<u>\$ (4,449,188)</u>	<u>\$ (3,604,575)</u>	<u>\$ 1,493,810</u>
\$ 17,655	\$ 1,178,939	\$ 2,242,788	\$ 766,060
(17,655)	(375,298)	(392,953)	(766,060)
-	(388,862)	(1,166,376)	-
-	(414,779)	(683,459)	-

**CITY OF DAVENPORT**

**FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
June 30, 2008**

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	<u>AGENCY FUNDS</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 349,023
Interest receivable	2,014
Total assets	<u>\$ 351,037</u>
<b><u>LIABILITIES</u></b>	
Accounts payable	\$ 148
Due to other governments	350,889
Total liabilities	<u>\$ 351,037</u>

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

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## CITY OF DAVENPORT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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#### 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 \$1,254,502 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 5<sup>th</sup> 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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 (CONTINUED)**

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constraints placed on net asset use are either externally imposed or imposed by law through constitutional 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, propriety 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, 2008 (CONTINUED)

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#### (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.

**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 financial statements. The agency funds do not have a measurement focus, as they record only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

**CITY OF DAVENPORT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 (CONTINUED)**

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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 2009 levy certified on March 15, 2008 based on the 2007 assessed valuations. As the levy is intended for use in the 2009 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, 2008 was \$15.58 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 revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for services. The principal operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and include interest earnings and interest payments

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, 2008 (CONTINUED)**

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**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**

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, 2008: unexpended general obligation bond proceeds and other funds restricted to capital outlay of \$7,092,285 and deposits of \$862,907 in the Sewer Enterprise Fund, security deposits of \$28,423 in the Public Housing Fund, and loan escrow payments of \$81,471 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	40-50 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, 2008 (CONTINUED)**

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**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, 2008 (CONTINUED)**

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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 \$2,028,122 as of June 30, 2008. The Golf Course non-major proprietary fund has a deficit unrestricted net asset balance of \$615,087 as of June 30, 2008. The HUD grants and EPA grant non-major governmental funds have deficit balances of \$246,360 and 94,544 as of June 30, 2008, respectively, due to deferred grant revenue.

**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 \$60,319,829 and the bank balances were \$61,157,687. Of the bank balances, \$500,000 was covered by federal depository insurance and \$60,657,687 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, 2008 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.

The City did not have any investments subject to credit ratings at year end.

**CITY OF DAVENPORT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 (CONTINUED)**

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,199,180 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):

	<b>Transfer in:</b>					
	<u>General Fund</u>	<u>General Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Governmental Funds</u>	<u>RiverCenter Fund</u>	<b>Total transfer</b>
<b>Transfer out:</b>						
General Fund	-	-	\$ 436	-	\$ 612	\$ 1,048
Local Option Sales Tax Fund	-	\$ 8,952	3,485	-	-	12,437
Non-major Governmental Funds	\$ 412	-	156	-	-	568
Employee Health Internal Service Fund	950	-	-	-	-	950
Non-major Enterprise Funds	-	-	-	184	-	184
<b>Total Transfer</b>	<b>\$1,362</b>	<b>\$ 8,952</b>	<b>\$ 4,077</b>	<b>\$184</b>	<b>\$ 612</b>	<b>\$ 15,187</b>

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, 2008 (CONTINUED)**

**5. Changes in Capital Assets**

The following is a summary of changes in capital assets for the year ended June 30,2008:

	BEGINNING BALANCE 06/30/07	ADDITIONS	TRANSFERS	DELETIONS	ENDING BALANCE 06/30/08
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets, not being depreciated:					
Land	\$ 15,556,771	\$ 312,969	\$ -	\$ -	\$ 15,869,740
Construction in progress	24,635,045	19,267,195	-	(32,506,185)	11,396,055
Total capital assets, not being depreciated	<u>40,191,816</u>	<u>19,580,164</u>	<u>-</u>	<u>(32,506,185)</u>	<u>27,265,795</u>
Capital assets being depreciated					
Buildings	69,772,170	23,508,810	-	(1,261,703)	92,019,277
Improvements other than buildings	11,927,363	318,499	-	-	12,245,862
Equipment and vehicles	29,813,896	4,802,333	(356,336)	(1,798,430)	32,461,463
Bridges	4,474,397	-	-	-	4,474,397
Traffic Signals	7,152,981	76,989	-	-	7,229,970
Paving	130,580,267	10,310,654	-	-	140,890,921
Seawalls	622,467	-	-	-	622,467
Tunnels	54,326	-	-	-	54,326
Total capital assets being depreciated	<u>254,397,867</u>	<u>39,017,285</u>	<u>(356,336)</u>	<u>(3,060,133)</u>	<u>289,998,683</u>
Less accumulated depreciation for:					
Buildings	20,478,650	2,008,547	-	(739,782)	21,747,415
Improvements other than buildings	4,307,044	591,867	-	-	4,898,911
Equipment and vehicles	20,425,350	1,960,323	(283,437)	(1,683,131)	20,419,105
Bridges	1,741,608	113,403	-	-	1,855,011
Traffic signals	4,336,965	217,051	-	-	4,554,016
Paving	36,289,681	4,795,506	-	-	41,085,187
Seawalls	3,890	15,562	-	-	19,452
Tunnels	2,037	2,716	-	-	4,753
Total accumulated depreciation	<u>87,585,225</u>	<u>9,704,975</u>	<u>(283,437)</u>	<u>(2,422,913)</u>	<u>94,583,850</u>
Total capital assets being depreciated, net	<u>166,812,642</u>	<u>29,312,310</u>	<u>(72,899)</u>	<u>(637,220)</u>	<u>195,414,833</u>
Governmental activities capital assets, net	<u>\$ 207,004,458</u>	<u>\$ 48,892,474</u>	<u>\$ (72,899)</u>	<u>\$ (33,143,405)</u>	<u>\$ 222,680,628</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Capital assets, not being depreciated:					
Land	\$ 10,919,415	\$ 170,853	\$ -	\$ -	\$ 11,090,268
Construction in progress	3,507,730	1,782,379	-	(2,130,389)	3,159,720
Total capital assets not being depreciated	<u>14,427,145</u>	<u>1,953,232</u>	<u>-</u>	<u>(2,130,389)</u>	<u>14,249,988</u>
Capital assets, being depreciated:					
Buildings	87,901,923	1,762,109	-	-	89,664,032
Improvements other than buildings	9,083,589	348,539	-	-	9,432,128
Equipment and vehicles	27,362,809	583,898	356,336	(134,914)	28,168,129
Sanitary sewer	61,271,183	777,514	-	-	62,048,697
Storm Sewer	17,014,559	388,862	-	-	17,403,421
Paving	182,774	-	-	-	182,774
Total capital assets being depreciated	<u>202,816,837</u>	<u>3,860,922</u>	<u>356,336</u>	<u>(134,914)</u>	<u>206,899,181</u>
Less accumulated depreciation for:					
Buildings	33,992,316	2,321,137	-	-	36,313,453
Improvements other than buildings	5,111,522	383,550	-	-	5,495,072
Equipment and vehicles	16,115,233	1,764,638	283,437	(134,914)	18,028,394
Sanitary sewer	26,779,334	1,458,876	-	-	28,238,210
Storm sewer	6,141,553	570,094	-	-	6,711,647
Paving	9,142	5,732	-	-	14,874
Total accumulated depreciation	<u>88,149,100</u>	<u>6,504,027</u>	<u>283,437</u>	<u>(134,914)</u>	<u>94,801,650</u>
Total capital assets,being depreciated, net	<u>114,667,737</u>	<u>(2,643,105)</u>	<u>72,899</u>	<u>-</u>	<u>112,097,531</u>
Business-type activities capital assets, net	<u>\$ 129,094,882</u>	<u>\$ (689,873)</u>	<u>\$ 72,899</u>	<u>\$ (2,130,389)</u>	<u>\$ 126,347,519</u>

**CITY OF DAVENPORT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 (CONTINUED)**

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

Governmental activities:	
General government	\$ 560,217
Community & economic development	6,228
Public works	6,157,822
Public safety	1,029,855
Culture & recreation	1,837,986
Internal service assets are charged to the various functions based on their usage of the assets	112,867
Total depreciation expense-governmental activities	<u>\$9,704,975</u>
Business-type activities:	
Parking systems	\$ 713,380
Sewer operations	3,260,377
RiverCenter	482,342
Public transit	359,637
Public housing	246,382
Golf courses	231,927
Airport	310,469
Curbside recycling	264,162
Clean water	635,351
Total depreciation expense-business-type activities	<u>\$6,504,027</u>

The government has active construction projects as of June 30, 2008. 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>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Streets/Improvements	\$ 2,727,139	\$ 13,113,299
Sanitary Sewer/WPCP	1,427,131	687,722
Parks	2,499,074	2,433,109
Public Buildings	4,135	171,742
Police Facility	21,935,604	661,871
Software	397,571	537,673
Total	<u>\$28,990,654</u>	<u>\$ 17,605,416</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, 2008 (CONTINUED)**

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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 3.9% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$1,664,366, \$1,461,389, and \$1,417,480 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 104<sup>th</sup> 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, 2008, 2007 and 2006 were 25.48%, 28.21%, and 28.21%. Contribution requirements are established by State statute. The City's contributions to the plan for the years ended June 30, 2008, 2007 and 2006 were \$4,594,976, \$4,732,522, and \$4,627,402 respectively, which met the required contributions for each year.

**C. 457 Deferred Compensation Contributions**

The City of Davenport contributes 2 to 6% 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, 2008, 2007 and 2006 were \$1,448,530, 1,369,983, and \$1,062,720 respectively.

**7. INTERFUND RECEIVABLES AND PAYABLES**

At June 30, 2008, interfund receivables and payables are summarized as follows:

Receivable Fund	Payable Fund	Amount
General	Non-major Governmental Funds	\$ 673,794
	Non-major Enterprise Funds	1,416,698
General Debt Service Capital Projects	Local Option Sales Tax	1,330,237
	Sewer	259,385
	Local Option Sales Tax	962,636
	General	228,984
	Non-major Enterprise Funds	252,000
		<u>\$5,123,734</u>

**CITY OF DAVENPORT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 (CONTINUED)**

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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, 2008, and for the year then ended is as follows:

Total assets	<u>\$749,483</u>
Total liabilities	<u>\$290,479</u>
Total equity	<u>\$459,004</u>
Total revenue	\$4,511,854
Total expenses	<u>4,523,511</u>
Net change in fund equity	<u>(\$11,657)</u>

The City uses the equity method of accounting for this investment. At June 30, 2008, this amounted to \$495,603 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 5<sup>th</sup> Avenue, Rock Island, IL 61201.

**CITY OF DAVENPORT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 (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, 2008 (numbers shown in thousands):

<b>Governmental Activities:</b>	Balance July 1,2007	Additions	Retirements	Balance June 30,2008	Due Within One Year
<b>Bonds Payable:</b>					
General Obligation Bonds	\$ 117,436	\$ 14,290	\$ (17,022)	\$ 114,704	\$ 11,972
Special Assessment Debt	803	494	(116)	1,181	-
Less deferred costs:					
issuance-discounts	(417)	(20)	220	(217)	-
Refundings	(268)	(55)	99	(224)	-
<b>Total Bonds Payable</b>	<b>117,554</b>	<b>14,709</b>	<b>(16,819)</b>	<b>115,444</b>	<b>11,972</b>
Compensated Absences	5,561	4,544	(4,137)	5,968	-
Loans Payable-Other Govts	20	-	(13)	7	7
Note Payable	281	-	(134)	147	147
	<b>\$ 123,416</b>	<b>\$ 19,253</b>	<b>\$ (21,103)</b>	<b>\$ 121,566</b>	<b>\$ 12,126</b>
<b>Business-type Activities:</b>					
<b>Bonds Payable:</b>					
General Obligation Bonds	\$ 20,606	\$ 3,545	\$ (4,341)	\$ 19,810	\$ 1,693
Less deferred costs:					
issuance-discounts	(82)	21	17	(44)	-
refundings	(15)	(32)	12	(35)	-
<b>Total Bonds Payable</b>	<b>20,509</b>	<b>3,534</b>	<b>(4,312)</b>	<b>19,731</b>	<b>1,693</b>
Compensated Absences	629	908	(876)	661	-
	<b>\$ 21,138</b>	<b>\$ 4,442</b>	<b>\$ (5,188)</b>	<b>\$ 20,392</b>	<b>\$ 1,693</b>

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 \$127,529 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, 2008 (CONTINUED)**

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General obligation bonds payable (balance outstanding in thousands of dollars) at June 30, 2008, is comprised of the following individual issues:

A.	Matured bonds not presented for payment.	\$20
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).	100
C.	\$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).	485
D.	\$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).	555
E.	\$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).	335
F.	\$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).	13,045
G.	\$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 thereon is being serviced by the Parking Enterprise Fund).	4,340
H.	\$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).	705
I.	\$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).	950

**CITY OF DAVENPORT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008 (CONTINUED)**

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<b>J.</b>	\$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).	8,980
<b>K.</b>	\$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.	7,475
<b>L.</b>	\$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; interest 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).	7,300
<b>M.</b>	\$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; interest at 2.0 to 3.0 percent (\$534,750 in principal and interest thereon is being serviced by the Sewer Enterprise Fund).	810
<b>N.</b>	\$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; interest 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).	6,720
<b>O.</b>	\$3,150,000 2004 Economic Development serial bonds due in annual installments of \$130,000 to \$265,000 through June 1, 2023; interest 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).	2,885
<b>P.</b>	\$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; interest at 2.0 to 4.0 percent (\$695,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund).	3,265
<b>Q.</b>	\$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; interest 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.)	8,565

**CITY OF DAVENPORT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 (CONTINUED)**

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R.	\$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; interest at 4.0 to 4.5 percent (\$455,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund.)	29,980
S.	\$3,615,000 2006A Refunding of 1997A Streets, Sewers, Building and Parks serial bonds due in annual installments of \$115,000 to \$530,000 through June 1, 2017; interest at 3.6 to 3.7 percent (\$119,800 in principal and interest thereon are being serviced by the Sewer Enterprise Fund.)	2,700
T.	\$1,330,000 2006B Refunding of 1997 Economic Development serial bonds due in annual installments of \$95,000 to \$150,000 through June 1, 2017; interest at 5.0 percent (\$60,000 in principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund.)	1,100
U.	\$14,400,000 2007A Streets, Equipment and Parks serial bonds due in annual installments of \$810,000 to \$1,280,000 through June 1, 2021; interest at 4.0 to 4.125 percent (\$460,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund.)	12,210
V.	\$6,400,000 2007B Refunding of 1998A Streets, Sewers, Buildings and Equipment serial bonds and refunding of 1998 Streets, Sewers, Buildings, Parks and Equipment serial bonds due in annual installments of \$495,000 to \$1,285,000 through June 1, 2013; interest at 4.0 to 4.25 percent (\$669,300 and \$265,575 in principal and interest thereon are being serviced by the Tax Increment Districts Debt Service Fund and Sewer Enterprise Fund, respectively.)	5,335
W.	\$2,915,000 2008A Refunding of 1999 Streets, Sewers, Buildings, Housing and Equipment serial bonds due in annual installments of \$460,000 to \$520,000 through June 1, 2014; interest at 2.25 to 3.0 percent (\$795,000, \$540,000 and \$55,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund, Public Housing Enterprise Fund and Tax Increment Financing Districts Debt Service Fund, respectively).	2,915
X.	\$3,690,000 2008B Refunding of 2001 Taxable Economic Development, Sewers, Buildings, Equipment and Public Improvements serial bonds due in annual installments of \$570,000 to \$660,000 through June 1, 2015; interest at 3.0 to 3.5 percent (\$890,000 and \$60,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund and Tax Increment Financing Districts Debt Service Fund, respectively.	3,690
Y.	\$11,230,000 2008C Streets, Sewer, Buildings, Equipment and Park serial bonds due in annual installments of \$595,000 to \$910,000 through June 1, 2023; interest at 4.0 to 4.5 percent \$1,320,000 in principal and interest thereon is being serviced by the Sewer Enterprise Fund).	11,230
	Total general obligation bonds	135,695
	General obligation bonds serviced by Enterprise Funds	(19,810)
	Matured bonds	(20)
	General obligation bonds reported in Governmental Activities	<u>\$115,865</u>

**CITY OF DAVENPORT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 (CONTINUED)**

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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-Homesfield, 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-Homesfield, 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, 2008, the discount amounted to \$13,412, resulting in a discounted amount owing of \$146,588.

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, 2008, the balance owed under this note amounted to \$6,667.

On April 1, 2008 the City issued \$2,915,000 of its General Refunding Bonds with an average coupon rate of 2.78% to refund \$2,915,000 of its General Obligation Bonds dated September 15, 1999 with an average coupon rate of 4.86%. The City refunded these bonds to reduce its total debt service payments over the next 6 years by \$209,582 and obtain a net economic gain (difference between the present values of the debt service payments on the old and new debt) of \$167,581. Also on April 1, 2008, the City issued \$3,690,000 of Taxable General Obligation Advanced Refunding Bonds with an average coupon rate of 3.31% to refund \$3,620,000 of Taxable General Obligation Bonds dated November 1, 2000 with an average coupon rate of 5.02%. The City refunded these bonds to reduce its total debt service payments over the next 7 years by \$148,518 and obtain a net economic gain (difference between the present values of the debt service payments on the old and new debt) of \$131,389.

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 \$19,809,825. Debt abated by special assessment collections is accounted for in the governmental activities as Special Assessment Debt with Governmental Commitment in the amount of \$1,181,249. The debt to be abated by municipal improvement district taxes and levee rents is accounted for in the governmental activities in the amounts of \$900,382 and \$30,003 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.

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, 2008, the statutory limit for the City was \$274,332,381 providing a debt margin of \$125,851,217

**CITY OF DAVENPORT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 (CONTINUED)**

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
2009	\$ 11,972	\$ 5,046	\$ 154	\$ 13	\$ 1,693	\$ 859
2010	11,711	4,403	-	-	1,574	744
2011	11,133	3,975	-	-	1,496	660
2012	10,879	3,506	-	-	1,572	624
2013	9,731	2,997	-	-	1,703	625
2014-2018	40,802	9,236	-	-	7,808	2,088
2019-2023	16,922	2,524	-	-	3,964	451
2024-2025	2,715	185	-	-	-	-
Totals	115,865	31,872	154	13	19,810	6,051
Matured	20	2	-	-	-	-
Interest portion	-	(31,874)	-	(13)	-	(6,051)
	<u>\$ 115,885</u>	<u>\$ -</u>	<u>\$ 154</u>	<u>\$ -</u>	<u>\$ 19,810</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 \$9,965,000 for 2008. 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 2008. 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, 2008 (CONTINUED)**

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Changes in reported liabilities for the fiscal years ended June 30, 2007 and 2008 are summarized as follows:

	Employee Insurance Fund	Risk Management Fund	Total
Liabilities at July 1, 2007	\$ 1,131,248	\$ 3,171,210	\$ 4,302,458
Claims and changes in estimates during fiscal year 2007	10,898,777	3,496,080	14,394,857
Claim payments	<u>(10,981,501)</u>	<u>(1,622,027)</u>	<u>(12,603,528)</u>
Liabilities at June 30, 2007	1,048,524	5,045,263	6,093,787
Claims and changes in estimates during fiscal year 2008	8,713,220	2,207,285	10,920,505
Claim payments	<u>(8,902,589)</u>	<u>( 3,089,561)</u>	<u>(11,992,150)</u>
Liabilities at June 30, 2008	<u>\$859,155</u>	<u>\$4,162,987</u>	<u>\$5,022,142</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.

**12. RESTATEMENT**

The City restated the beginning fund balance of the Non-Major Governmental Funds to correct the recording of a grant receivable.

Balance June 30, 2007	Restatement	Balance June 30, 2008
\$9,515,817	(1,428)	\$9,514,389

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 (CONTINUED)**

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**13. RECENTLY ISSUED PRONOUNCEMENTS**

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

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 other postemployment benefit (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

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

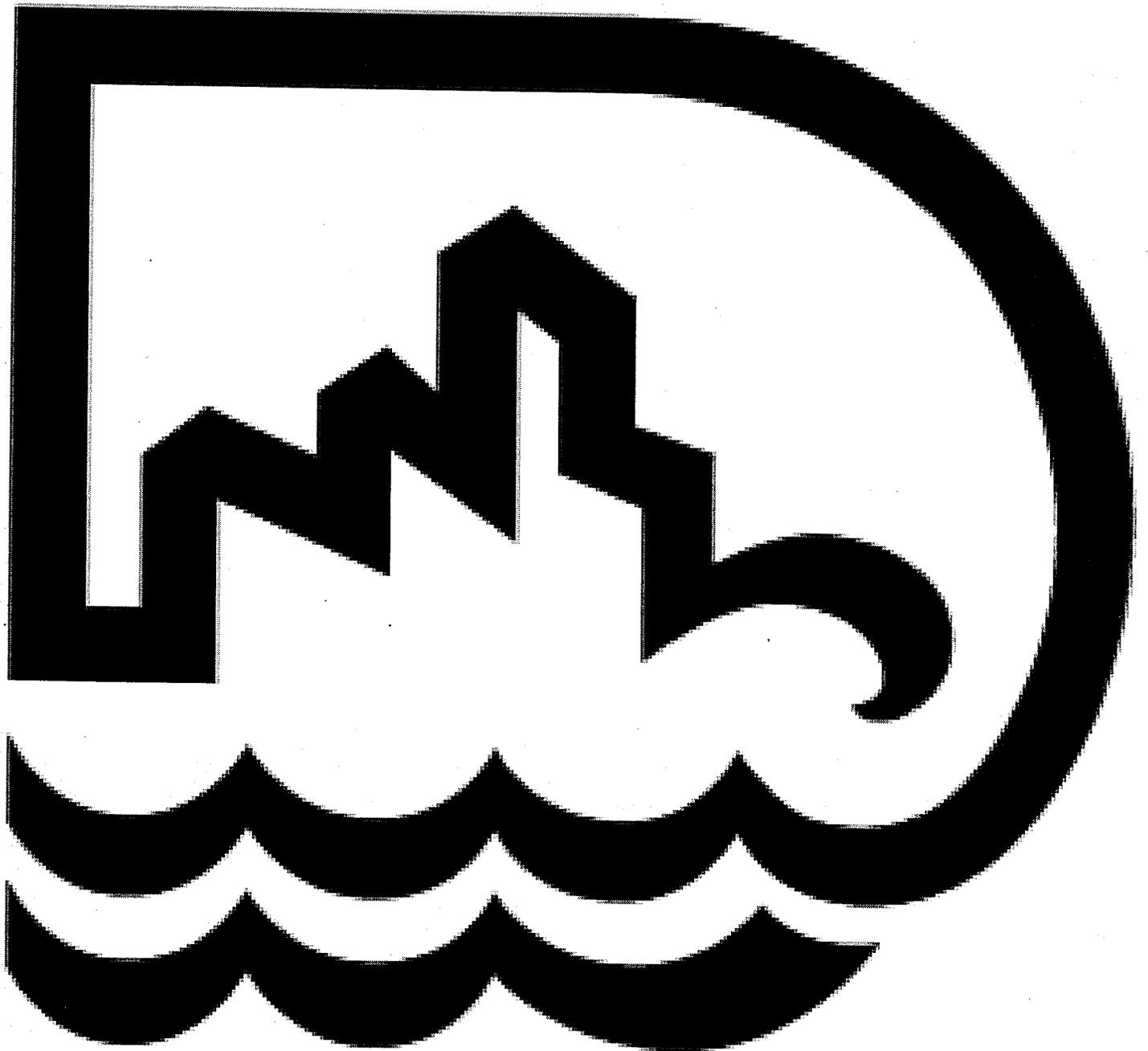
Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This statement requires all intangible assets not specifically excluded by its scope be classified as capital assets.

Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the fiscal year ending June 30, 2009. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the fiscal year ending June 30, 2010. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

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, 2008**

	GOVERNMENTAL FUNDS ACTUAL	PROPRIETARY FUNDS ACTUAL	TOTAL ACTUAL
<b>REVENUES:</b>			
Taxes	\$ 73,900,380	\$ 3,097,575	\$ 76,997,955
Special assessments	139,517	-	139,517
Licenses and permits	1,496,632	-	1,496,632
Intergovernmental	17,417,503	1,792,100	19,209,603
Charges for services	3,616,388	40,249,431	43,865,819
Use of monies and property	2,953,986	965,652	3,919,638
Fines and forfeits	554,937	155,465	710,402
Loan repayments	584,230	-	584,230
Other	2,106,748	67,872	2,174,620
Total Revenues	<u>102,770,321</u>	<u>46,328,095</u>	<u>149,098,416</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
Public safety	37,817,252	-	37,817,252
Public works	15,316,163	-	15,316,163
Culture and recreation	10,182,468	-	10,182,468
Community and economic development	9,930,122	-	9,930,122
General government	7,908,979	-	7,908,979
Capital outlay	24,969,390	-	24,969,390
<b>Debt service:</b>			
Principal retirement	12,466,632	-	12,466,632
Interest	5,151,715	-	5,151,715
Bond issuance costs	84,386	-	84,386
Business type activities	-	41,771,716	41,771,716
Total Expenditures	<u>123,827,107</u>	<u>41,771,716</u>	<u>165,598,823</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(21,056,786)</u>	<u>4,556,379</u>	<u>(16,500,407)</u>
<b>OTHER FINANCING SOURCES, NET</b>	<u>10,663,416</u>	<u>(521,384)</u>	<u>10,142,032</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(10,393,370)</u>	<u>4,034,995</u>	<u>(6,358,375)</u>
<b>BALANCES BEGINNING OF YEAR*</b>	<u>51,872,426</u>	<u>10,312,334</u>	<u>62,184,760</u>
<b>BALANCES END OF YEAR</b>	<u>\$ 41,479,056</u>	<u>\$ 14,347,329</u>	<u>\$ 55,826,385</u>

\* Restated beginning balances

<u>BUDGETED AMOUNTS</u>			FINAL TO ACTUAL VARIANCE
<u>ORIGINAL</u>	<u>FINAL</u>		
\$ 75,284,820	\$ 75,813,057	\$ 1,184,898	
150,000	150,000	(10,483)	
1,498,055	1,477,055	19,577	
20,776,372	49,785,116	(30,575,513)	
45,601,240	45,448,024	(1,582,205)	
2,186,410	3,123,210	796,428	
692,887	692,887	17,515	
-	-	584,230	
<u>7,056,933</u>	<u>8,421,410</u>	<u>(6,246,790)</u>	
<u>153,246,717</u>	<u>184,910,759</u>	<u>(35,812,343)</u>	
35,715,951	36,887,022	(930,230)	
13,276,680	15,308,957	(7,206)	
8,895,003	10,491,363	308,895	
7,696,254	13,530,233	3,600,111	
9,439,715	8,510,816	601,837	
36,440,000	85,003,806	60,034,416	
14,494,299	12,466,632	-	
4,451,947	8,700,350	3,548,635	
-	776,366	691,980	
<u>48,142,566</u>	<u>51,979,605</u>	<u>10,207,889</u>	
<u>178,552,415</u>	<u>243,655,150</u>	<u>78,056,327</u>	
<u>(25,305,698)</u>	<u>(58,744,391)</u>	<u>42,243,984</u>	
<u>20,869,000</u>	<u>18,345,162</u>	<u>(8,203,130)</u>	
(4,436,698)	(40,399,229)	34,040,854	
<u>62,184,760</u>	<u>62,184,760</u>	<u>-</u>	
<u>\$ 57,748,062</u>	<u>\$ 21,785,531</u>	<u>\$ 34,040,854</u>	

**CITY OF DAVENPORT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY REPORTING  
JUNE 30, 2008**

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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. Expenditures in the public safety function and public works function exceeded budget by \$930,230 and \$7,206, respectively, due to unanticipated overtime. During the year a budget amendment increased budgeted expenditures by \$65,102,735. The budget amendment is reflected in the final budgeted amounts.

	Budgetary Basis	Adjustments	Adjusted Basis
Revenues	\$ 149,098,416	-	\$ 149,098,416
Expenses	<u>165,598,823</u>	<u>6,616,894</u>	<u>172,215,717</u>
Net	(16,500,407)	(6,616,894)	(23,117,301)
Other financing sources, net	10,142,032	2,870,637	13,012,669
Beginning net assets	<u>62,184,760</u>	<u>113,606,539</u>	<u>175,791,299</u>
Ending net assets	<u>\$ 55,826,385</u>	<u>\$ 109,860,282</u>	<u>\$ 165,686,667</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, lead based paint removal and education , 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, 2008**

<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	\$ 3,080,928	\$ -	\$ 10,527	\$ 804,105	\$ 828,662
Receivables:					
Property taxes:					
Delinquent	-	-	-	-	19,715
Succeeding year	-	-	-	-	922,966
Accounts	3,444	-	1,492	78,834	-
Loans	-	2,499,563	-	-	-
Interest	-	377	-	5,209	4,660
Due from other governments	674,668	323,089	-	-	-
Prepays	-	-	-	-	-
Restricted assets-cash and investments	-	81,471	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 3,759,040</u></b>	<b><u>\$ 2,904,500</u></b>	<b><u>\$ 12,019</u></b>	<b><u>\$ 888,148</u></b>	<b><u>\$ 1,776,003</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Wages payable	\$ 203,093	\$ 20,965	\$ 11,959	\$ 3,004	\$ -
Accounts payable	121,566	143,141	60	6,893	145,624
Payable from restricted assets	-	81,471	-	-	-
Interfund loans payable	-	156,782	-	-	-
Due to other governments	-	2,578	-	-	-
Deferred revenue:					
Succeeding year property tax	-	-	-	-	922,966
Other	-	2,499,563	-	31,817	1,813
Total Liabilities	<u>324,659</u>	<u>2,904,500</u>	<u>12,019</u>	<u>41,714</u>	<u>1,070,403</u>
<b>FUND BALANCES:</b>					
Reserved for encumbrances	185,817	-	-	-	-
Reserved for future projects	-	-	-	-	705,600
Reserved for loan applicants	-	-	-	-	-
Reserved for debt retirement	-	-	-	-	-
Undesignated:					
Special revenue	3,248,564	-	-	846,434	-
Total Fund Balances	<u>3,434,381</u>	<u>-</u>	<u>-</u>	<u>846,434</u>	<u>705,600</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,759,040</u></b>	<b><u>\$ 2,904,500</u></b>	<b><u>\$ 12,019</u></b>	<b><u>\$ 888,148</u></b>	<b><u>\$ 1,776,003</u></b>

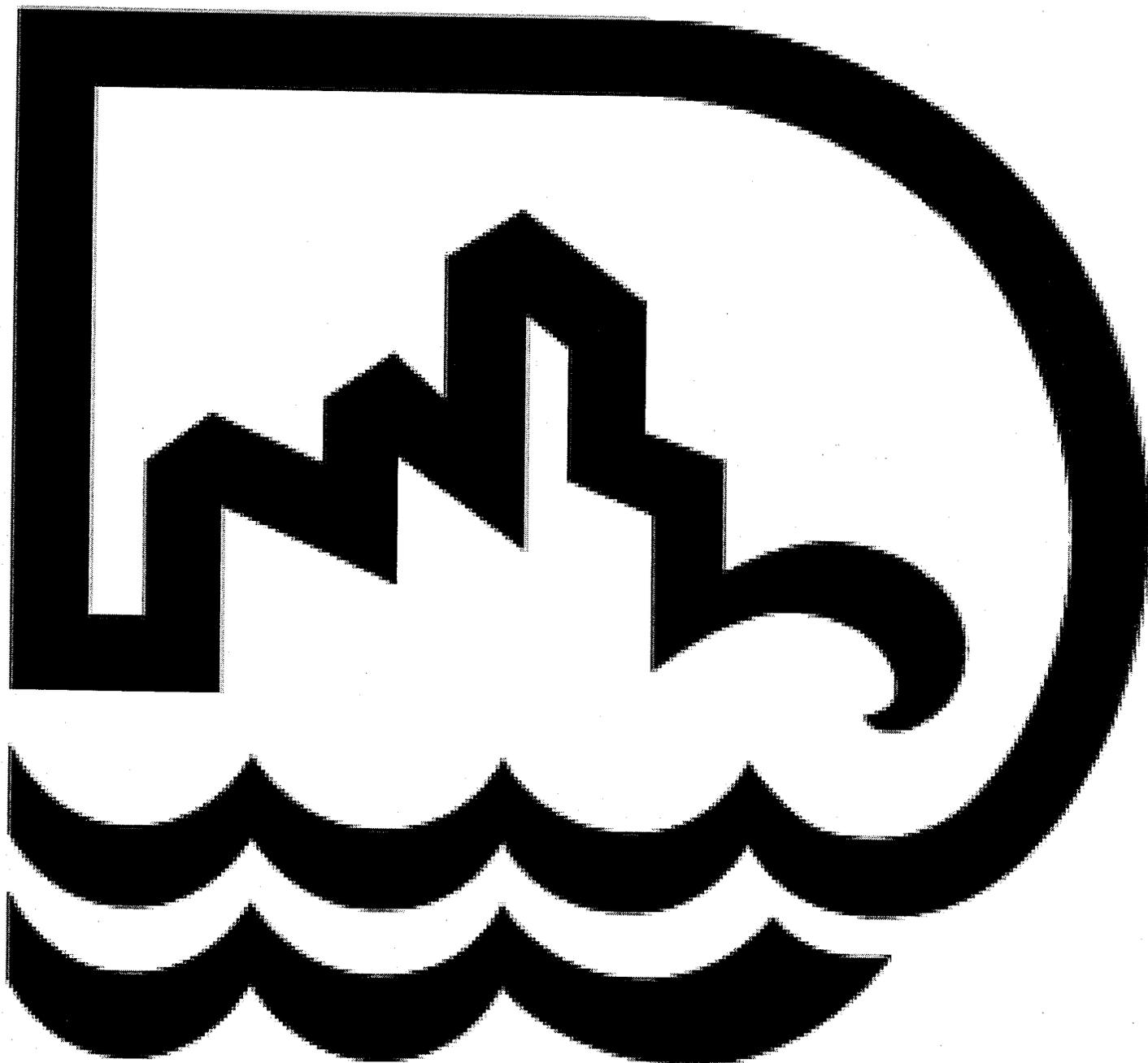
REVOLVING LOANS	HOME INVESTMENT PARTNERSHIP	LAW ENFORCEMENT BLOCK GRANT	HUD GRANTS	ENVIRONMENTAL PROTECTION AGENCY GRANT	TAX INCREMENT FINANCING DISTRICTS DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
\$ 933,306	\$ -	\$ -	\$ -	\$ -	\$ 636,830	\$ 6,294,358
-	-	-	-	-	62,292	82,007
-	-	-	-	-	3,045,391	3,968,357
1,277,643	6,705,827	-	-	-	-	83,770
6,966	-	-	-	-	-	10,483,033
-	160,298	-	290,420	94,545	5,166	22,378
-	-	-	1,599	-	-	1,543,020
-	-	-	-	-	-	1,599
-	-	-	-	-	-	81,471
<u>\$ 2,217,915</u>	<u>\$ 6,866,125</u>	<u>\$ -</u>	<u>\$ 292,019</u>	<u>\$ 94,545</u>	<u>\$ 3,749,679</u>	<u>\$ 22,559,993</u>
\$ -	\$ 3,114	\$ -	\$ 6,653	\$ -	\$ -	\$ 248,788
50,000	-	-	1,268	18,814	94,554	581,920
-	-	-	-	-	-	81,471
-	157,184	-	284,098	75,730	-	673,794
-	-	-	-	-	-	2,578
-	-	-	-	-	3,045,391	3,968,357
1,277,643	6,705,827	-	246,360	94,545	27,111	10,884,679
<u>1,327,643</u>	<u>6,866,125</u>	<u>-</u>	<u>538,379</u>	<u>189,089</u>	<u>3,167,056</u>	<u>16,441,587</u>
-	-	-	-	-	-	185,817
-	-	-	-	-	-	705,600
890,272	-	-	-	-	-	890,272
-	-	-	-	-	582,623	582,623
-	-	-	(246,360)	(94,544)	-	3,754,094
<u>890,272</u>	<u>-</u>	<u>-</u>	<u>(246,360)</u>	<u>(94,544)</u>	<u>582,623</u>	<u>6,118,406</u>
<u>\$ 2,217,915</u>	<u>\$ 6,866,125</u>	<u>\$ -</u>	<u>\$ 292,019</u>	<u>\$ 94,545</u>	<u>\$ 3,749,679</u>	<u>\$ 22,559,993</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, 2008**

	ROAD USE TAX	COMMUNITY DEVELOPMENT ACT	HUD SECTION 8	LEVEE IMPROVEMENT COMMISSION	MUNICIPAL IMPROVEMENT DISTRICTS
<b>REVENUES:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,150,156
Licenses and permits	57,481	-	-	-	-
Intergovernmental	8,427,878	1,853,897	2,741,840	-	-
Use of monies and property	34	84,929	-	258,543	32,306
Loan repayments	-	284,650	-	-	-
Other	78,598	920	4,864	29,198	-
<b>Total Revenues</b>	<b>8,563,991</b>	<b>2,224,396</b>	<b>2,746,704</b>	<b>287,741</b>	<b>1,182,462</b>
<b>EXPENDITURES:</b>					
Current:					
Public works	10,996,065	-	-	-	-
Culture and recreation	-	52,177	-	32,440	-
Community and economic development	-	2,324,335	2,855,433	200,432	794,760
General government	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	30,003	169,274
Interest	-	-	-	3,375	55,201
<b>Total Expenditures</b>	<b>10,996,065</b>	<b>2,376,512</b>	<b>2,855,433</b>	<b>266,250</b>	<b>1,019,235</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,432,074)</b>	<b>(152,116)</b>	<b>(108,729)</b>	<b>21,491</b>	<b>163,227</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of capital assets	3,106	-	-	-	-
Transfers in	75,000	-	108,729	-	-
Transfers out	(131,190)	-	-	-	-
Refunding bond issuance	-	-	-	-	-
Payments to refunded bond escrow agent	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(53,084)</b>	<b>-</b>	<b>108,729</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,485,158)</b>	<b>(152,116)</b>	<b>-</b>	<b>21,491</b>	<b>163,227</b>
<b>FUND BALANCES - BEGINNING</b>	<b>5,919,539</b>	<b>152,116</b>	<b>-</b>	<b>824,943</b>	<b>542,373</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 3,434,381</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 846,434</b>	<b>\$ 705,600</b>

<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,195,231	\$ 4,345,387
-	-	-	-	-	-	57,481
-	548,709	-	162,644	-	-	13,734,968
63,319	105,970	-	-	-	38,813	583,914
170,788	128,792	-	-	-	-	584,230
-	-	-	-	-	-	113,580
<u>234,107</u>	<u>783,471</u>	<u>-</u>	<u>162,644</u>	<u>-</u>	<u>3,234,044</u>	<u>19,419,560</u>
-	-	-	-	-	-	10,996,065
-	-	-	-	-	-	84,617
402,317	783,471	-	253,930	84,025	732,485	8,431,188
-	-	-	133,882	-	-	133,882
13,333	-	-	-	-	1,779,366	1,991,976
-	-	-	-	-	738,555	797,131
<u>415,650</u>	<u>783,471</u>	<u>-</u>	<u>387,812</u>	<u>84,025</u>	<u>3,250,406</u>	<u>22,434,859</u>
(181,543)	-	-	(225,168)	(84,025)	(16,362)	(3,015,299)
-	-	-	-	-	-	3,106
-	-	-	-	-	-	183,729
-	-	-	-	-	(436,329)	(567,519)
-	-	-	-	-	115,000	115,000
-	-	-	-	-	(115,000)	(115,000)
-	-	-	-	-	(436,329)	(380,684)
(181,543)	-	-	(225,168)	(84,025)	(452,691)	(3,395,983)
<u>1,071,815</u>	<u>-</u>	<u>-</u>	<u>(21,192)</u>	<u>(10,519)</u>	<u>1,035,314</u>	<u>9,514,389</u>
<u>\$ 890,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (246,360)</u>	<u>\$ (94,544)</u>	<u>\$ 582,623</u>	<u>\$ 6,118,406</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.

**NON-MAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2008**

ASSETS	BUSINESS-TYPE ACTIVITIES -		
	PUBLIC HOUSING	GOLF COURSES	AIRPORT
Current assets:			
Cash and cash equivalents	\$ 519,814	\$ -	\$ 70,603
Receivables:			
Property taxes:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	14,315	44,038	5,296
Interest	4,382	436	612
Due from other governments	11,920	-	-
Prepays	-	9,328	-
Restricted cash and cash equivalents	28,423	-	-
Total current assets	<u>578,854</u>	<u>53,802</u>	<u>76,511</u>
Noncurrent assets:			
Deferred charges	-	-	3,667
Investment in joint venture	-	-	-
Capital assets:			
Land	526,071	1,272,122	749,356
Buildings	7,494,777	337,313	2,187,994
Improvements other than buildings	-	2,749,332	6,443,283
Equipment and vehicles	249,849	1,381,381	178,542
Paving	91,765	-	-
Storm sewers			
less accumulated depreciation	(4,515,258)	(2,582,955)	(5,216,598)
Construction in progress	206,935	-	354,473
Total noncurrent assets	<u>4,054,139</u>	<u>3,157,193</u>	<u>4,700,717</u>
Total assets	<u>4,632,993</u>	<u>3,210,995</u>	<u>4,777,228</u>
<b>LIABILITIES</b>			
LIABILITIES:			
Current liabilities:			
Wages payable	3,936	57,376	1,416
Accounts payable	11,912	55,305	5,264
Accrued interest payable	1,611	-	555
Compensated absences	3,795	45,032	749
Interfund loans payable	-	498,393	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	2,385	-	-
General obligation bonds - current	82,000	-	15,000
Total current liabilities	<u>105,639</u>	<u>656,106</u>	<u>22,984</u>
Current liabilities payable from restricted assets:			
Deposits payable	28,423	-	-
Noncurrent liabilities:			
Compensated absences	1,077	12,783	213
General obligation bonds - long term	451,497	-	154,736
Total noncurrent liabilities	<u>452,574</u>	<u>12,783</u>	<u>154,949</u>
Total liabilities	<u>586,636</u>	<u>668,889</u>	<u>177,933</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,541,376	3,157,193	4,530,981
Unrestricted	504,981	(615,087)	68,314
Total net assets	<u>\$ 4,046,357</u>	<u>\$ 2,542,106</u>	<u>\$ 4,599,295</u>

**ENTERPRISE FUNDS**

<u>PUBLIC TRANSIT</u>	<u>SOLID WASTE</u>	<u>CLEAN WATER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>
\$ -	\$ -	\$ 1,110,268	\$ 1,700,685
62,744	-	-	62,744
3,225,011	-	-	3,225,011
5,217	1,801,806	538,318	2,408,990
-	-	4,355	9,785
888,621	-	-	900,541
50,000	-	-	59,328
-	-	-	28,423
<u>4,231,593</u>	<u>1,801,806</u>	<u>1,652,941</u>	<u>8,395,507</u>
-	-	-	3,667
495,603	-	-	495,603
1,599,288	-	144,078	4,290,915
3,929,427	24,888	-	13,974,399
132,173	-	-	9,324,788
4,720,093	3,218,768	459,707	10,208,340
6,888	-	-	98,653
(5,004,699)	(2,001,573)	17,403,421	17,403,421
88,272	-	(7,043,933)	(26,365,016)
<u>5,967,045</u>	<u>1,242,083</u>	<u>105,480</u>	<u>755,160</u>
<u>10,198,638</u>	<u>3,043,889</u>	<u>11,068,753</u>	<u>30,189,930</u>
		<u>12,721,694</u>	<u>38,585,437</u>
89,135	72,320	31,769	255,952
108,663	74,947	9,952	266,043
-	-	-	2,166
55,498	95,613	42,596	243,283
916,839	253,466	-	1,668,698
3,225,011	-	-	3,225,011
10,142	-	-	12,527
-	-	-	97,000
<u>4,405,288</u>	<u>496,346</u>	<u>84,317</u>	<u>5,770,680</u>
-	-	-	28,423
15,754	27,141	12,092	69,060
-	-	-	606,233
<u>15,754</u>	<u>27,141</u>	<u>12,092</u>	<u>675,293</u>
<u>4,421,042</u>	<u>523,487</u>	<u>96,409</u>	<u>6,474,396</u>
5,471,442	1,242,083	11,068,753	29,011,828
306,154	1,278,319	1,556,532	3,099,213
<u>\$5,777,596</u>	<u>\$ 2,520,402</u>	<u>\$ 12,625,285</u>	<u>\$ 32,111,041</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, 2008**

	<b>BUSINESS-TYPE ACTIVITIES -</b>		
	<b>PUBLIC HOUSING</b>	<b>GOLF COURSES</b>	<b>AIRPORT</b>
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 388,640	\$ 2,236,252	\$ 185,644
Other	37,255	42	15,097
Total Operating Revenues	<u>425,895</u>	<u>2,236,294</u>	<u>200,741</u>
<b>OPERATING EXPENSES:</b>			
Employee expenses	95,034	1,115,427	33,898
Supplies and services	740,764	1,058,321	215,290
Depreciation	246,382	231,927	310,469
Total Operating Expenses	<u>1,082,180</u>	<u>2,405,675</u>	<u>559,657</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(656,285)</u>	<u>(169,381)</u>	<u>(358,916)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Taxes	-	-	-
Operating grants	561,394	-	-
Use of monies and property	30,381	3,029	57,281
Interest expense	(34,152)	(7,997)	(7,467)
Gain (loss) on disposition of capital assets	-	-	-
Joint venture adjustment	-	-	-
Total Non-operating Revenues (Expenses)	<u>557,623</u>	<u>(4,968)</u>	<u>49,814</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>(98,662)</u>	<u>(174,349)</u>	<u>(309,102)</u>
Capital contributions	161,476	-	302,072
Transfers out	(108,729)	-	-
Change in net assets	<u>(45,915)</u>	<u>(174,349)</u>	<u>(7,030)</u>
Total net assets - beginning	<u>4,092,272</u>	<u>2,716,455</u>	<u>4,606,325</u>
Total net assets - ending	<u>\$ 4,046,357</u>	<u>\$ 2,542,106</u>	<u>\$ 4,599,295</u>

**ENTERPRISE FUNDS**

<u>PUBLIC TRANSIT</u>	<u>SOLID WASTE</u>	<u>CLEAN WATER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>
\$ 450,214	\$ 4,576,369	\$ 1,765,014	\$ 9,602,133
3	246	-	52,643
<u>450,217</u>	<u>4,576,615</u>	<u>1,765,014</u>	<u>9,654,776</u>
2,331,415	2,215,457	676,507	6,467,738
2,510,398	2,055,806	472,105	7,052,684
359,637	264,162	635,351	2,047,928
<u>5,201,450</u>	<u>4,535,425</u>	<u>1,783,963</u>	<u>15,568,350</u>
<u>(4,751,233)</u>	<u>41,190</u>	<u>(18,949)</u>	<u>(5,913,574)</u>
3,097,575	-	-	3,097,575
1,230,706	-	-	1,792,100
12,360	10,637	35,500	149,188
-	-	-	(49,616)
925	1,300	-	2,225
(21,230)	-	-	(21,230)
<u>4,320,336</u>	<u>11,937</u>	<u>35,500</u>	<u>4,970,242</u>
(430,897)	53,127	16,551	(943,332)
167,015	72,899	475,477	1,178,939
-	-	(75,000)	(183,729)
<u>(263,882)</u>	<u>126,026</u>	<u>417,028</u>	<u>51,878</u>
<u>6,041,478</u>	<u>2,394,376</u>	<u>12,208,257</u>	<u>\$ 32,059,163</u>
<u>\$ 5,777,596</u>	<u>\$ 2,520,402</u>	<u>\$ 12,625,285</u>	<u>\$ 32,111,041</u>

**CITY OF DAVENPORT**
**NON-MAJOR ENTERPRISE FUNDS  
 COMBINING STATEMENT OF CASH FLOWS  
 For the Fiscal Year Ended June 30, 2008**

	<b>BUSINESS-TYPE ACTIVITIES -</b>		
	<b>PUBLIC HOUSING</b>	<b>GOLF COURSES</b>	<b>AIRPORT</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from users	\$ 375,589	\$ 2,206,805	\$ 183,443
Cash paid to suppliers for goods and services	(747,811)	(1,120,798)	(211,623)
Cash paid to employees for services	(95,304)	(1,112,315)	(33,717)
Other operating revenue	37,255	42	15,097
Net Cash Provided by (Used for) Operating Activities	<u>(430,271)</u>	<u>(26,266)</u>	<u>(46,800)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Repayments to other funds	-	-	-
Advances from other funds	-	498,383	-
Operating grants	561,394	-	-
Property tax	-	-	-
Transfers out	(108,729)	-	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>452,665</u>	<u>498,383</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Refunding discount/issue costs	(6,502)	-	-
Proceeds from the sale of capital assets	-	-	-
Acquisition and construction of capital assets	-	(508,996)	(28,168)
Principal paid on long-term debt	(75,000)	(165,000)	(15,000)
Interest paid on long-term debt	(29,746)	6,137	(7,623)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(111,248)</u>	<u>(667,859)</u>	<u>(50,791)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and investment income	27,808	2,469	56,986
Rental of idle facilities	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(61,046)</u>	<u>(193,273)</u>	<u>(40,605)</u>
CASH AND CASH EQUIVALENTS-BEGINNING	<u>609,283</u>	<u>193,273</u>	<u>111,208</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 548,237</u>	<u>\$ -</u>	<u>\$ 70,603</u>

**ENTERPRISE FUNDS**

<u>PUBLIC TRANSIT</u>	<u>SOLID WASTE</u>	<u>CLEAN WATER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>
\$ 51,952	\$ 4,434,812	\$ 1,838,481	\$ 9,091,082
(2,552,294)	(2,054,571)	(491,123)	(7,178,220)
(2,292,589)	(2,220,552)	(660,216)	(6,414,693)
3	246	-	52,643
<u>(4,792,928)</u>	<u>159,935</u>	<u>687,142</u>	<u>(4,449,188)</u>
(465,477)	(425,337)	-	(890,814)
916,839	253,466	-	1,668,688
1,230,706	-	-	1,792,100
3,097,575	-	-	3,097,575
-	-	(75,000)	(183,729)
<u>4,779,643</u>	<u>(171,871)</u>	<u>(75,000)</u>	<u>5,483,820</u>
-	-	-	(6,502)
925	1,299	-	2,224
-	-	-	(537,164)
-	-	-	(255,000)
-	-	-	(31,232)
<u>925</u>	<u>1,299</u>	<u>-</u>	<u>(827,674)</u>
-	10,637	31,540	129,440
<u>12,360</u>	<u>-</u>	<u>-</u>	<u>12,360</u>
-	-	643,682	348,758
-	-	466,586	1,380,350
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,110,268</u>	<u>\$ 1,729,108</u>

(continued)

**CITY OF DAVENPORT**

**NON-MAJOR ENTERPRISE FUNDS (CONTINUED)  
COMBINING STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2008**

	<b><u>BUSINESS-TYPE ACTIVITIES -</u></b>		
	<b><u>PUBLIC HOUSING</u></b>	<b><u>GOLF COURSES</u></b>	<b><u>AIRPORT</u></b>
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u></b>			
Operating Income (Loss)	<u>\$ (656,285)</u>	<u>\$ (169,381)</u>	<u>\$ (358,916)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation	246,382	231,927	310,469
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	(12,161)	(29,447)	(2,201)
Decrease (increase) in due from other governments	(890)	-	-
Decrease (increase) in prepaids	-	(9,328)	-
Increase (decrease) in accounts payable	(7,047)	(53,149)	3,667
Increase (decrease) in other accrued liabilities	(270)	3,112	181
Increase (decrease) in other deferred revenue	-	-	-
Total Adjustments	<u>226,014</u>	<u>143,115</u>	<u>312,116</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (430,271)</u>	<u>\$ (26,266)</u>	<u>\$ (46,800)</u>
<b><u>SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</u></b>			
Acquisition of capital assets	\$ 161,476	\$ -	\$ 302,072
Contribution of capital assets by subdividers	-	-	-
Contribution of capital assets by municipality	(161,476)	-	-
Contribution of capital assets by state and federal governments	-	-	(302,072)

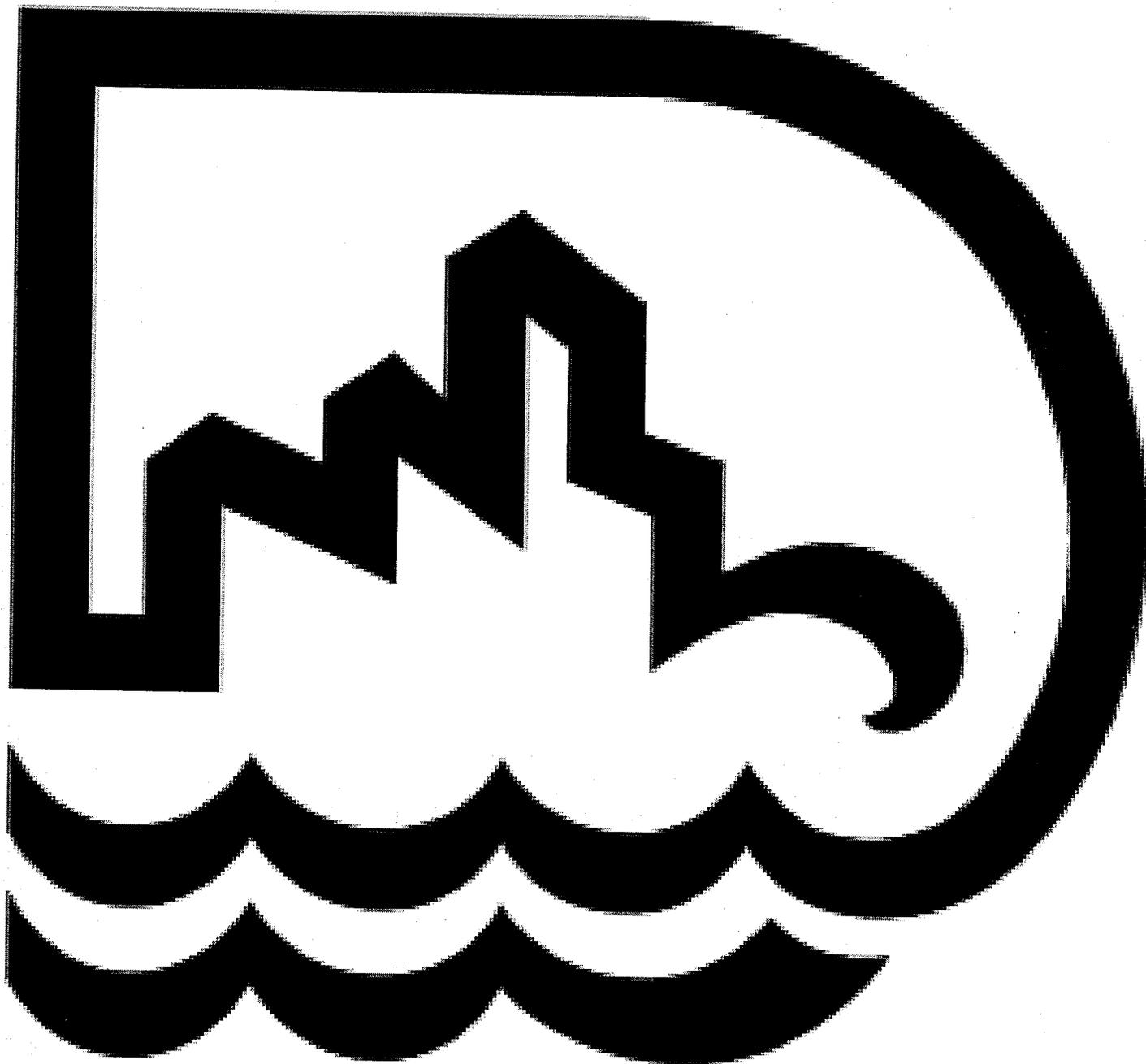
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**ENTERPRISE FUNDS**

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<u>PUBLIC TRANSIT</u>	<u>SOLID WASTE</u>	<u>CLEAN WATER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>
<u>\$ (4,751,233)</u>	<u>\$ 41,190</u>	<u>\$ (18,949)</u>	<u>\$ (5,913,574)</u>
359,637	264,162	635,351	2,047,928
(153,383)	(141,557)	73,467	(265,282)
(393,165)	-	-	(394,055)
(50,000)	-	-	(59,328)
8,104	1,235	(19,018)	(66,208)
38,826	(5,095)	16,291	53,045
148,286	-	-	148,286
<u>(41,695)</u>	<u>118,745</u>	<u>706,091</u>	<u>1,464,386</u>
<u>\$ (4,792,928)</u>	<u>\$ 159,935</u>	<u>\$ 687,142</u>	<u>\$ (4,449,188)</u>
\$ 167,015	\$ 72,899	\$ 475,477	\$ 1,178,939
-	-	(388,862)	(388,862)
(54,308)	(72,899)	(86,615)	(375,298)
(112,707)	-	-	(414,779)

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### **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, 2008**

<b>ASSETS</b>	<b>EMPLOYEE INSURANCE</b>	<b>RISK MANAGEMENT</b>	<b>INFORMATION MANAGEMENT SERVICES</b>	<b>TOTAL INTERNAL SERVICE FUNDS</b>
Current assets:				
Cash and cash equivalents	\$ 3,447,566	\$ 2,633,090	\$ 263,425	\$ 6,344,081
Accounts receivable	-	50	15	65
Interest receivable	19,282	26,265	-	45,547
Due from other governments	-	-	1,310	1,310
Prepays	-	33,990	121,011	155,001
Total current assets	<u>3,466,848</u>	<u>2,693,395</u>	<u>385,761</u>	<u>6,546,004</u>
Noncurrent assets:				
Equipment and vehicles	-	-	2,314,599	2,314,599
Less accumulated depreciation	-	-	(1,245,389)	(1,245,389)
Construction in progress	-	-	111,142	111,142
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>1,180,352</u>	<u>1,180,352</u>
Total assets	<u>3,466,848</u>	<u>2,693,395</u>	<u>1,566,113</u>	<u>7,726,356</u>
<b>LIABILITIES</b>				
LIABILITIES:				
Current liabilities:				
Wages payable	1,378	16,034	47,833	65,245
Accounts payable	71,171	497,238	38,426	606,835
Compensated absences	942	35,251	63,138	99,331
Claims and judgments	859,155	4,162,987	-	5,022,142
Total current liabilities	<u>932,646</u>	<u>4,711,510</u>	<u>149,397</u>	<u>5,793,553</u>
Noncurrent liabilities:				
Compensated absences	267	10,007	17,923	28,197
Total liabilities	<u>932,913</u>	<u>4,721,517</u>	<u>167,320</u>	<u>5,821,750</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	-	1,180,352	1,180,352
Unrestricted	2,533,935	(2,028,122)	218,441	724,254
Total net assets	<u>\$ 2,533,935</u>	<u>\$ (2,028,122)</u>	<u>\$ 1,398,793</u>	<u>\$ 1,904,606</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, 2008**

	<u>EMPLOYEE INSURANCE</u>	<u>RISK MANAGEMENT</u>	<u>INFORMATION MANAGEMENT SERVICES</u>	<u>TOTAL INTERNAL SERVICE FUNDS</u>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 11,881,933	\$ 3,623,020	\$ 1,734,467	\$ 17,239,420
Other	647	1,661	-	2,308
Total Operating Revenues	<u>11,882,580</u>	<u>3,624,681</u>	<u>1,734,467</u>	<u>17,241,728</u>
<b>OPERATING EXPENSES:</b>				
Employee expenses	42,990	512,199	1,052,771	1,607,960
Supplies and services	9,778,804	3,100,275	615,819	13,494,898
Depreciation	-	-	112,867	112,867
Total Operating Expenses	<u>9,821,794</u>	<u>3,612,474</u>	<u>1,781,457</u>	<u>15,215,725</u>
OPERATING INCOME (LOSS)	2,060,786	12,207	(46,990)	2,026,003
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Use of monies and property	<u>133,667</u>	<u>182,080</u>	<u>-</u>	<u>315,747</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	2,194,453	194,287	(46,990)	2,341,750
Capital contributions	-	-	766,060	766,060
Transfers out	(950,000)	-	-	(950,000)
Change in net assets	<u>1,244,453</u>	<u>194,287</u>	<u>719,070</u>	<u>2,157,810</u>
Total net assets - beginning	<u>1,289,482</u>	<u>(2,222,409)</u>	<u>679,723</u>	<u>(253,204)</u>
Total net assets - ending	<u>\$ 2,533,935</u>	<u>\$ (2,028,122)</u>	<u>\$ 1,398,793</u>	<u>\$ 1,904,606</u>

**CITY OF DAVENPORT**

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2008**

	<u>EMPLOYEE INSURANCE</u>	<u>RISK MANAGEMENT</u>	<u>INFORMATION MANAGEMENT SERVICES</u>	<u>TOTAL INTERNAL SERVICE FUNDS</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from users	\$ 11,892,801	\$ 3,622,970	\$ 1,736,788	\$ 17,252,559
Cash paid to suppliers for goods and services	(9,979,617)	(3,588,820)	(634,450)	(14,202,887)
Cash paid to employees for services	(42,237)	(505,379)	(1,010,554)	(1,558,170)
Other operating revenue	647	1,661		2,308
Net Cash Provided by (Used for) Operating Activities	<u>1,871,594</u>	<u>(469,568)</u>	<u>91,784</u>	<u>1,493,810</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfers out	<u>(950,000)</u>	<u>-</u>	<u>-</u>	<u>(950,000)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(950,000)</u>	<u>-</u>	<u>-</u>	<u>(950,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest and investment income	<u>124,443</u>	<u>168,435</u>	<u>-</u>	<u>292,878</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,046,037	(301,133)	91,784	836,688
CASH AND CASH EQUIVALENTS- BEGINNING	<u>2,401,529</u>	<u>2,934,223</u>	<u>171,641</u>	<u>5,507,393</u>
CASH AND CASH EQUIVALENTS- ENDING	<u>\$ 3,447,566</u>	<u>\$ 2,633,090</u>	<u>\$ 263,425</u>	<u>\$ 6,344,081</u>

**CITY OF DAVENPORT**

**INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2008 (Continued)**

	<u>EMPLOYEE INSURANCE</u>	<u>RISK MANAGEMENT</u>	<u>INFORMATION MANAGEMENT SERVICES</u>	<u>TOTAL INTERNAL SERVICE FUNDS</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 2,060,786	\$ 12,207	\$ (46,990)	\$ 2,026,003
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	-	-	112,867	112,867
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	10,868	(50)	2,321	13,139
Decrease (increase) in prepaids	-	(1,896)	(36,859)	(38,755)
Increase (decrease) in accounts payable	(200,813)	(486,649)	38,280	(649,182)
Increase (decrease) in other accrued liabilities	753	6,820	22,165	29,738
Total Adjustments	<u>(189,192)</u>	<u>(481,775)</u>	<u>138,774</u>	<u>(532,193)</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 1,871,594</u>	<u>\$ (469,568)</u>	<u>\$ 91,784</u>	<u>\$ 1,493,810</u>
<b>SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Acquisition of capital assets	-	-	\$ 766,060	\$ 766,060
Contribution of capital assets by municipality	-	-	(766,060)	(766,060)

### **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, 2008**

	BALANCE JUNE 30,2007	ADDITIONS	DELETIONS	BALANCE JUNE 30,2008
<b><u>RIVERFRONT TASK FORCE</u></b>				
<b>ASSETS:</b>				
Cash and investments	\$ 3,360	\$ 138	\$ -	\$ 3,498
Interest receivable	10	21	10	21
<b>TOTAL ASSETS</b>	<b>\$ 3,370</b>	<b>\$ 159</b>	<b>\$ 10</b>	<b>\$ 3,519</b>
<b>LIABILITIES:</b>				
Due to other governments	\$ 3,370	\$ 159	\$ 10	\$ 3,519
 <b><u>LIBRARY GIFT</u></b>				
<b>ASSETS:</b>				
Cash and investments	\$ 300,129	\$ 118,789	\$ 80,748	\$ 338,170
Interest receivable	803	1,945	803	1,945
<b>TOTAL ASSETS</b>	<b>\$ 300,932</b>	<b>\$ 120,734</b>	<b>\$ 81,551</b>	<b>\$ 340,115</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 5,426	\$ 75,385	\$ 80,663	\$ 148
Due to other governments	295,506	45,349	888	339,967
<b>TOTAL LIABILITIES</b>	<b>\$ 300,932</b>	<b>\$ 120,734</b>	<b>\$ 81,551</b>	<b>\$ 340,115</b>
 <b><u>M.D. PETERSEN MEMORIAL</u></b>				
<b>ASSETS:</b>				
Cash and investments	\$ 9,350	\$ 2,544	\$ 4,539	\$ 7,355
Interest receivable	-	48	-	48
<b>TOTAL ASSETS</b>	<b>\$ 9,350</b>	<b>\$ 2,592</b>	<b>\$ 4,539</b>	<b>\$ 7,403</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ 2,592	\$ 2,592	\$ -
Due to other governments	9,350	-	1,947	7,403
<b>TOTAL LIABILITIES</b>	<b>\$ 9,350</b>	<b>\$ 2,592</b>	<b>\$ 4,539</b>	<b>\$ 7,403</b>
 <b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>ASSETS:</b>				
Cash and investments	\$ 312,839	\$ 121,471	\$ 85,287	\$ 349,023
Interest receivable	813	2,014	813	2,014
<b>TOTAL ASSETS</b>	<b>\$ 313,652</b>	<b>\$ 123,485</b>	<b>\$ 86,100</b>	<b>\$ 351,037</b>
<b>LIABILITIES:</b>				
Accounts payable	\$ 5,426	\$ 77,977	\$ 83,255	\$ 148
Due to other governments	308,226	45,508	2,845	350,889
<b>TOTAL LIABILITIES</b>	<b>\$ 313,652</b>	<b>\$ 123,485</b>	<b>\$ 86,100</b>	<b>\$ 351,037</b>

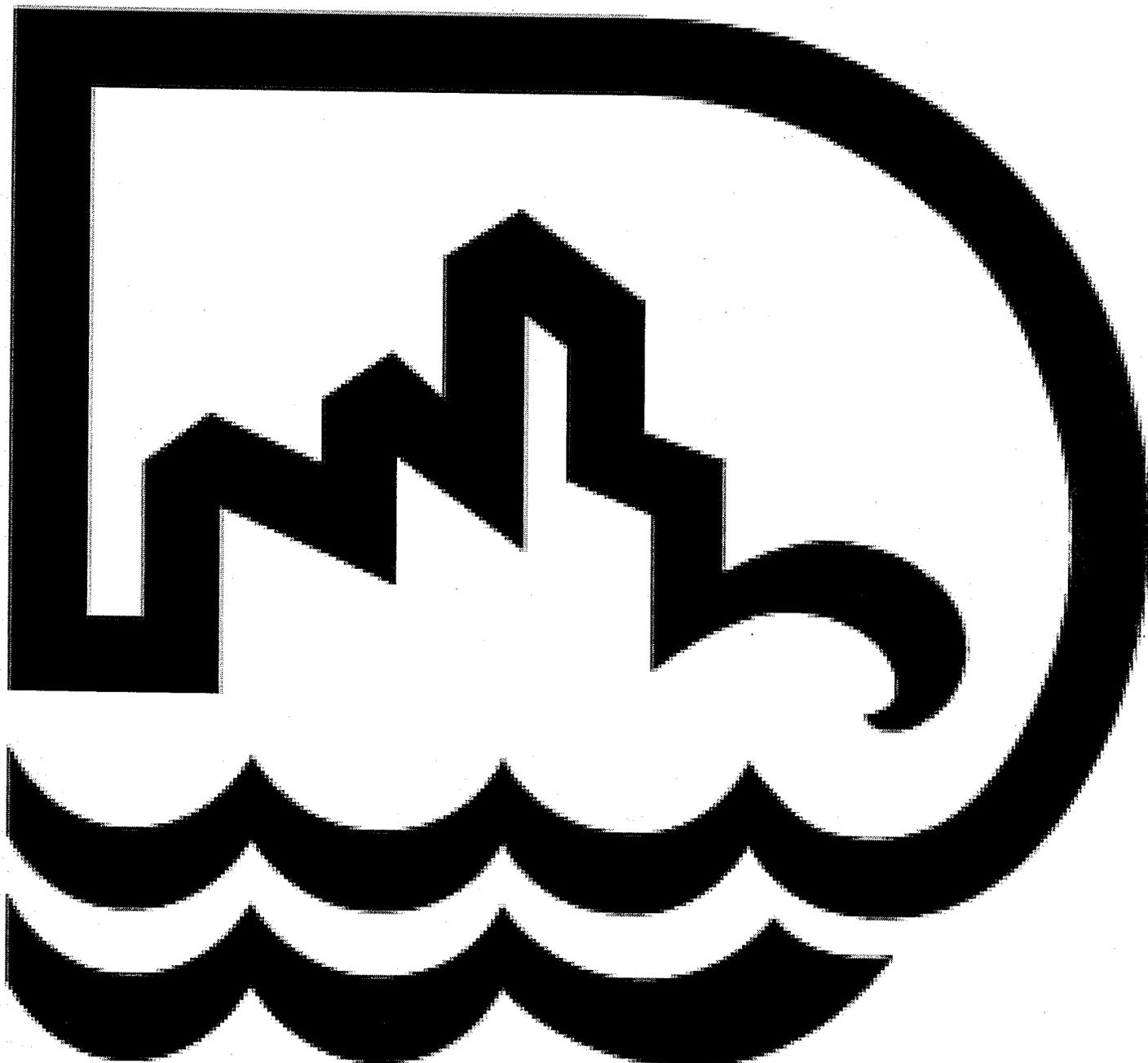
**CITY OF DAVENPORT****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Direct:			
<u>Department of Housing and Urban Development (HUD)</u>			
N/C S/R Section 8 Programs	14.182	KC76237	\$ 401,653
Community Development Block Grants/Entitlement Grants	14.218	B0XMC190002	2,376,512
HOME Investment Partnerships Program	14.239	M0XMC190200	783,472
EDI Special Projects	14.246	B03SPIA0194	163,406
Fair Housing Assistance Program	14.401	FF207K067015	69,380
Fair Housing Assistance Program	14.401	FF207K077015	64,502
			133,882
Public and Indian Housing	14.850	KC9148	122,589
Section 8 Housing Choice Vouchers	14.871	KC9027V	2,741,840
Public Housing - Capital Fund Program	14.872	KC9148	37,152
Lead Based Paint Grant	14.900	IALHB0349-07	90,524
<u>Department of Transportation</u>			
Airport Improvement Program	20.106	3-19-0024-13	301,090
Federal Transit - Formula Grants	20.507	IA-90-X050	270,753
Federal Transit - Formula Grants	20.507	IA-90-X337	606,127
			876,880
<u>Environmental Protection Agency</u>			
Surveys, Studies, Investigations and Special Purpose Grants	66.606	XP987584 01	34,463
<u>Department of Homeland Security</u>			
Disaster Grants - Public Assistance Presidentially Declared Disasters	97.036	02NW507	718,540
Total Direct			8,782,003

**CITY OF DAVENPORT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Indirect:			
<u>Department of Justice</u>			
Governor's Office of Drug Control Policy: Community Prosecution and Project Safe Neighborhoods	16.609	03S-SD05	\$ 38,141
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005DJBX0442	48,466
<u>Department of Transportation</u>			
Iowa Department of Transportation Highway Planning and Construction	20.205	STP-U-1827(632)--70-82	686,673
Highway Planning and Construction	20.205	STP-U-1827(15)--70-82	257,062
			<u>943,735</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	85,225
Total Indirect			<u>1,115,567</u>
Total			<u>\$ 9,897,570</u>



# STATISTICAL SECTION

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## **Statistical Section**

This part of the City of Davenport's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Davenport's overall financial health.

Financial Trends – These schedules contain trend information to help the reader understand how Davenport's financial performance and well-being have changed over time.

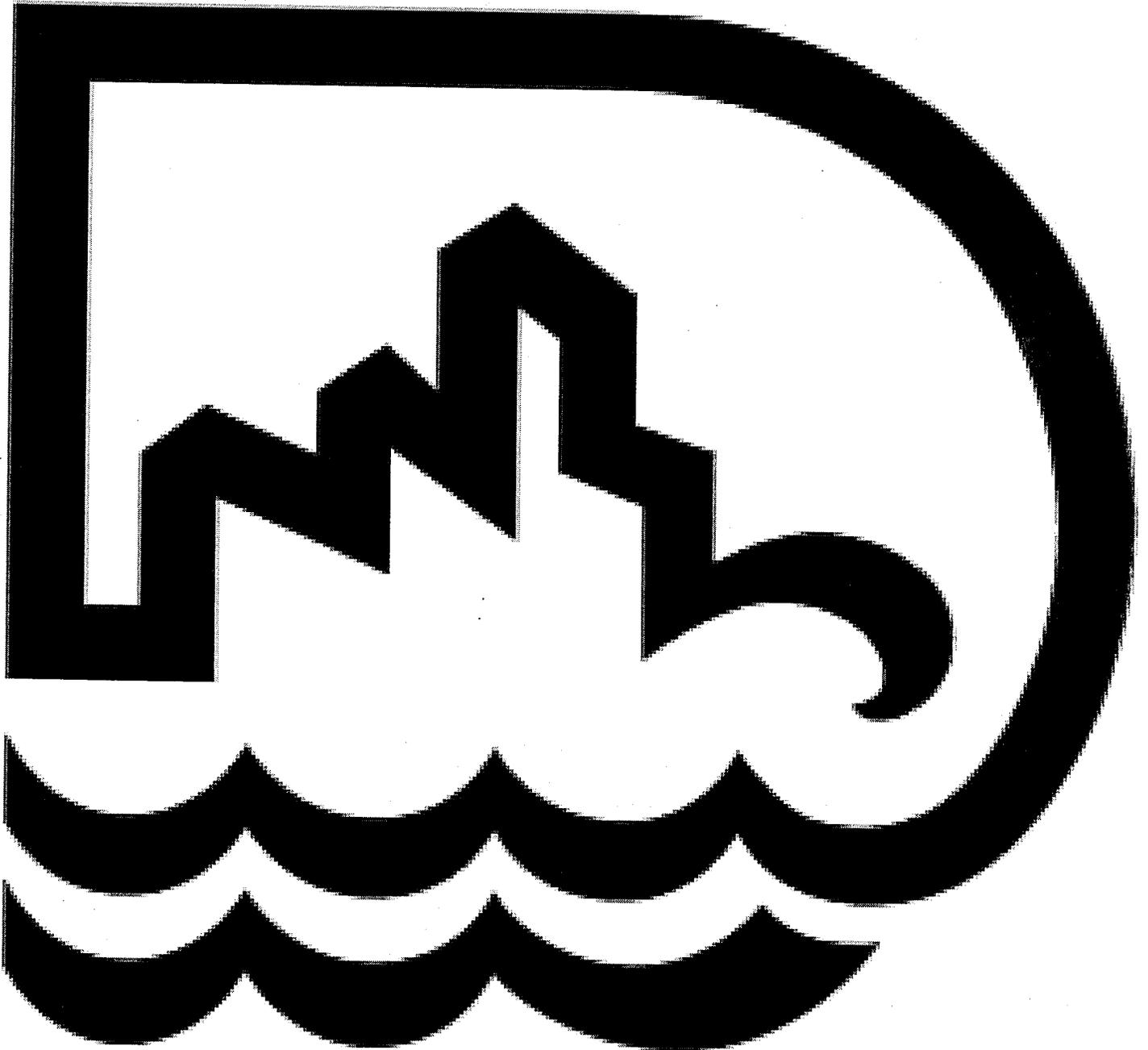
Revenue Capacity – These schedules contain information to help the reader assess Davenport's most significant local revenue source, the property tax.

Debt Capacity – These schedules present information to help the reader assess the affordability of Davenport's current levels of outstanding debt and our ability to issue additional debt in the future.

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which Davenport's financial activities take place.

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in Davenport's financial report relates to the services we provide and the activities we perform.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



**CITY OF DAVENPORT**

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

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Governmental activities						
Invested in capital assets, net of related debt	\$ 107,377,588	\$ 89,441,418	\$ 68,823,065	\$ 88,164,547	\$ 77,077,585	\$ 72,111,446
Restricted	34,634,008	43,140,165	52,997,137	35,494,223	40,472,202	41,416,734
Unrestricted	3,975,550	5,039,462	6,977,388	5,903,723	5,574,170	4,568,399
Total governmental activities net assets	\$ 145,987,146	\$ 137,621,045	\$ 128,797,590	\$ 129,562,493	\$ 123,123,957	\$ 118,096,579
Business-type activities						
Invested in capital assets, net of related debt	\$ 109,164,803	\$ 109,968,802	\$ 114,960,736	\$ 100,497,072	\$ 91,650,821	\$ 93,049,920
Unrestricted	12,464,481	12,747,591	14,110,629	13,644,118	21,741,675	18,449,449
Total business-type activities net assets	\$ 121,629,284	\$ 122,716,393	\$ 129,071,365	\$ 114,141,190	\$ 113,392,496	\$ 111,499,369
Primary government						
Invested in capital assets, net of related debt	\$ 216,542,391	\$ 199,410,220	\$ 183,783,801	\$ 188,661,619	\$ 168,728,406	\$ 165,161,366
Restricted	34,634,008	43,140,165	52,997,137	35,494,223	40,472,202	41,416,734
Unrestricted	16,440,031	17,787,053	21,088,017	19,547,841	27,315,845	23,017,848
Total primary government net assets	\$ 267,616,430	\$ 260,337,438	\$ 257,868,955	\$ 243,703,683	\$ 236,516,453	\$ 229,595,948

**CITY OF DAVENPORT**

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

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
<b>Expenses</b>						
Governmental activities:						
General government	\$ 8,523,359	\$ 8,710,088	\$ 6,413,439	\$ 10,445,510	\$ 8,480,484	\$ 6,685,470
Public safety	37,929,524	37,866,348	35,330,398	32,069,077	29,072,920	23,906,370
Public works	21,653,523	18,514,994	19,152,943	18,288,161	25,266,595	27,612,830
Culture and recreation	11,663,190	11,831,207	15,989,106	15,273,271	14,720,304	9,793,268
Community and economic development	10,083,864	10,485,046	10,892,810	12,540,036	14,016,808	20,548,796
Interest on long-term debt	5,352,084	5,437,269	4,977,495	4,697,555	4,088,608	4,307,208
Total governmental activities expenses	95,205,544	92,844,952	92,756,191	93,313,610	95,645,719	92,853,942
Business-type activities:						
Sewer operations	12,933,042	13,275,949	12,359,594	12,336,175	11,612,949	12,072,674
Parking system	2,214,256	2,297,589	2,223,058	1,987,325	2,089,879	1,625,843
Rivercenter	2,075,251	2,044,864	2,287,829	3,856,510	3,976,124	3,220,654
Public transit	5,108,767	5,200,408	4,781,823	4,464,738	4,343,827	4,443,687
Public housing	1,088,723	1,056,560	984,783	956,687	906,413	960,487
Golf courses	2,360,114	2,388,785	2,204,089	2,651,694	2,142,641	2,105,937
Airport	564,139	533,995	492,146	446,777	469,150	403,870
Solid waste	4,426,700	4,584,023	4,148,895	4,255,444	1,256,114	1,194,442
Clean water (1)	1,747,692	1,684,045	1,608,951	-	-	-
Total business-type activities expenses	32,518,684	33,066,218	31,091,168	30,955,350	26,797,097	26,027,594
Total primary government expenses	\$ 127,724,228	\$ 125,911,170	\$ 123,847,359	\$ 124,268,960	\$ 122,442,816	\$ 118,881,536
<b>Program revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 2,492,146	\$ 2,185,830	\$ 1,807,942	\$ 1,677,053	\$ 1,547,685	\$ 1,599,974
Public safety	1,769,379	1,772,612	2,175,988	1,577,554	1,464,648	1,175,217
Public works	2,212,146	1,486,492	1,941,969	1,753,160	2,058,239	2,059,079
Culture and recreation	1,110,907	1,774,460	3,820,105	499,872	579,825	635,603
Community and economic development	842,579	872,306	955,624	1,066,391	1,028,891	951,787
Operating grants and contributions	14,562,005	14,410,329	15,244,322	18,165,499	18,263,763	17,819,204
Capital grant and contributions	3,851,299	4,409,902	6,043,958	8,099,263	15,163,936	13,963,733
Total governmental activities program revenues	26,840,461	26,911,931	31,989,908	32,838,792	40,106,987	38,204,597
Business-type activities:						
Charges for services:						
Sewer operations	10,863,016	10,151,322	10,348,088	10,207,702	10,455,763	10,662,507
Parking system	1,699,437	1,765,985	1,657,506	1,630,981	1,779,026	1,261,027
Rivercenter	988,216	918,739	1,153,477	2,693,539	2,464,777	1,792,285
Public transit	451,139	455,216	453,792	593,905	411,253	356,238
Public housing	388,640	344,286	334,919	327,173	330,757	327,964
Golf courses	2,236,252	2,310,782	2,358,403	2,404,051	2,246,411	2,221,928
Airport	185,644	175,622	173,624	154,581	147,081	142,965
Solid waste (1)	4,577,669	4,451,864	3,777,700	3,729,191	1,610,426	1,255,136
Clean water (2)	1,765,014	1,718,423	1,609,020	-	-	-
Operating grants and contributions	1,792,100	1,463,558	1,669,214	1,363,461	1,655,812	1,442,654
Capital grant and contributions	2,169,889	4,192,000	7,466,146	4,340,112	4,158,826	9,392,192
Total business-type activities program revenues	27,117,016	27,947,797	31,001,889	27,444,696	25,260,132	28,854,896
Total primary government program revenues	\$ 53,957,477	\$ 54,859,728	\$ 62,991,797	\$ 60,283,488	\$ 65,367,119	\$ 67,059,493

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
<b>Net (Expense)/Revenue</b>						
Governmental activities	\$ (68,365,083)	\$ (65,933,021)	\$ (60,766,283)	\$ (60,474,818)	\$ (55,538,732)	\$ (54,649,345)
Business-type activities	(5,401,668)	(5,118,421)	(89,279)	(3,510,654)	(1,536,965)	2,827,302
Total primary government net expense	\$ (73,766,751)	\$ (71,051,442)	\$ (60,855,562)	\$ (63,985,472)	\$ (57,075,697)	\$ (51,822,043)
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Taxes						
Property taxes	\$ 54,216,032	\$ 52,302,784	\$ 49,714,718	\$ 47,050,918	\$ 43,784,134	\$ 41,751,259
Local option sales tax	14,925,248	14,408,214	13,071,274	12,556,556	12,892,682	12,695,189
Hotel/motel tax	1,687,454	1,586,261	1,611,777	1,395,028	1,453,268	1,439,259
Franchise tax	3,337,590	3,355,323	3,212,235	3,293,130	3,082,228	2,680,182
Investment earnings	2,953,986	3,839,767	3,010,775	1,943,966	1,542,997	1,546,216
Gain on sale of capital assets	51,385	78,176	367,546	-	-	-
Miscellaneous	62,432	41,118	362,904	295,533	291,640	333,941
Transfers	(501,515)	(784,469)	(11,349,849)	(970,101)	(383,019)	(611,958)
Total governmental activities	76,732,612	74,827,174	60,001,380	65,565,030	62,663,930	59,834,088
Business-type activities:						
Property taxes (public transit)	3,097,575	3,017,365	2,905,895	2,769,893	2,628,096	2,552,247
Investment earnings	649,905	790,290	698,124	462,890	344,863	444,436
Loss on donation of capital assets	-	(5,894,826)	-	-	-	-
Miscellaneous	65,564	66,151	65,586	56,464	74,114	5,537
Transfers	501,515	784,469	11,349,849	970,101	383,019	611,958
Total business-type activities	4,314,559	(1,236,551)	15,019,454	4,259,348	3,430,092	3,614,178
Total primary government	\$ 81,047,171	\$ 73,590,623	\$ 75,020,834	\$ 69,824,378	\$ 66,094,022	\$ 63,448,266
<b>Change in Net Assets</b>						
Governmental activities	\$ 8,367,529	\$ 8,894,153	\$ (764,903)	\$ 5,090,212	\$ 7,125,198	\$ 5,184,743
Business-type activities	(1,087,109)	(6,354,972)	14,930,175	748,694	1,893,127	6,441,480
Total primary government	\$ 7,280,420	\$ 2,539,181	\$ 14,165,272	\$ 5,838,906	\$ 9,018,325	\$ 11,626,223

(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)**

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	Fiscal Year				
	2008	2007	2006	2005	2004
General Fund					
Reserved	\$ 5,468,328	\$ 5,897,658	\$ 6,466,266	\$ 5,932,616	\$ 5,050,104
Unreserved	5,057,016	6,658,196	7,561,989	7,173,392	7,520,660
Total general fund	<u>\$ 10,525,344</u>	<u>\$ 12,555,854</u>	<u>\$ 14,028,255</u>	<u>\$ 13,106,008</u>	<u>\$ 12,570,764</u>
All Other Governmental funds					
Reserved	\$ 27,199,618	\$ 32,790,103	\$ 41,987,883	\$ 33,277,257	\$ 33,305,150
Unreserved, reported in					
Special revenue funds	3,754,094	6,527,897	6,116,563	5,554,019	6,186,458
Capital project funds	-	-	(710,670)	(7,430,722)	(3,067,709)
Total all other governmental funds	<u>\$ 30,953,712</u>	<u>\$ 39,318,000</u>	<u>\$ 47,393,776</u>	<u>\$ 31,400,554</u>	<u>\$ 36,423,899</u>

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Fiscal Year				
2003	2002	2001	2000	1999
\$ 5,060,818	\$ 6,283,879	\$ 7,555,945	\$ 8,519,108	\$ 9,344,996
6,607,063	6,473,599	6,989,297	6,715,063	6,805,306
<u>\$ 11,667,881</u>	<u>\$ 12,757,478</u>	<u>\$ 14,545,242</u>	<u>\$ 15,234,171</u>	<u>\$ 16,150,302</u>
\$ 35,191,771	\$ 36,656,434	\$ 27,044,137	\$ 24,511,318	\$ 23,114,079
5,269,271	5,283,533	6,778,424	6,089,770	4,757,474
(3,267,011)	(4,575,568)	(6,022,870)	(3,909,857)	(5,027,372)
<u>\$ 37,194,031</u>	<u>\$ 37,364,399</u>	<u>\$ 27,799,691</u>	<u>\$ 26,691,231</u>	<u>\$ 22,844,181</u>

**CITY OF DAVENPORT**

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

	Fiscal Year				
	2008	2007	2006	2005	2004
<b>Revenues</b>					
Taxes	\$ 73,900,380	\$ 71,440,755	\$ 67,238,905	\$ 63,519,997	\$ 60,657,581
Special assessments	139,517	50,982	40,535	55,964	18,098
Licenses and permits	1,496,632	1,395,934	1,623,543	1,600,302	1,556,959
Intergovernmental	17,417,503	17,053,854	19,729,182	21,801,090	28,447,769
Charges for services	3,616,388	2,798,325	3,490,189	3,334,847	3,594,151
Use of monies and property	2,953,986	3,839,767	3,010,775	1,943,966	1,542,997
Fines and forfeits	554,937	873,092	997,004	604,751	533,863
Loan repayments	584,230	663,341	594,829	978,166	976,217
Other	2,106,748	2,105,786	4,308,377	3,052,499	2,820,598
<b>Total revenues</b>	<b>102,770,321</b>	<b>100,221,836</b>	<b>101,033,339</b>	<b>96,891,582</b>	<b>100,148,233</b>
<b>Expenditures (1)</b>					
General government	7,908,979	7,215,792	7,242,260	6,878,912	6,661,912
Public safety	37,817,252	36,215,539	33,930,920	31,539,164	29,666,713
Public works	15,316,163	11,812,816	11,789,864	11,829,081	19,305,594
Culture and recreation	10,182,468	9,406,214	8,632,061	7,878,176	15,270,977
Community and economic development	9,930,122	8,960,280	10,016,894	10,937,442	13,964,776
Policy and administration					
Community protection					
Human development					
Home and community environment					
Capital outlay	24,969,390	30,935,403	31,196,883	26,981,978	26,820,496
Debt service					
Principal	12,466,632	13,256,573	13,049,158	10,809,309	11,095,495
Interest	5,151,715	5,238,443	4,816,787	4,549,030	4,144,917
Bond issuance expense	84,386	68,526	105,731	35,791	230,021
<b>Total expenditures</b>	<b>123,827,107</b>	<b>123,109,586</b>	<b>120,780,558</b>	<b>111,438,883</b>	<b>127,160,901</b>
Excess of revenues over (under) expenditures	(21,056,786)	(22,887,750)	(19,747,219)	(14,547,301)	(27,012,668)
<b>Other Financing Sources (Uses)</b>					
Bond issuance	9,910,000	13,940,000	35,660,000	10,355,000	27,475,000
Discount on debt issued	155,453	(51,222)	(148,544)	(18,161)	(154,069)
Refunding bonds issued	4,380,000	10,959,625	-	-	11,337,000
Payment to refunded bond escrow agent	(4,354,806)	(11,005,000)	-	-	(11,199,276)
Sale of capital assets	51,385	78,176	1,643,684	95,946	69,783
Transfers in	14,574,161	14,210,513	14,507,366	11,876,152	12,028,025
Transfers out	(14,052,777)	(14,721,821)	(14,999,818)	(12,249,737)	(12,411,044)
<b>Total other financing sources (uses)</b>	<b>10,663,416</b>	<b>13,410,271</b>	<b>36,662,688</b>	<b>10,059,200</b>	<b>27,145,419</b>
<b>Net change in fund balances</b>	<b>\$ (10,393,370)</b>	<b>\$ (9,477,479)</b>	<b>\$ 16,915,469</b>	<b>\$ (4,488,101)</b>	<b>\$ 132,751</b>
Debt service as a percentage of noncapital expenditures	17.72%	19.48%	19.94%	18.18%	15.19%

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

Fiscal Year				
2003	2002	2001	2000	1999
\$ 58,580,723	\$ 56,129,537	\$ 55,449,443	\$ 51,494,417	\$ 50,350,720
95,885	109,613	229,153	146,888	246,293
1,474,719	1,350,200	1,337,699	1,306,031	1,348,876
27,433,000	22,009,253	18,185,211	18,410,052	17,195,091
3,462,165	2,931,111	2,506,285	2,567,138	2,295,543
1,546,216	2,185,533	3,695,481	3,100,405	2,818,884
481,059	565,819	373,862	526,028	528,270
907,832	981,357	915,789	839,195	835,315
1,805,786	1,429,359	1,836,291	3,683,236	1,561,594
<u>95,787,385</u>	<u>87,691,782</u>	<u>84,529,214</u>	<u>82,073,390</u>	<u>77,180,586</u>
6,032,938	-	-	-	-
19,230,179	-	-	-	-
32,558,630	-	-	-	-
12,098,168	-	-	-	-
12,526,841	-	-	-	-
	6,885,044	6,734,448	6,137,854	6,122,526
	28,937,272	28,519,472	25,950,411	25,079,701
	8,052,451	8,011,876	7,369,459	6,583,866
	19,252,381	20,240,634	18,292,576	16,604,839
9,802,681	16,867,400	15,096,188	13,068,506	14,103,138
9,971,020	9,237,935	8,844,706	8,565,623	7,977,561
4,267,994	4,294,564	4,007,944	4,177,680	4,370,127
47,565	-	-	-	-
<u>106,536,016</u>	<u>93,527,047</u>	<u>91,455,268</u>	<u>83,562,109</u>	<u>80,841,758</u>
<u>(10,748,631)</u>	<u>(5,835,265)</u>	<u>(6,926,054)</u>	<u>(1,488,719)</u>	<u>(3,661,172)</u>
10,140,000	13,967,750	7,870,000	4,720,000	6,225,000
(51,468)	-	-	-	-
-	5,885,000	9,020,000	-	-
-	(5,816,841)	(8,960,105)	-	-
12,092	17,762	7,308	57,300	52,831
12,158,543	12,882,356	11,845,657	11,991,063	11,306,479
<u>(12,770,501)</u>	<u>(13,323,818)</u>	<u>(12,437,275)</u>	<u>(12,348,725)</u>	<u>(12,216,843)</u>
<u>9,488,666</u>	<u>13,612,209</u>	<u>7,345,585</u>	<u>4,419,638</u>	<u>5,367,467</u>
<u>\$ (1,259,965)</u>	<u>\$ 7,776,944</u>	<u>\$ 419,531</u>	<u>\$ 2,930,919</u>	<u>\$ 1,706,295</u>
14.72%	17.65%	16.83%	18.08%	18.50%

**CITY OF DAVENPORT**

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

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<u>Levy</u> <u>Year</u>	<u>Fiscal</u> <u>Year</u>	<u>ACTUAL VALUE</u>					
		<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Agricultural</u>	<u>Utilities</u>	<u>Other</u>
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
2005	2007	3,361,503	1,437,813	162,735	14,715	233,767	1,123
2006	2008	3,531,282	1,451,082	158,288	14,580	247,982	1,418

<u>Levy</u> <u>Year</u>	<u>Fiscal</u> <u>Year</u>	<u>TAXABLE VALUE</u>					
		<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Agricultural</u>	<u>Utilities</u>	<u>Other</u>
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
2005	2007	1,545,096	1,425,136	162,735	14,715	206,783	1,113
2006	2008	1,607,643	1,451,082	158,288	14,580	203,541	1,418

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, 2005, the roll back rate was 45.996% for residential property and .85% for commercial and other. For the remaining classes of property, the taxable value was equal to 100% of actual value.

Source: Levy rate sheet and valuation from Scott County.

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<u>Gross valuation</u>	<u>Less Military exemption</u>	<u>Net valuation</u>	<u>Total direct tax rate</u>
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%
5,211,656	(10,733)	5,200,923	15.58%
5,404,632	(10,496)	5,394,136	15.58%

<u>Gross valuation</u>	<u>Less Military exemption</u>	<u>Net valuation</u>
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
3,355,578	(10,735)	3,344,843
3,436,552	(10,496)	3,426,056

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**CITY OF DAVENPORT**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

**LAST TEN FISCAL YEARS**

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

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City Direct Rates

<u>Fiscal Year</u>	<u>General</u>	<u>Tort Liability</u>	<u>Trust &amp; Agency</u>	<u>Library (1)</u>	<u>Transit</u>	<u>Emergency</u>	<u>Debt Service</u>	<u>Total</u>
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
2007	8.10	0.30	3.97	0.27	0.91	0.27	1.76	15.58
2008	8.10	0.30	3.97	0.27	0.91	0.27	1.76	15.58

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

Source: City of Davenport Finance Department

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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>
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
5.51	17.11	0.61	0.36	39.17
5.54	17.11	0.61	0.37	39.21

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CITY OF DAVENPORT

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

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<u>Fiscal</u> <u>Year</u>	<u>Taxes</u> <u>Levied</u>	<u>Current</u> <u>Collections</u>	<u>Percentage</u> <u>of Levy</u>
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%
2007	55,616,871	55,351,006	99.52%
2008	57,327,443	57,218,872	99.81%

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

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CITY OF DAVENPORT

PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO

Name of Property	Property type	2008		% of taxable value	1999		% of taxable value
		Taxable Valuation	Rank		Taxable Valuation	Rank	
Mid American Energy	Utility	\$ 176,940,766	1	5.16%	\$ 182,311,691	1	7.46%
SDG Macerich Properties	Shopping Center	64,106,783	2	1.87%			
Iowa-American Water Co.	Utility	37,398,237	3	1.09%	42,516,220	3	1.74%
Deere & Company	Manufacturing	20,929,097	4	0.61%	35,167,484	4	1.44%
Quanex	Manufacturing	20,862,200	5	0.61%	24,920,117	6	1.02%
National Amusement Inc.	Theatre Complexes	19,897,078	6	0.58%			
Davenport 1031 LLC	Logistics	18,517,300	7	0.54%			
Northbrook Housing Partners	Property Managers	18,277,160	8	0.53%			
U S West Communications/QWEST	Utility	18,258,177	9	0.53%	15,342,820	9	0.63%
THF Davenport North Development	Realty	16,673,792	10	0.49%			
Equitable Life Assurance	Shopping Center				66,020,414	2	2.70%
Oscar Mayer & Co.	Meat Packing				27,221,380	5	1.11%
Ralston Purina Co.	Grain Milling				23,625,125	7	0.97%
Lee Enterprises	Newspaper				15,624,921	8	0.64%
Rivercenter Plaza Development Co.	Hotel				13,820,266	10	0.57%
Total		<u>\$ 411,860,590</u>		<u>12.02%</u>	<u>\$ 446,570,438</u>		<u>18.28%</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)**

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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				
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	4.16%	1,439	
2007	118,219	281	20	20,606	139,126	unavailable	1,424	
2008	115,865	147	7	19,810	135,829	unavailable	1,372	

**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."

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**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
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
2007	139,106	4.16%	1,424
2008	135,822	3.96%	1,372

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.

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**CITY OF DAVENPORT**

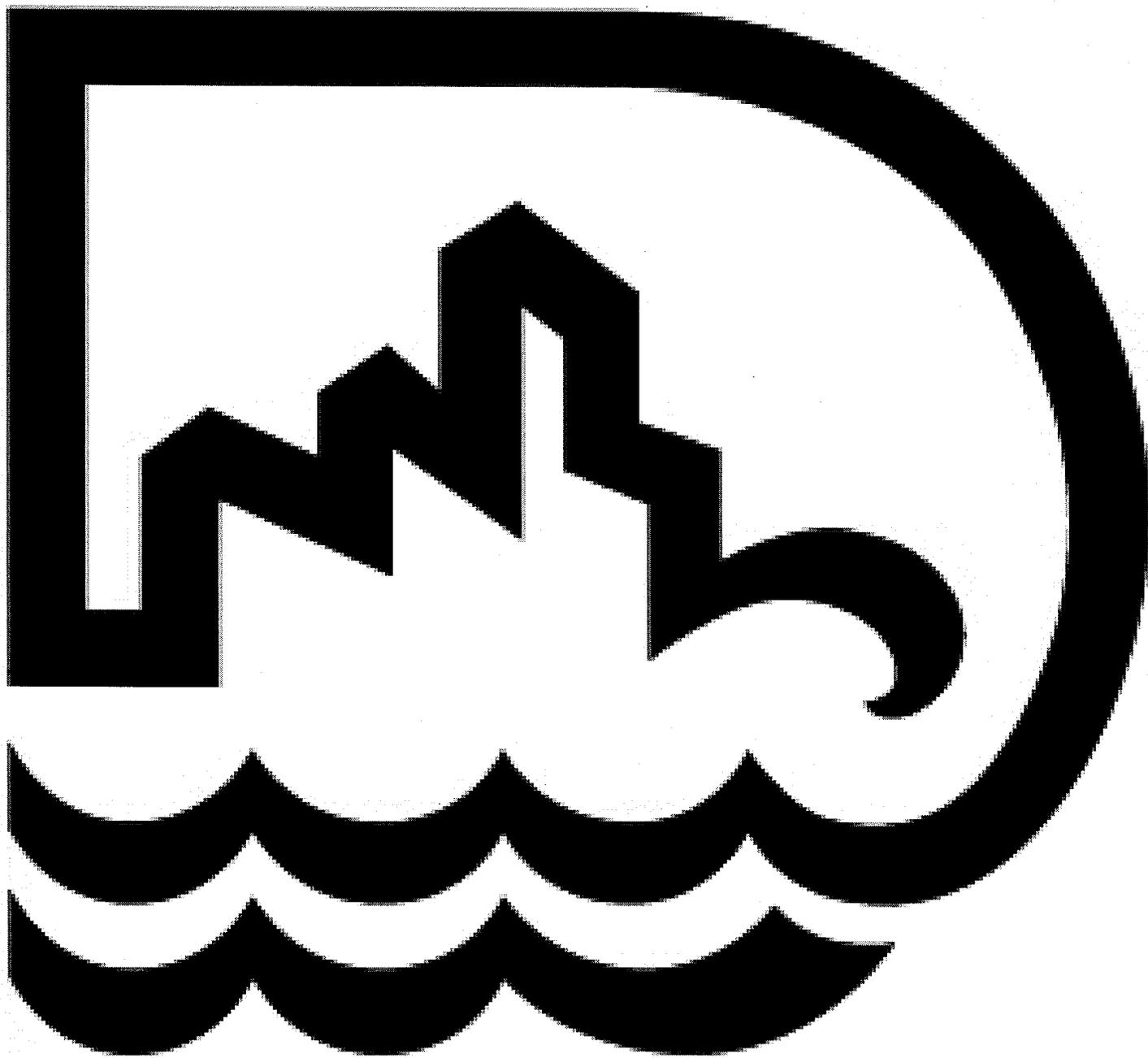
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2008**  
**(dollars in thousands)**

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Governmental Unit	Debt Outstanding	Percentage applicable to City	Share of Overlapping Debt
North Scott Community School District	\$ 715,000	15.58%	\$ 111,397
Scott County	8,700,000	55.77%	4,851,990
Bettendorf Community School District	10,380,000	24.44%	2,536,872
Eastern Iowa Community College	49,585,000	33.80%	<u>16,759,730</u>
Subtotal, overlapping debt			<u>24,259,989</u>
City direct debt			<u>135,675,000</u>
Total direct and overlapping debt			<u><u>\$ 159,934,989</u></u>

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

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CITY OF DAVENPORT

LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

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Fiscal year	1999	2000	2001	2002
Debt limit	\$ 173,565,684	\$ 174,859,916	\$ 187,655,163	\$ 190,875,662
Total net debt applicable to limit	90,259,000	87,314,211	86,443,837	100,366,235
Legal debt margin	\$ 83,306,684	\$ 87,545,705	\$ 101,211,326	\$ 90,509,427
Total net debt applicable to the limit as a percentage of debt limit	52.00%	49.93%	46.07%	52.58%

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

Source: City of Davenport Finance Department.

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**Legal debt margin calculation for Fiscal Year 2008**

Assessed valuation		\$ 5,486,647,618	
Debt limit (5% of assessed value)			\$ 274,332,381
Debt applicable to limit:			
General Obligation Bonds		135,695,000	
Tax Increment Financing Rebate Agreements		12,659,577	
Other General Obligation Debt		146,587	
Total G.O. Indebtedness			148,501,164
Legal debt margin			<u>\$ 125,831,217</u>

2003	2004	2005	2006	2007	2008
\$ 208,925,388	\$ 211,734,034	\$ 232,991,693	\$ 246,426,202	\$ 263,977,950	\$ 274,332,381
103,649,548	129,560,074	128,381,797	148,929,153	148,364,852	148,501,164
\$ 105,275,840	\$ 82,173,960	\$ 104,609,896	\$ 97,497,049	\$ 115,613,098	\$ 125,831,217
49.61%	61.19%	55.10%	60.44%	56.20%	54.13%

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**CITY OF DAVENPORT**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN YEARS**

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Year	Population (1)	Personal Income (2)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
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	3,366,046,600	34,559	15,674	4.3%
2007	97,682	unavailable	unavailable	15,365	4.3%
2008	98,975	unavailable	unavailable	15,378	4.2%

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**

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Employer	12/31/1998			12/31/07		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Genesis Medical Centers	3,000	1	6.01%	4,900	1	9.79%
Davenport Community Schools	2,300	2	4.61%	2,500	2	5.00%
Kraft Foods/Oscar Mayer	2,040	3	4.09%	1,650	3	3.30%
President/Rhythm City Casino	1,000	4	2.00%	600	9	1.20%
City of Davenport	926	5	1.86%	948	7	1.89%
Eastern Iowa Community College	728	6	1.46%	1,005	5	2.01%
APAC Teleservices	590	7	1.18%	950	6	1.90%
John Deere Davenport Works	920	8	1.84%	875	8	1.75%
Von Maur	620	9	1.24%			
United Parcel Service	560	10	1.24%			
Sears Manufacturing				600	10	1.20%
MidAmerican Energy Company				1230	4	2.46%
	12,684		25.54%	15,258		30.49%

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

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**CITY OF DAVENPORT**

**FULL-TIME & PART-TIME EMPLOYEES BY FUNCTION  
LAST TEN CALENDAR YEARS  
June 30, 2008**

FUNCTION/PROGRAM	2007		2006		2005		2004		2003	
	FULL TIME	PART TIME								
<b>PUBLIC SAFETY</b>										
Police	212	23	209	24	203	24	198	24	203	24
Fire	153	1	149	2	143	-	140	-	144	-
<b>PUBLIC WORKS</b>	278	29	280	26	295	18	293	18	310	21
<b>CULTURE &amp; RECREATION</b>										
Leisure Facilities and Services	35	23	38	32	33	45	36	45	43	40
Library	38	34	43	32	42	22	35	22	36	24
Museum of Art	-	-	-	-	-	(2)	-	-	9	4
<b>COMMUNITY &amp; ECONOMIC DEVELOPMENT</b>	37	11	33	11	46	6	46	6	43	-
<b>GENERAL GOVERNMENT</b>										
Mayor	2	-	2	-	2	-	2	-	2	-
Council	1	10	1	10	1	10	1	10	1	10
Finance	23	-	22	2	23	-	28	-	28	-
Information Technology	11	-	9	1 (3)	7	1	-	-	-	-
Administration	7	-	7	-	5	-	5	-	5	-
Legal	4	-	5	-	5	-	5	-	6	-
Human Resources	6	4	6	6	6	1	7	1	5	-
Civil Rights	4	2	4	3	4	4	4	4	4	1
<b>Total</b>	<b>811</b>	<b>137</b>	<b>808</b>	<b>149</b>	<b>815</b>	<b>131</b>	<b>800</b>	<b>130</b>	<b>839</b>	<b>124</b>

(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.

2002		2001		2000		1999		1998	
FULL TIME	PART TIME								
203	25	202	28	197	25	197	23	196	23
146	-	148	-	147	-	146	-	145	-
311	22	303	22	291	23	38	1	38	-
44	33	46	39	45	19 (1)	295	22	289	26
34	27	37	25	36	23	36	23	35	28
10	3	16	8	14	8	15	9	15	9
40	1	38	-	37	1	44	32	43	12
2	-	2	-	2	-	2	-	2	-
1	10	1	10	1	11	1	11	1	11
31	-	33	-	30	-	29	-	29	1
5	-	4	-	3	-	4	1	4	1
7	-	6	-	7	-	7	-	7	-
6	-	7	-	8	-	8	-	7	-
5	-	4	1	3	1	2	1	3	1
<u>845</u>	<u>121</u>	<u>847</u>	<u>133</u>	<u>821</u>	<u>111</u>	<u>824</u>	<u>123</u>	<u>814</u>	<u>112</u>

**CITY OF DAVENPORT**

**OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
June 30, 2008**

FUNCTION/PROGRAM	FISCAL YEAR				
	2008	2007	2006	2005	2004
<b>PUBLIC SAFETY</b>					
Fire calls answered	13,188	13,257	12,294	11,729	11,420
Police-arrests (1)	8,960	9,813	8,919	7,740	7,608
Construction permits issued	2135	2,051	2,328	2,659	2,690
<b>PUBLIC WORKS</b>					
Refuse collected (cu yds per year)	71,000	74,185	71,627	71,324	70,878
Gallons of wastewater processed (in millions) (1)	7,300	7,884	6,424	7,292	8,457
Yard waste composted (cu yds)	98,030	107,361	68,739	90,226	92,042
Citibus ridership	1,088,000	1,045,550	982,663	940,046	881,947
Utility service customers	40,000	40,000	40,000	38,340	38,000
<b>CULTURE &amp; RECREATION</b>					
Rounds of golf played	136,386	113,128	111,329	109,499	112,712
Swimming pools attendance	28,000	31,000	27,373	33,064	27,063
Recreation programs available	2,003	554	410	305	298
Recreation program enrollment	50,431	48,301	53,517	37,097	4,433
Library - walk-in patrons served	395,498	390,394	307,330	279,751	295,963
<b>COMMUNITY &amp; ECONOMIC DEVELOPMENT</b>					
Planning & zoning-final development review	8	15	15	23	10
Households assisted with rental assistance	701	680	672	711	725

(1) Statistics are reported on a calendar year basis.

Source: Various City of Davenport departments.

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FISCAL YEAR

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2003	2002	2001	2000	1999
11,177	11,248	10,926	10,142	10,067
7,472	7,178	7,223	6,999	7,761
2,918	3,352	4,020	2,775	2,807
71,481	73,206	74,224	66,994	65,641
6,952	8,722	9,816	8,869	unavailable
100,904	95,850	98,834	104,411	101,096
866,001	unavailable	unavailable	unavailable	unavailable
38,000	38,000	38,000	38,000	38,000
110,158	89,892	90,830	124,185	118,017
33,729	61,790	42,893	35,625	49,993
unavailable	unavailable	unavailable	unavailable	unavailable
unavailable	unavailable	unavailable	unavailable	unavailable
311,733	309,693	310,531	306,759	311,838
23	20	23	unavailable	unavailable
747	617	616	642	unavailable

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**CITY OF DAVENPORT**

**CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS  
June 30, 2008**

FUNCTION/PROGRAM	FISCAL YEAR				
	2008	2007	2006	2005	2004
<b>PUBLIC SAFETY</b>					
Police cars	67	94	77	68	62
Fire stations	7	7	7	7	7
Fire trucks	16	14	13	13	13
<b>PUBLIC WORKS</b>					
Streets (miles)	692	692	690	684	684
Traffic signals	152	151	150	146	144
Street lights	9,558	9,456	9,237	9,263	9,174
Refuse collection trucks	30	36	48	40	42
Buses	20	20	20	20	25
<b>CULTURE &amp; RECREATION</b>					
Golf courses	4	4	4	4	4
Acres of parks	1700	1,700	1,700	1,700	1,700
Swimming pools	4	4	4	4	4
Libraries	2	2	2	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				
2003	2002	2001	2000	1999
72	61	63	unavailable	unavailable
7	7	7	7	7
14	14	14	unavailable	unavailable
581	581	581	574	566
138	134	125	122	121
8,947	8,815	8,766	8,732	8,403
37	36	35	unavailable	unavailable
30	19	19	unavailable	unavailable
3	3	3	3	3
1,700	1,700	1,700	1,700	1,700
4	4	3	3	3
1	1	1	1	1



CPAs & BUSINESS ADVISORS

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

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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, for the year ended June 30, 2008, and have issued our report thereon dated November 25, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated May 14, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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 assurance on the internal control over financial reporting. We also considered 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 internal control over compliance in accordance with OMB Circular A-133.

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 grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated May 14, 2008, and in our meeting about planning matters on August 5, 2008.

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## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Davenport, Iowa, are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing polices was not changed during the year ended June 30, 2008. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciable lives is based on past history of life cycles of capital assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts and notes receivable is based on accounts and notes receivable which are past due with no special arrangement for payment. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts and notes receivable in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the incurred but not reported claims is based on a calculation of estimated unpaid claims. We evaluated the key factors and assumptions used to develop the incurred but not reported claims in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. A material audit adjustment affected the area of accounts payable.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 25, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Comments**

We have included an additional comment regarding future accounting pronouncements which will affect the city.

This information is intended solely for the 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 and is not intended to be and should not be used by anyone other than these specified parties.

To the Honorable Mayor and  
Members of the City Council  
Page 4

As always, we will be happy to discuss these or any other topics at your convenience. We would like to take this opportunity to express our appreciation to you and your staff for the fine cooperation that we received during the course of the audit. We look forward to many years of continued service to the City of Davenport, Iowa.

*Eide Bailly LLP*

Dubuque, Iowa  
November 25, 2008

# CITY OF DAVENPORT, IOWA

YEAR ENDED JUNE 30, 2008

## OTHER COMMENTS

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### New Accounting Pronouncements

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

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

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

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007, will be effective for the fiscal year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the fiscal year ending June 30, 2009. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the fiscal year ending June 30, 2010. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

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