

# Fire Station #4



Local dignitaries break ground at the site of Iowa City's Fire Station #4 in October of 2009. The Fire Station is located at 2008 Dubuque Road.

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## City of Iowa City, Iowa

### Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010



Iowa City broke ground on a fourth fire station in October 2009, with construction of the 13,300 square-foot station scheduled to be complete in July 2011. The additional satellite station will employ nine new firefighters and be equipped with a pumper truck and a ladder truck. The building will feature drive-thru apparatus bays, a first for Iowa City, which will improve safety response time for the vehicles. The design also includes a geothermal system, use of daylighting, water-efficient fixtures, and other features that are intended to achieve gold certification for the Leadership in Energy and Environmental Design (LEED), a green building certification system.

Lt. Governor Patty Judge was a part of the ground breaking ceremony as this project has been made possible with a \$2,269,000 grant from I-JOBS, Iowa's infrastructure investment initiative. Total project costs are estimated at \$4,809,000. To fund the nine firefighters who will staff the new station 24 hours a day, seven days a week, the City will use a portion of the 1 percent utility franchise fee that became effective April 1, 2010.

The station, located on the city's northeast side at the intersection of North Dodge Street and Scott Boulevard, will improve emergency response times to residents and businesses in the area. "The City Council's decision to construct, equip, and staff Fire Station 4 in the northeast Iowa City will have an extremely positive impact on the future of emergency service delivery in the community," said Fire Chief Andy Rocca.



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**CITY OF IOWA CITY, IOWA**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**PREPARED BY:**

**FINANCE DEPARTMENT**  
CITY OF IOWA CITY, IOWA



**CITY OF IOWA CITY, IOWA**

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**CITY OF IOWA CITY, IOWA**

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December 15, 2010



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

The Comprehensive Annual Financial Report (CAFR) of the City of Iowa City, Iowa (the City) for the fiscal year ended June 30, 2010 is submitted herewith in accordance with the provisions of Chapter 11 of the Code of Iowa. The City's Finance Department prepared this report. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rest with the City. I believe the information, as presented, is accurate in all material respects and presented in a manner designed to fairly present the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

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

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

Chapter 11 of the Code of Iowa requires an annual audit to be performed. The independent public accounting firm of Eide Bailly LLP was selected by the City. In addition to meeting the requirements set forth in Chapter 11, the audit was also designed to meet the requirements of the Single Audit Act of 1996 and related Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

While, the financial statements are the responsibility of the City, the responsibility of the auditor is to express an opinion on the City's financial statements based on their audit. The goal of the independent audit is to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2010 are free of material misstatement. The audit is conducted in accordance with generally accepted auditing standards and involves examining, on a test basis,

evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Iowa City's financial statements for the fiscal year ended, June 30, 2010, are fairly presented in conformity with GAAP. The independent auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

As a recipient of federal financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to these federal programs. These internal accounting and administrative controls are subject to periodic evaluation by the City's management and the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*. Information related to this single audit, including the schedules of federal financial assistance, findings and questioned costs, and independent auditors' reports on the internal accounting and administrative controls and compliance with applicable laws and regulations are included in the compliance section of this report.

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

### **Profile of the Government**

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

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

The City Manager is the chief administrative officer for the City and is appointed by the City Council. The City Manager implements policy decisions of the City Council and enforces City ordinances. In addition, the City Manager appoints and directly supervises the directors of the City's operating departments and supervises the administration of the City's personnel system. He supervises 557 full-time and 72 part-time permanent municipal employees and 406 temporary employees, including a police force of 76 sworn personnel and a fire department of 59 firefighters. The City provides a full range of services including police and fire protection, construction and maintenance of roads, streets and infrastructure, inspection and licensing functions, maintenance of grounds and buildings, municipal airport, library, recreational activities, and cultural events. The City owns and operates its water supply and distribution system and sewage collection and treatment system with secondary treatment also provided. Virtually the entire City has separate

storm and sanitary sewer systems. The City operates a municipal off-street and on-street parking system in the downtown area. And since 1971, the City has operated a transit system.

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

The City adopts a three-year financial plan that includes both operations and capital improvements. This three-year plan permits a more comprehensive review of the City's financial condition, allowing analysis of the current and future needs and requirements. During preparation of the plan, careful review is made of property tax levy rates, utility and user fee requirements, ending cash balances by fund, debt service obligations, bond financing needs, capital outlay for equipment purchases and major capital improvement projects. The state requires at least a one-year operating budget. While legal spending control is exercised at a state mandated function level, management control is set at the Department Manager level. Encumbrance accounting is utilized in all funds for budgetary control. Encumbrances outstanding at year-end for the governmental fund types are reflected as reservations of the fund balances. Appropriations that are not encumbered lapse at the end of the year.

### **Information Useful in Assessing the Government's Economic Condition**

The City's economic strength is based upon education, medical services, and diversified manufacturing. The University of Iowa is the City's largest employer with over 35,000 employees and the University of Iowa Hospitals and Clinics is the largest university-owned teaching medical center in the United States. The City also has a significant number of private employers who have a history of providing stable and increasing employment in the community. The relative stability of the University of Iowa, coupled with the City's multi-sector base of industrial and commercial interests, has helped insulate the City from the significant negative economic impacts related to unemployment.

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

There have been budget challenges faced by the State of Iowa; however, the City's economy as a whole continues to grow. The major employers have been able to maintain their workforce size. The unemployment rate for Iowa City continues to remain low at 5.0% for the month of June 2010, as compared to 6.6% for the State of Iowa, and 9.5% for the national average. The City has consistently experienced modest increases in assessed property valuations. The rate of new housing construction stayed consistent in comparison to the prior year with 127 new single-family houses and 81 multi-family dwelling units added to the tax rolls for the year ended December 31, 2009. This, along with the low unemployment rate, continues to be indicative of the City's relative economic stability.

The 2000 census population of Iowa City was 62,220. Based on the United States Census Bureau, the population was estimated to be 69,086 in 2010; this represents an 11.0% increase.

In response to national economic recession, the American Recovery and Reinvestment Act, signed into law by President Obama in February 2009, was designed to preserve and create jobs and promote economic recovery, assist people impacted by the recession, provide investments needed to increase economic efficiency, and stabilize state and local government budgets. While Iowa City's housing market and unemployment have not felt the impact as greatly as other areas of the country, the City has been able to utilize stimulus funds to complete projects and strengthen the local economy. Iowa City applied for funds totaling \$56,659,268 and has been approved for \$6,970,540. These projects include upgrading LED light fixtures in the parking structures, reconstructing of airport runways, and purchasing three new buses.

In addition, the State of Iowa's stimulus program, I-JOBS, is designed to create jobs, strengthen the economy, and build a safer, stronger, greener and smarter Iowa. The City has applied for \$14,718,867 in I-JOBS funds and has been approved for \$8,012,132, with an additional \$6,504,708 approved if funds become available. These funds are being used for projects including building a fourth fire station, relocating the North Wastewater Treatment Plant, and the UniverCity Neighborhood Partnership, a joint project between the City and the University of Iowa to ensure the neighborhoods around the University of Iowa campus remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners.

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

### **Major Initiatives**

Iowa City continues to deal with the recovery efforts from the flood experienced in 2008. The City of Iowa City was among several cities in Iowa that received a Presidential Disaster declaration, which brought the Federal Emergency Management Agency (FEMA) technical and financial assistance to Iowa City. These on-going efforts include relocation of the North Wastewater Treatment Plant, elevating Dubuque Street and rebuilding Park Road Bridge, constructing levees to prevent future flooding, as well as, rebuilding the City's Animal Shelter. In addition, the City received \$23,293,000 in Hazard Mitigation Grants and Community Development Block Grants and is in the process of acquiring properties in the flood-impacted neighborhoods.

The City is developing a general industrial park on the southeast side. This project involves annexing and rezoning 180 acres of land and building the street, water, and sewer infrastructure needed to support industrial businesses. This project is estimated to cost \$11,740,000 and will be funded through Tax Increment Financing (TIF). This project is scheduled to be completed in phases, with the land being "shovel ready" for industries to build.

The City of Iowa City is in the planning process of constructing a mixed-use parking facility adjacent to downtown Iowa City. The mixed-use parking facility will include three components: parking facility consisting of approximately 600 parking spaces, commercial space of approximately 25,000 – 35,000 square feet, and 25 - 75 workforce housing units. The City is hoping to work with a private partner to develop the commercial and housing spaces. As this is still in the planning phase, the cost of this project is unknown, but it is anticipated that the parking facility will be financed with bonds and the commercial and housing space will be funded by the

private developer in conjunction with the City. The City anticipates establishing an urban renewal area for the purposes of allowing Tax Increment Financing of the commercial and residential space.

The City has received grants totaling \$3,950,000 to construct new single family homes in Iowa City to replace homes lost during the 2008 flood. These funds can be used to assist the homebuyer with the downpayment of up to 25% of the home cost. A total of 77 new homes have been approved in the first two rounds of the Single Family New Construction (SFNC) Program. The City is now soliciting proposals from the building community to construct approximately 31 additional homes in Iowa City by December 31, 2012. In addition, the City and the University of Iowa have joined together in a cooperative effort to acquire and rehabilitate 25 homes in the neighborhoods surrounding the University of Iowa Campus to ensure the neighborhoods remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners. The City has secured a \$1,250,000 I-JOBS grant for the program.

Upcoming projects for the City include Moss Green Urban Village, Towncrest Urban Renewal, and Riverfront Crossing Development. The City has established an urban renewal area for the development of Moss Green Urban Village, a 243-acre, 18-lot office research and mixed-use subdivision on the northeast edge of the city. The Towncrest Urban Renewal Plan was developed to revitalize the Towncrest commercial district in ways that would serve existing businesses while also drawing new retailers, service providers, and consumers to the area. The costs for Towncrest Renewal are estimated at \$1,400,000 and will be covered through TIF. The Riverfront Crossing Development Plan is an initiative to revitalize the area south of Iowa City's downtown area. It will be a mixed-use zoning district that will allow for commercial and residential development with identified costs estimated at \$800,000 and additional expenses anticipated. A TIF district is being considered for this project. This project will include purchasing and rehabilitating the train depot, which relates to the recent announcement of a \$230,000,000 federal grant that will be used to develop passenger rail services from Chicago to Iowa City, pending matching State funds.

### **Long-term Financial Planning**

In preparing the financial plan for the three years ending June 30, 2014, the process of budget balancing has been difficult. With the continued tax limitations imposed by the state (specifically the residential rollback factor) and other federal and state regulations and mandates, the municipal service needs for our growing community are becoming increasingly difficult to satisfy.

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

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

The City continues to pursue cooperative efforts with other local governments. Joint funding, purchasing, planning and other efforts allow the City to meet mandates for new and improved services in the future at the most reasonable cost. Joint cooperation currently encompasses

regional transportation planning, human services, solid waste management planning, a hazardous materials response program, an enhanced 911 emergency communications system, community relations, joint operation of an animal control facility and an indoor swimming pool facility, and joint economic development efforts. While such cooperative efforts are not new in concept, the City expects to enter into more agreements with neighboring governmental subdivisions, as well as with the University of Iowa.

#### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (the Certificate) to the City of Iowa City, Iowa for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. The Certificate is the highest form of recognition for excellence in state and local financial reporting.

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

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

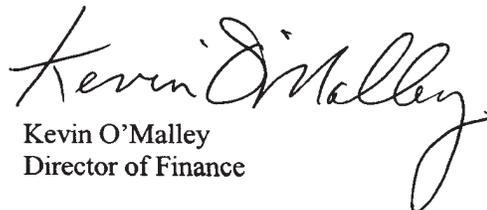
#### **Responsibility and Acknowledgments**

The Department of Finance prepared the Comprehensive Annual Financial Report of the City of Iowa City, Iowa for the fiscal year ended June 30, 2010. The City Council, as required by law, is responsible for the complete and accurate preparation of the City's Comprehensive Annual Financial Report. I believe that the information presented is accurate in all material respects and that this report fairly presents the financial position and results of operations of the various funds of the City.

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

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

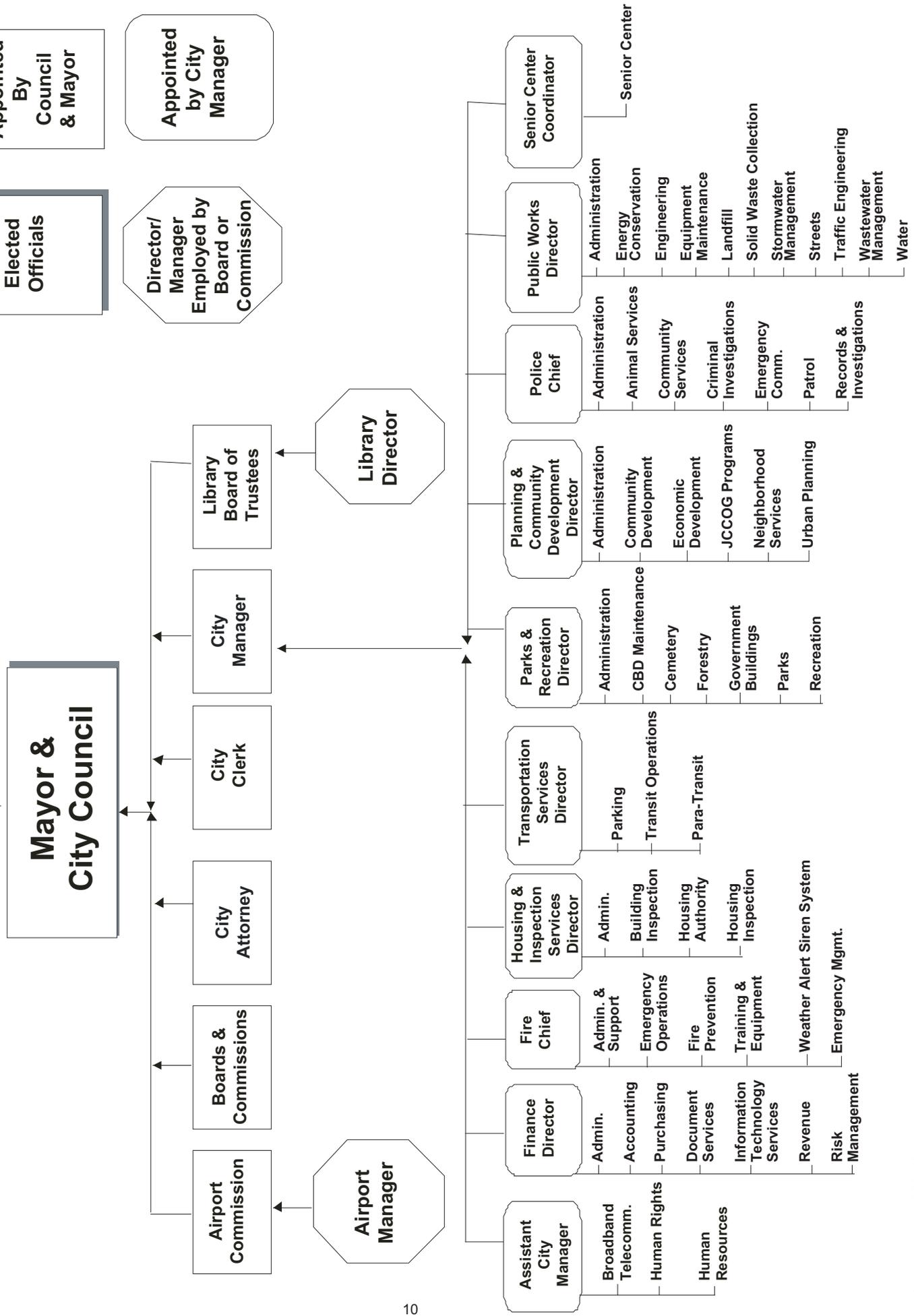
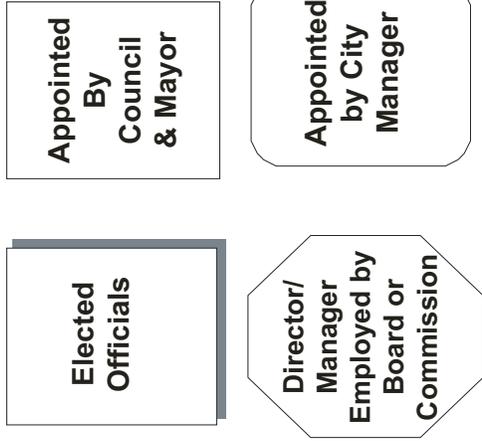
Respectfully submitted,

  
Kevin O'Malley  
Director of Finance



# Citizens of Iowa City

# Key



**CITY OF IOWA CITY, IOWA**  
**LISTING OF CITY OFFICIALS**

June 30, 2010

**ELECTED OFFICIALS**

		<u><b>Term Expires</b></u>
Mayor	Matt Hayek	January 2, 2012
Council Member and Mayor Pro tem	Ross Wilburn	January 2, 2012
Council Member	Regenia Bailey	January 2, 2012
Council Member	Connie Champion	January 2, 2014
Council Member	Terry Dickens	January 2, 2014
Council Member	Susan Mims	January 2, 2014
Council Member	Mike Wright	January 2, 2012

**APPOINTED OFFICIALS**

		<u><b>Date of Hire</b></u>
Acting City Manager	Dale E. Helling	August 16, 1975
City Clerk	Marian K. Karr	May 21, 1979
City Attorney	Eleanor Dilkes	March 18, 1996

**DEPARTMENT DIRECTORS**

Director of Housing and Inspection Services	Douglas W. Boothroy	September 22, 1975
Library Director	Susan Craig	July 28, 1975
Director of Planning & Community Development	Jeff Davidson	January 26, 1981
Director of Public Works	Rick Fosse	February 22, 1984
Director of Transportation Services	Chris O'Brien	December, 29, 1997
Senior Center Coordinator	Linda Kopping	March 20, 1995
Fire Chief	Andrew Rocca	July 14, 1978
Parks and Recreation Director	Mike Moran	September 26, 1983
Director of Finance	Kevin O'Malley	August 19, 1985
Chief of Police	Sam Hargadine	August 29, 2005

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Iowa City  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

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.



A stylized, handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Iowa City, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Subsequent to the issuance of the City's 2010 financial statements and our report dated December 15, 2010, we became aware that certain testing procedures required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, had not been performed. Upon performing those procedures, a modification was made to our Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. In our original report we expressed an unqualified opinion on the 2010 financial statements, and our opinion on those financial statements, as expressed herein, remains unqualified.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary 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 Iowa City, 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 Iowa City, Iowa. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Iowa City, Iowa. The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory 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 Bailly LLP*

Dubuque, Iowa

December 15, 2010, except for the Schedule of Expenditures of Federal Awards listed in the last paragraph above which is dated May 31, 2012

## Management's Discussion and Analysis

As management of the City of Iowa City, we present this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. This narrative is intended to be used in conjunction with additional information that is included in the letter of transmittal, which can be found on pages 3 – 8 of this report.

### Financial Highlights

- The assets of the City of Iowa City exceeded its liabilities at the close of the fiscal year ending June 30, 2010 by \$425,683,000 (net assets). Of this amount, \$98,203,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$35,206,000 during the fiscal year. Governmental activities increased by \$24,504,000 and business-type activities increased by \$10,702,000.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$50,731,000, an increase of \$8,608,000 in comparison with the prior year. Of this total amount, approximately \$32,470,000, or 64% was unreserved and is available for spending at the City's discretion.
- At the end of the current fiscal year, the City's unreserved, undesignated fund balance for the General Fund was \$26,101,000, or 57% of total General Fund expenditures.
- The City's total debt decreased by \$19,425,000, during the current fiscal year. The key factor to this decrease was the City did not issue any new bonded debt, except as a refunding of revenue bonds to take advantage of lower interest rates and the retirement of bonds. The City was able to utilize Federal and State stimulus grants and a new local option sales tax, rather than debt, to fund some capital improvement projects.

### Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

**Fund Financial Statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements and is typically the basis that is used in developing the next annual budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Parking, Wastewater Treatment, Water, Sanitation, and Housing Authority Funds are considered to be major funds and are reported individually throughout the report. The other three non-major enterprise funds are grouped together for reporting purposes and listed under a single heading “Other Enterprise Funds”. Detailed information for each of the non-major funds is provided in the combining statements on pages 88 – 90. Individual fund data for the Internal Service funds is provided in the form of combining statements elsewhere in this report.

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

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not available to support the City's own programs and therefore are not reflected in the government-wide financial statements. The City has two fiduciary funds: Project Green and Library Foundation, which are maintained as agency funds.

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

**Notes to Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 – 76 of this report.

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

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$425,683,000 at the close of the fiscal year ended June 30, 2010.

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

City of Iowa City's Net Assets  
June 30, 2010  
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 142,590	\$ 126,588	\$ 100,458	\$ 99,378	\$ 243,048	\$ 225,966
Capital assets	<u>173,071</u>	<u>167,330</u>	<u>255,613</u>	<u>254,404</u>	<u>428,684</u>	<u>421,734</u>
Total Assets	315,661	293,918	356,071	353,782	671,732	647,700
Long-term liabilities outstanding	75,466	83,928	95,080	103,551	170,546	187,479
Current and other liabilities	<u>70,426</u>	<u>64,725</u>	<u>5,077</u>	<u>5,019</u>	<u>75,503</u>	<u>69,744</u>
Total Liabilities	145,892	148,653	100,157	108,570	246,049	257,223
Net assets:						
Invested in capital assets, net of related debt	111,703	100,741	172,601	162,211	284,304	262,952
Restricted	25,588	26,586	17,588	19,159	43,176	45,745
Unrestricted	<u>32,478</u>	<u>17,938</u>	<u>65,725</u>	<u>63,842</u>	<u>98,203</u>	<u>81,780</u>
Total Net Assets	<u>\$ 169,769</u>	<u>\$ 145,265</u>	<u>\$ 255,914</u>	<u>\$ 245,212</u>	<u>\$ 425,683</u>	<u>\$ 390,477</u>

A portion of the City's net assets (10.1% or \$43,176,000) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets (23.1% or \$98,203,000) may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the fiscal year ended June 30, 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Governmental Activities:** Governmental activities increased the City's net assets by \$24,504,000. The increase in net assets of governmental activities is primarily due to receiving grants to fund expenditures in capital assets for flood recovery and mediation and community development projects.

The following is a more detailed review of FY10's operation.

**City of Iowa City's Changes in Net Assets**  
(amounts expressed in thousands)

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Revenues:						
Program Revenues:						
Charges for services	\$ 7,388	\$ 6,701	\$ 35,943	\$ 36,227	\$ 43,331	\$ 42,928
Operating grants and contributions	15,554	8,185	7,777	7,293	23,331	15,478
Capital grants and contributions	8,291	3,773	6,570	3,705	14,861	7,478
General Revenues:						
Property taxes	49,467	47,085	-	-	49,467	47,085
Road use tax	5,525	5,254	-	-	5,525	5,254
Local option sales tax	8,141	-	-	-	8,141	-
Other taxes	1,535	1,489	-	-	1,535	1,489
Earnings on investments	1,766	3,057	1,311	2,577	3,077	5,634
Gain on disposal of capital assets	-	-	230	360	230	360
Other	3,893	4,894	464	317	4,357	5,211
Total revenues	<u>101,560</u>	<u>80,438</u>	<u>52,295</u>	<u>50,479</u>	<u>153,855</u>	<u>130,917</u>
Expenses:						
Public safety	19,955	20,730	-	-	19,955	20,730
Public works	16,806	15,177	-	-	16,806	15,177
Culture and recreation	12,238	9,574	-	-	12,238	9,574
Community and economic development	16,913	8,726	-	-	16,913	8,726
General government	7,549	7,600	-	-	7,549	7,600
Interest on long-term debt	2,970	3,264	-	-	2,970	3,264
Wastewater treatment	-	-	11,274	11,925	11,274	11,925
Water	-	-	8,309	9,185	8,309	9,185
Sanitation	-	-	7,705	7,296	7,705	7,296
Housing authority	-	-	7,838	7,238	7,838	7,238
Parking	-	-	4,536	4,489	4,536	4,489
Airport	-	-	724	693	724	693
Stormwater	-	-	1,187	1,223	1,187	1,223
Cable television	-	-	645	633	645	633
Total expenses	<u>76,431</u>	<u>65,071</u>	<u>42,218</u>	<u>42,682</u>	<u>118,649</u>	<u>107,753</u>
Change in net assets before transfers	25,129	15,367	10,077	7,797	35,206	23,164
Transfers	<u>(625)</u>	<u>205</u>	<u>625</u>	<u>(205)</u>	<u>-</u>	<u>-</u>
Change in net assets	24,504	15,572	10,702	7,592	35,206	23,164
Net assets beginning of year	<u>145,265</u>	<u>129,693</u>	<u>245,212</u>	<u>237,620</u>	<u>390,477</u>	<u>367,313</u>
Net assets end of year	<u>\$ 169,769</u>	<u>\$ 145,265</u>	<u>\$ 255,914</u>	<u>\$ 245,212</u>	<u>\$ 425,683</u>	<u>\$ 390,477</u>

The total revenues for governmental activities for FY10 were \$101,560,000. Governmental activities are primarily funded through taxes (63.7% or \$64,668,000) and grants and contributions (23.5% or \$23,845,000). Grants and contributions increased from prior year by \$11,887,000 due to federal ARRA grants, state I-JOBS grants, and Community Development Block Grants used to fund capital and flood mediation projects.

Expenses for governmental activities totaled \$76,431,000. Governmental activities are tracked by function including public safety, public works, community and economic development, culture and recreation, and general government. In FY10, public safety accounted for the highest portion of governmental expenses (26.1% or \$19,955,000). Community and economic development (22.1% or \$16,913,000) and public works (22.0% or \$16,806,000) made up another large portion of governmental expenses and each increased over the prior year due to flood recovery and mediation projects that were covered by various grants.

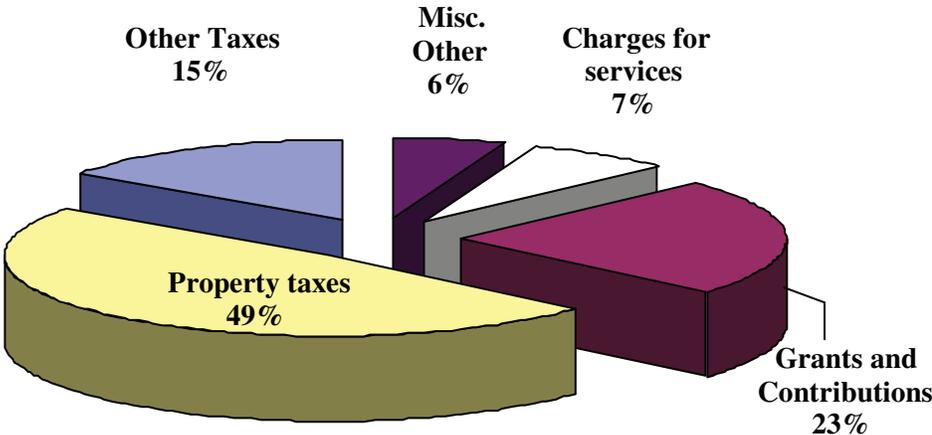
**Business-type Activities:** Business-type activities increased the City's total assets by \$10,702,000. The increases in net assets were primarily in the Wastewater, Airport, and Water funds. For all business-type activities, revenues exceeded expenses by \$10,077,000.

Revenues for business-type activities totaled \$52,295,000. The primary revenue source for business-type activities is charges for services (68.7% or \$35,943,000). In addition for FY10, the City's business type-activities had a significant portion of their revenues from grants and contributions (27.4% or \$14,347,000). This is an increase of \$3,349,000 to help fund capital and flood recovery projects for business-type activities.

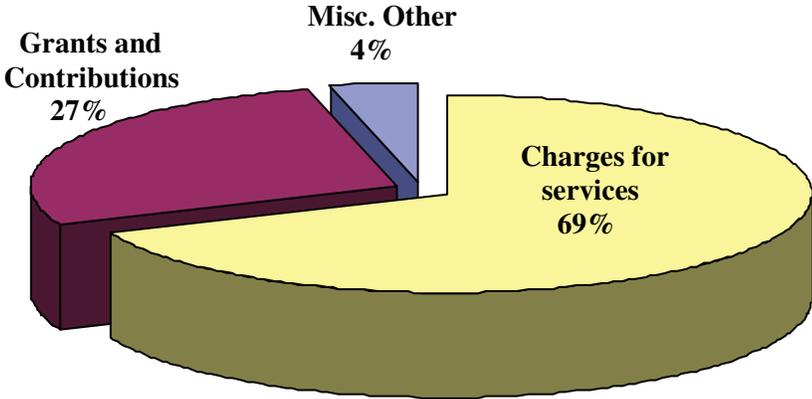
The total expenses for business-type activities in FY10 were \$42,218,000. Wastewater treatment represented the highest portion of business-type activities (26.7% or \$11,274,000), with Water (19.7% or \$8,309,000), Housing Authority (18.6% or \$7,838,000), and Sanitation (18.3 or \$7,705,000) making up the remainder of the majority of business-type activities expenses.

The graphs on the following pages represent a breakdown of revenue by source and expenditures by program area for governmental and business-type activities.

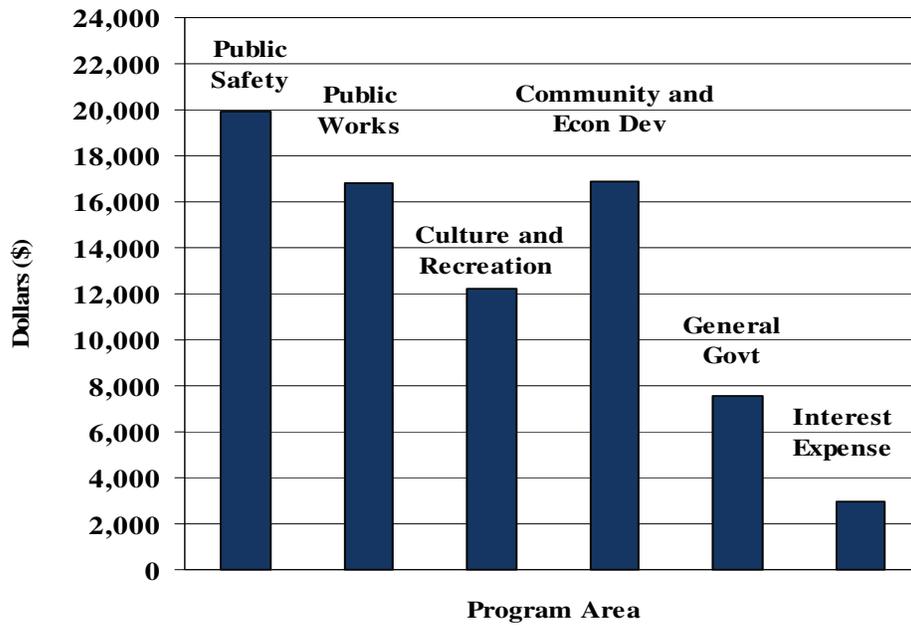
**Governmental Activities  
FY2010 Revenue  
by Source**



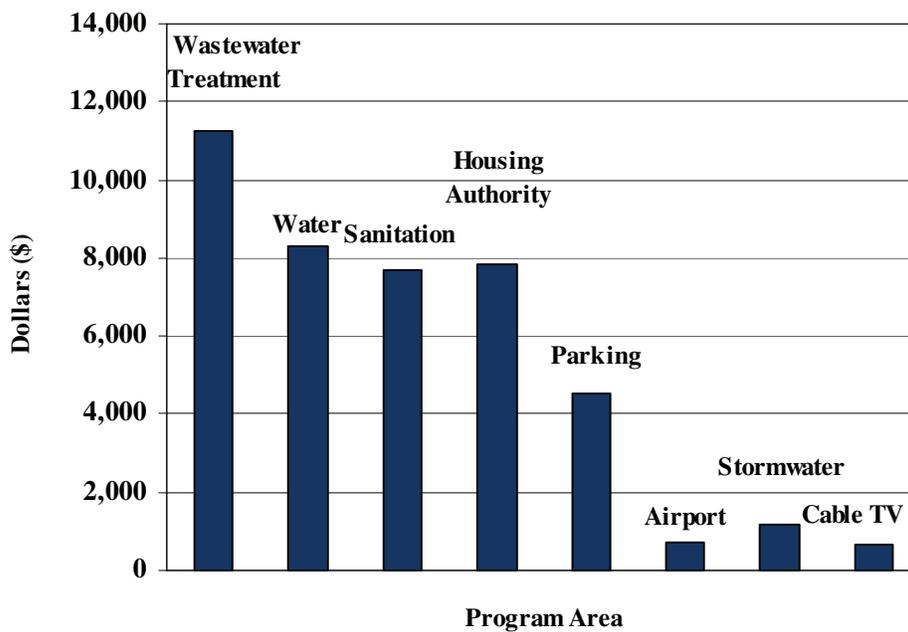
**Business-Type Activities  
FY2010 Revenue  
by Source**



**Governmental Activities  
FY2010 Expenditures  
by Program Area**  
(amounts expressed in thousands)



**Business-Type Activities  
FY2010 Expenditures  
by Program Area**  
(amounts expressed in thousands)



## Financial Analysis of the Government's Funds

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

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

As of the fiscal year ended June 30, 2010, the City's governmental funds reported combined ending fund balances of \$50,731,000, an increase of \$8,608,000 in comparison with the prior year. Of this total amount, \$32,470,000 constitutes unreserved fund balance, which is available to use as working capital for the General Fund since property tax revenues are received only twice a year and the remainder is available to meet the future needs of the City. The remainder of the fund balance (36.0%) is reserved to indicate that it is not available for new spending because it has already been committed. This remainder has been committed 1) to fund various debt service payments (\$13,952,000), 2) to fund employee retirement commitments (\$2,124,000), and 3) restricted by grant agreements (\$719,000).

The General Fund is the chief operating fund of the City. As of the fiscal year ended June 30, 2010, the unreserved fund balance of the General Fund was \$26,101,000 while General Fund's total fund balance was \$26,507,000. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 57.3% of total General Fund expenditures (\$45,565,000), while total fund balance represents 58.2% of that same amount.

The fund balance of the City's General Fund increased by \$10,590,000 during the current fiscal year. This was due to collection of a local option sales tax that took effect in FY10 to be used to fund future capital improvement projects. This tax will be collected through FY13. In addition, the City's property tax collected in FY10 increased due to higher taxable property values.

The Bridge, Street, and Traffic Control Construction Fund had a deficit fund balance of (\$1,207,000) as compared to a deficit balance of (\$1,883,000) in the prior period. This fund accounts for transactions relating to the acquisition or construction of major streets, bridges, and traffic control facilities. The deficit is due to capital expenditures. The City anticipates receiving funds from the Iowa Department of Transportation. If not, bonds will be issued in FY11 to cover the capital expenditures.

The Other Shared Revenue and Grants Fund had a deficit fund balance of (\$673,000) as compared to a deficit balance of (\$720,000) in the prior period. This fund accounts for transactions from various sources, primarily road use tax monies from the State of Iowa and reimbursable programs funded by federal and state grants. The deficit is due to capital expenditures. The City anticipates receiving funds from the Iowa Department of Economic Development.

The Debt Service Fund had a fund balance of \$13,952,000, an increase of \$2,193,000 from the prior year, all of which is reserved for the payment of debt service (i.e. payment of general obligation principal and interest).

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

The ending net assets of the enterprise funds were \$248,009,000, a net asset increase of \$9,907,000. This was primarily due to an increase in capital contributions of federal and state grants to fund capital improvement projects to help with flood recovery and mediation. Of the enterprise funds' net assets, \$172,601,000 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$57,820,000, an increase of \$1,088,000 compared to the previous year.

The Internal Service funds showed net assets totaling \$22,446,000 as of June 30, 2010, an increase of \$2,045,000 from the previous year.

### Budgetary Highlights

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

The City had three budget amendments during the fiscal year, which is higher than our common practice of two amendments. These amendments increased the expenditure budget by \$152,671,000 to a total of \$293,161,000. This represented a 108.7% increase. The major increase was due to capital projects in governmental and business-type funds due to timing of completion of projects, ongoing recovery from the flood of 2008, and stimulus grants received to help with economic development.

### Capital Assets and Debt Administration

**Capital Assets:** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$428,684,000 (net of accumulated depreciation). This investment in capital assets, including land, buildings, improvements other than buildings, equipment, streets, bridges, trails, wastewater and water systems, and other infrastructure represents the value of resources utilized to provide services to its citizens. The City's investment in capital assets for the fiscal year ended June 30, 2010 increased by \$5,741,000 for governmental activities compared to the prior year and increased by \$1,209,000 for business-type activities over the prior year.

The following table reflects the \$428,684,000 investment in capital assets (net of accumulated depreciation).

**City of Iowa City's Capital Assets**  
(net of depreciation)  
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 21,838	\$ 17,483	\$ 25,847	\$ 25,783	\$ 47,685	\$ 43,266
Buildings	45,041	44,973	72,293	74,866	117,334	119,839
Improvements other than buildings	3,580	3,721	6,846	7,233	10,426	10,954
Machinery and equipment	15,908	12,389	8,773	9,265	24,681	21,654
Infrastructure	80,863	74,458	130,545	131,052	211,408	205,510
Construction in progress	5,841	14,306	11,309	6,205	17,150	20,511
<b>Total</b>	<u>\$ 173,071</u>	<u>\$ 167,330</u>	<u>\$ 255,613</u>	<u>\$ 254,404</u>	<u>\$ 428,684</u>	<u>\$ 421,734</u>

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

- Continuation of airport projects included runway design, grading, lighting, paving, and runway extension. Project costs during the year totaled \$3,733,000 added with prior years' costs there was \$6,286,000 remaining in construction in progress at fiscal year end.
- Completion of the McCollister Boulevard extension project to connect Old Highway 218 at its intersection with Mormon Trek Boulevard to Gilbert Street capitalized for \$7,439,000. \$2,462,000 remains in construction in progress for a variety of additional street and bridge construction in new residential areas and replacement and expansion of existing infrastructure.

- On-going work on the Inverted Siphon Sewer Project to construct a horizontal directional drilled inverted siphon sewer, inlet and outlet structures, sanitary manholes, and sanitary sewer. Expenses of \$1,174,000. were in construction in progress at the end of the fiscal year.
- Continued construction on a new landfill cell. \$1,387,000 in expenses for FY10 added to prior years' expenses for a total of \$ 1,894,000 in construction in progress at fiscal year end.
- Public Works salt storage building completed and capitalized for \$963,000.
- Ground breaking on a new fourth fire station. Expenses of \$562,000 were in construction in progress at the end of the fiscal year. Total project costs are estimated at \$4,089,000.

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

**Debt Administration:** At the end of the fiscal year, the City had total bonded debt outstanding of \$153,385,000. Of this amount, \$75,050,000 comprises debt backed by the full faith and credit of the City. However, 5.0% of this total, \$3,750,000, is debt that serves enterprise funds and is abated by their charges for services and 8.4% of this total, \$6,320,000, is debt that will be paid with Tax Increment Financing revenues. The remaining \$78,335,000 represents revenue bonds secured solely by specific revenue sources.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 71,300	\$ 80,654	\$ 3,750	\$ 4,341	\$ 75,050	\$ 84,995
Revenue bonds	-	-	78,335	87,815	78,335	87,815
Total	<u>\$ 71,300</u>	<u>\$ 80,654</u>	<u>\$ 82,085</u>	<u>\$ 92,156</u>	<u>\$ 153,385</u>	<u>\$ 172,810</u>

During the current fiscal year the City's total bonded debt decreased by \$19,425,000.

The City did not issue any General Obligation bonds during FY10. The City did issue \$9,110,000 of parking revenue bonds and \$15,080,000 of wastewater revenue bonds for current refunding of \$9,275,000 and \$16,240,000 of parking and wastewater revenue bonds, respectively. The refundings were undertaken to reduce total future debt service payments. The result of the transaction is a reduction of \$3,447,000 in future debt service payments and an economic gain of \$2,884,000.

The City continues to have the same excellent bond rating on its General Obligation bonds that it has had for the past several years. This rating is given to those bonds judged to be of the best quality and carrying the smallest degree of investment risks. The City's bond ratings by Moody's Investors Services, Inc. as of June 30, 2010 were as follows:

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

The City continues to operate well under the State debt capacity debt limitations. State statute limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in Iowa City. The current debt limitation for the City is \$218,974,000. With outstanding General Obligation Debt applicable to this limit of \$75,050,000 we are utilizing 34.3% of this limit.

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

## Economic Factors and Next Year's Budget and Rates

In May 2009, the voters of Iowa City approved a one cent local option sales tax. This tax will be collected for four years beginning July 1, 2009. In FY10, the City collected \$8,141,000 in local option sales tax. The City Council has indicated that the priorities for use of this sales tax will be the elevation of Dubuque Street, including the reconstruction of Park Road Bridge, and the relocation of the North Wastewater Plant. Sales tax proceeds are used to provide local match for available state and federal funding and to reduce our reliance on property tax and increased user fees otherwise needed to fund such projects.

During the 2009 session, the Iowa State Legislature passed a law allowing cities to utilize franchise fee tax as a revenue alternative to property tax effective for FY11. The Iowa City Council passed a local franchise fee tax of 1% on natural gas and electricity to support additional public safety initiatives that became effective April 1, 2010. For the last three months of FY10, the City collected \$47,000.

The City expects continued constraints by the State's property tax formula. The rollback on residential properties negatively affects the City's general operating funds and without the potential for new revenue sources, like those mentioned above, the City's opportunities for new initiatives are limited. The Council has established a balance budget in the General Fund for FY11 that strives to maintain current service delivery levels. The tax levy rate per \$1,000 of taxable valuation for FY11 is provided below:

General Levy	\$	8.100
Debt Service Levy		4.438
Employee Benefits Levy		3.581
Transit Levy		0.950
Liability Insurance Levy		0.417
Library Levy		0.270
Total City Levy	\$	<u>17.756</u>

### Requests for Information

This report is designed to provide a general overview of the City of Iowa City's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to City of Iowa City, Finance Department, 410 E. Washington Street, Iowa City, IA, 52240.

**CITY OF IOWA CITY, IOWA**

**STATEMENT OF NET ASSETS**

June 30, 2010

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Equity in pooled cash and investments	\$ 53,778	\$ 52,189	\$ 105,967
Receivables:			
Property tax	48,809	-	48,809
Accounts and unbilled usage	691	3,104	3,795
Interest	147	538	685
Notes	15,842	997	16,839
Internal balances	(9,175)	9,175	-
Due from other governments	11,852	1,148	13,000
Prepaid insurance	13	-	13
Inventories	557	418	975
Assets held for resale	663	-	663
Restricted assets:			
Equity in pooled cash and investments	19,413	32,889	52,302
Capital assets:			
Land and construction in progress	27,679	37,156	64,835
Other capital assets (net of accumulated depreciation)	145,392	218,457	363,849
Total assets	<u>315,661</u>	<u>356,071</u>	<u>671,732</u>
<b>Liabilities</b>			
Accounts payable	4,144	562	4,706
Contracts payable	786	1,167	1,953
Accrued liabilities	4,123	439	4,562
Interest payable	230	1,864	2,094
Deposits	894	647	1,541
Due to other governments	2,014	118	2,132
Notes payable	498	-	498
Unearned revenue	57,737	280	58,017
Noncurrent liabilities:			
Due within one year:			
Employee vested benefits	1,134	288	1,422
Bonds payable	9,647	4,025	13,672
Due in more than one year:			
Employee vested benefits	966	235	1,201
Other Post Employment Benefits Obligation	1,363	383	1,746
Notes Payable	211	-	211
Bonds payable	62,145	78,989	141,134
Landfill closure/post-closure liability	-	11,160	11,160
Total liabilities	<u>145,892</u>	<u>100,157</u>	<u>246,049</u>

(continued)

**CITY OF IOWA CITY, IOWA**

**STATEMENT OF NET ASSETS (continued)**

June 30, 2010

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 111,703	\$ 172,601	\$ 284,304
Restricted for or by:			
Employee benefits	2,124	-	2,124
Capital projects	8,043	-	8,043
Debt service	13,952	-	13,952
Assets held for resale	663	-	663
Streets	-	-	-
Other purposes	87	-	87
Bond ordinance	-	13,399	13,399
State statute	-	906	906
Future improvements	-	-	-
Grant agreement	719	3,283	4,002
Unrestricted	32,478	65,725	98,203
Total net assets	<u>\$ 169,769</u>	<u>\$ 255,914</u>	<u>\$ 425,683</u>

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

**CITY OF IOWA CITY, IOWA**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

<b>Functions/Programs:</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Public safety	\$ 19,955	\$ 2,980	\$ 1,339	\$ 120
Public works	16,806	1,061	1,484	5,574
Culture and recreation	12,238	773	306	14
Community and economic development	16,913	-	12,425	2,583
General government	7,549	2,574	-	-
Interest on long-term debt	2,970	-	-	-
<b>Total governmental activities</b>	<b>76,431</b>	<b>7,388</b>	<b>15,554</b>	<b>8,291</b>
<b>Business-type activities:</b>				
Wastewater Treatment	11,274	12,637	-	2,115
Water	8,309	7,957	6	572
Sanitation	7,705	8,096	6	6
Housing Authority	7,838	180	7,765	25
Parking	4,536	5,377	-	-
Airport	724	289	-	3,311
Stormwater	1,187	617	-	541
Cable television	645	790	-	-
<b>Total business-type activities</b>	<b>42,218</b>	<b>35,943</b>	<b>7,777</b>	<b>6,570</b>
<b>Total</b>	<b>\$ 118,649</b>	<b>\$ 43,331</b>	<b>\$ 23,331</b>	<b>\$ 14,861</b>

General revenues:

Property taxes, levied for general purposes

Road use tax

Hotel/motel tax

Gas and electric tax

Local option sales tax

Utility franchise tax

Earnings on investments

Gain on disposal of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (15,516)	\$ -	\$ (15,516)
(8,687)	-	(8,687)
(11,145)	-	(11,145)
(1,905)	-	(1,905)
(4,975)	-	(4,975)
(2,970)	-	(2,970)
(45,198)	-	(45,198)
-	3,478	3,478
-	226	226
-	403	403
-	132	132
-	841	841
-	2,876	2,876
-	(29)	(29)
-	145	145
-	8,072	8,072
(45,198)	8,072	(37,126)
49,467	-	49,467
5,525	-	5,525
699	-	699
789	-	789
8,141	-	8,141
47	-	47
1,766	1,311	3,077
-	230	230
3,893	464	4,357
(625)	625	-
69,702	2,630	72,332
24,504	10,702	35,206
145,265	245,212	390,477
\$ 169,769	\$ 255,914	\$ 425,683

**CITY OF IOWA CITY, IOWA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2010  
(amounts expressed in thousands)

	Special Revenue						Total
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Debt Service	Other Governmental Funds	
<b>Assets</b>							
Equity in pooled cash and investments	\$ 18,539	\$ 1,932	\$ -	\$ -	\$ 12,813	\$ 1,354	\$ 34,638
Receivables:							
Property tax	26,699	9,825	-	-	12,278	7	48,809
Accounts and unbilled usage	514	-	-	-	-	153	667
Interest	42	-	-	-	59	19	120
Notes	386	-	12,032	1,823	1,601	-	15,842
Advances to other funds	1,645	-	18	-	208	-	1,871
Due from other governments	4,045	154	14	4,048	-	3,519	11,780
Inventories	234	-	-	-	-	-	234
Assets held for resale	-	-	-	498	-	165	663
Restricted assets:							
Equity in pooled cash and investments	8,948	-	-	41	-	10,424	19,413
<b>Total assets</b>	<b>\$ 61,052</b>	<b>\$ 11,911</b>	<b>\$ 12,064</b>	<b>\$ 6,410</b>	<b>\$ 26,959</b>	<b>\$ 15,641</b>	<b>\$ 134,037</b>

(continued)

CITY OF IOWA CITY, IOWA

**BALANCE SHEET (continued)**  
**GOVERNMENTAL FUNDS**

June 30, 2010

(amounts expressed in thousands)

	Special Revenue						Total
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Debt Service	Other Governmental Funds	
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 1,136	\$ 16	\$ -	\$ 191	\$ -	\$ 2,244	\$ 3,587
Contracts payable	-	-	-	-	-	786	786
Accrued liabilities	1,535	2	10	120	-	56	1,723
Advances from other funds	1,288	-	4	1,849	-	-	3,141
Due to other governments	15	-	-	37	-	1,962	2,014
Notes payable	-	-	-	498	-	-	498
Deferred revenue	29,681	9,769	12,050	4,384	13,007	1,772	70,663
Liabilities payable from restricted assets:							
Deposits	890	-	-	4	-	-	894
Total liabilities	<u>34,545</u>	<u>9,787</u>	<u>12,064</u>	<u>7,083</u>	<u>13,007</u>	<u>6,820</u>	<u>83,306</u>
Fund balances:							
Reserved for:							
Inventories	234	-	-	-	-	-	234
Assets held for resale	-	-	-	498	-	165	663
Encumbrances	58	-	-	25	-	372	455
Debt service	-	-	-	-	13,952	-	13,952
Employee retirement commitments	-	2,124	-	-	-	-	2,124
Perpetual care	114	-	-	-	-	-	114
Restricted by grant agreement	-	-	-	719	-	-	719
Unreserved							
Undesignated:							
General fund	26,101	-	-	-	-	-	26,101
Special revenue funds	-	-	-	(1,915)	-	241	(1,674)
Capital projects funds	-	-	-	-	-	8,043	8,043
Total fund balances	<u>26,507</u>	<u>2,124</u>	<u>-</u>	<u>(673)</u>	<u>13,952</u>	<u>8,821</u>	<u>50,731</u>
Total liabilities and fund balances	<u>\$ 61,052</u>	<u>\$ 11,911</u>	<u>\$ 12,064</u>	<u>\$ 6,410</u>	<u>\$ 26,959</u>	<u>\$ 15,641</u>	<u>\$ 134,037</u>

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

**CITY OF IOWA CITY**

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

June 30, 2010  
(amounts expressed in thousands)

Total governmental fund balances	\$ 50,731
Amounts reported for governmental activities in the statement of net assets are different because:	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	22,446
Prepaid insurance benefits future periods and is included in governmental activities in the statement of net assets.	13
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: Notes receivable - Earned but unavailable	12,926
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	167,120
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(1,991)
Accrued post employment benefit obligations are not due and payable in the current period and therefore are not reported in the funds.	(1,338)
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(71,792)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.	(211)
Accrued interest on bonds	(230)
Internal balance due to integration of internal service funds	<u>(7,905)</u>
Total net assets of governmental activities	<u><u>\$ 169,769</u></u>

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

**CITY OF IOWA CITY, IOWA**

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

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

	Special Revenue						Total
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Debt Service	Other Governmental Funds	
<b>Revenues</b>							
Taxes	\$ 33,897	\$ 9,988	\$ -	\$ -	\$ 11,344	\$ 3,914	\$ 59,143
Licenses and permits	1,211	-	-	-	-	-	1,211
Intergovernmental	4,254	-	1,169	19,205	-	6,776	31,404
Charges for services	2,243	135	-	47	-	8	2,433
Use of money and property	1,355	-	-	68	139	37	1,599
Miscellaneous	4,130	1	189	272	-	192	4,784
<b>Total revenues</b>	<b>47,090</b>	<b>10,124</b>	<b>1,358</b>	<b>19,592</b>	<b>11,483</b>	<b>10,927</b>	<b>100,574</b>
<b>Expenditures</b>							
Current:							
Public safety	17,570	206	-	-	-	1,332	19,108
Public works	6,885	-	-	4,882	-	1,544	13,311
Culture and recreation	10,993	-	-	-	-	273	11,266
Community and economic development	1,484	-	1,399	6,021	-	1,616	10,520
General government	6,658	412	-	-	-	121	7,191
Debt service:							
Principal	-	-	-	-	9,354	-	9,354
Interest	-	-	-	-	3,064	-	3,064
Capital outlay	1,975	-	2	7,700	-	8,013	17,690
<b>Total expenditures</b>	<b>45,565</b>	<b>618</b>	<b>1,401</b>	<b>18,603</b>	<b>12,418</b>	<b>12,899</b>	<b>91,504</b>
Excess (deficiency) of revenues over (under) expenditures	1,525	9,506	(43)	989	(935)	(1,972)	9,070
<b>Other Financing Sources (Uses)</b>							
Sale of capital assets	104	-	118	-	-	-	222
Insurance Recoveries	-	-	-	-	-	20	20
Transfers in	9,753	-	-	619	3,128	3,242	16,742
Transfers out	(792)	(9,618)	(75)	(1,561)	-	(5,400)	(17,446)
<b>Total other financing sources and (uses)</b>	<b>9,065</b>	<b>(9,618)</b>	<b>43</b>	<b>(942)</b>	<b>3,128</b>	<b>(2,138)</b>	<b>(462)</b>
Net change in fund balances	10,590	(112)	-	47	2,193	(4,110)	8,608
<b>Fund Balances, Beginning</b>	<b>15,917</b>	<b>2,236</b>	<b>-</b>	<b>(720)</b>	<b>11,759</b>	<b>12,931</b>	<b>42,123</b>
<b>Fund Balances, Ending</b>	<b>\$ 26,507</b>	<b>\$ 2,124</b>	<b>\$ -</b>	<b>\$ (673)</b>	<b>\$ 13,952</b>	<b>\$ 8,821</b>	<b>\$ 50,731</b>

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



**CITY OF IOWA CITY**

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

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

Net change in fund balances - total governmental funds	\$	8,608
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset. Capital outlays and contributed capital assets exceeded depreciation expense in the current year as follows:</p>		
Expenditures for capital assets	\$	10,552
Capital assets contributed		824
Depreciation expense	<u>(5,893)</u>	5,483
<p>Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
Repayments of debt		9,354
Amortization of premium	<u>76</u>	9,430
<p>Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds.</p>		
		925
<p>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:</p>		
Change in accrued compensated absences		(79)
Change in accrued post employment benefit obligations		(861)
Change in accrued interest on debt		18
<p>In the statement of activities, only the gain on the sale of the capital assets is recognized, whereas in the governmental funds, the proceeds from the sale increased financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset sold.</p>		
		(283)
<p>Prepaid items in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenses in the period that the corresponding net asset is exhausted.</p>		
		13
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
		<u>1,250</u>
Change in net assets of governmental activities	<u>\$</u>	<u>24,504</u>

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

**CITY OF IOWA CITY, IOWA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS**

June 30, 2010  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Activities - Internal Service Funds
<b>Assets</b>							
Current assets:							
Equity in pooled cash and investments	\$ 5,677	\$ 12,615	\$ 11,636	\$ 16,083	\$ 3,272	\$ 2,906	\$ 52,189
Receivables:							
Accounts and unbilled usage	24	1,228	795	775	42	240	3,104
Interest	8	178	278	41	29	4	538
Notes	-	-	-	-	997	-	997
Advances to other funds	-	-	-	4,316	-	-	4,316
Due from other governments	-	578	185	35	46	304	1,148
Inventories	-	-	418	-	-	-	418
Total current assets	5,709	14,599	13,312	21,250	4,386	3,454	62,710
Noncurrent assets:							
Restricted assets:							
Equity in pooled cash and investments	1,486	9,645	4,595	13,762	3,283	118	32,889
Capital assets:							
Land	6,798	758	6,296	1,787	732	9,476	25,847
Buildings	24,908	59,611	23,875	908	5,601	4,779	119,682
Improvements other than buildings	166	7,371	2,351	144	9	357	10,398
Machinery and equipment	779	9,962	10,434	158	147	634	22,114
Infrastructure	-	87,477	48,615	11,298	-	42,293	189,683
Accumulated depreciation	(13,965)	(62,850)	(21,149)	(9,611)	(3,652)	(12,193)	(123,420)
Construction in progress	151	1,483	711	2,592	-	6,372	11,309
Total noncurrent assets	20,323	113,457	75,728	21,038	6,120	51,836	288,502
Total assets	26,032	128,056	89,040	42,288	10,506	55,290	351,212

(continued)

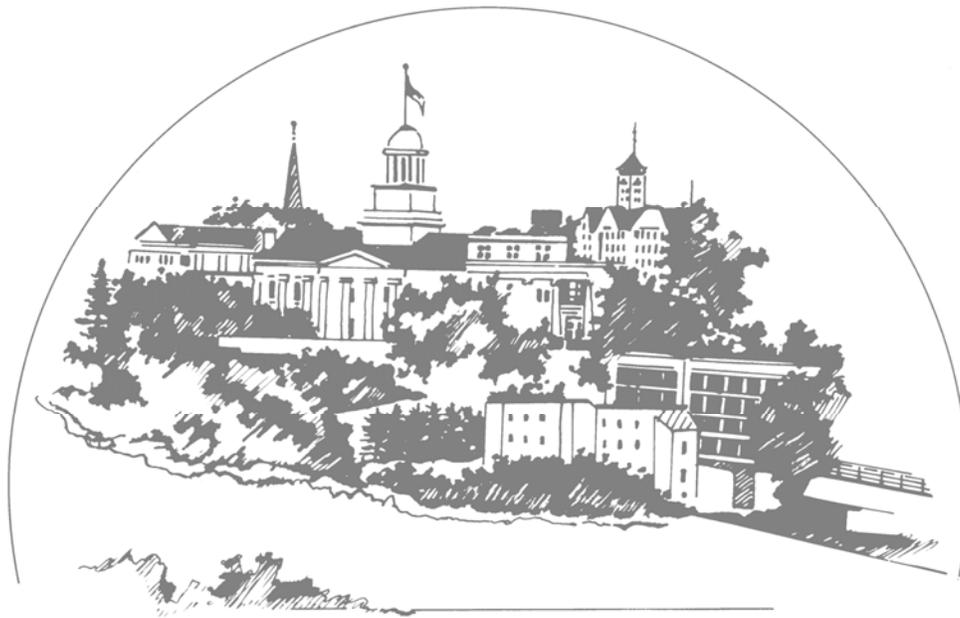
**CITY OF IOWA CITY, IOWA**

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

June 30, 2010  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	Activities - Internal Service Funds
<b>Liabilities</b>								
Current liabilities:								
Accounts payable	\$ 20	\$ 91	\$ 163	\$ 128	\$ 22	\$ 138	\$ 562	\$ 557
Contracts payable	35	306	227	308	-	291	1,167	-
Accrued liabilities	151	171	242	256	81	61	962	2,509
Due to other governments	-	-	32	70	16	-	118	-
Deferred revenue	280	-	-	-	-	-	280	-
Interest payable	218	1,173	473	-	-	-	1,864	-
Bonded debt payable (net of unamortized discounts)	422	1,899	1,704	-	-	-	4,025	-
Total current liabilities	<u>1,126</u>	<u>3,640</u>	<u>2,841</u>	<u>762</u>	<u>119</u>	<u>490</u>	<u>8,978</u>	<u>3,066</u>
Noncurrent liabilities:								
Liabilities payable from restricted assets:								
Deposits	2	-	394	14	228	9	647	-
Advances from other funds	1,523	-	-	-	18	1,505	3,046	-
Bonded debt payable (net of unamortized discounts)	8,724	45,603	24,662	-	-	-	78,989	-
Other Post Employment Benefits Obligation	65	65	101	97	17	38	383	25
Landfill closure/postclosure liability	-	-	-	11,160	-	-	11,160	-
Total noncurrent liabilities	<u>10,314</u>	<u>45,668</u>	<u>25,157</u>	<u>11,271</u>	<u>263</u>	<u>1,552</u>	<u>94,225</u>	<u>25</u>
Total liabilities	<u>11,440</u>	<u>49,308</u>	<u>27,998</u>	<u>12,033</u>	<u>382</u>	<u>2,042</u>	<u>103,203</u>	<u>3,091</u>
<b>Net Assets</b>								
Invested in capital assets, net of related debt	9,692	56,310	44,768	7,276	2,837	51,718	172,601	5,951
Restricted by bond ordinance	1,267	8,472	3,660	-	-	-	13,399	-
Restricted by state statute	-	-	-	906	-	-	906	-
Restricted by grant agreement	-	-	-	-	3,283	-	3,283	-
Unrestricted	3,633	13,966	12,614	22,073	4,004	1,530	57,820	16,495
Total net assets	<u>\$ 14,592</u>	<u>\$ 78,748</u>	<u>\$ 61,042</u>	<u>\$ 30,255</u>	<u>\$10,124</u>	<u>\$53,248</u>	<u>248,009</u>	<u>\$ 22,446</u>
							7,905	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							<u>7,905</u>	
Net assets of business-type activities							<u>\$ 255,914</u>	

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



CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Parking	Wastewater		Sanitation	Housing Authority	Other Enterprise Funds	Total	
		Treatment	Water					
<b>Operating Revenues:</b>								
Charges for services	\$ 5,377	\$ 12,637	\$ 7,957	\$ 8,096	\$ 180	\$ 1,696	\$ 35,943	\$ 15,930
Miscellaneous	26	73	28	57	210	37	431	49
Total operating revenues	<u>5,403</u>	<u>12,710</u>	<u>7,985</u>	<u>8,153</u>	<u>390</u>	<u>1,733</u>	<u>36,374</u>	<u>15,979</u>
<b>Operating Expenses:</b>								
Personal services	1,775	1,874	2,246	2,497	936	647	9,975	2,076
Commodities	248	645	987	393	45	265	2,583	2,133
Services and charges	1,126	2,531	1,920	4,540	6,743	532	17,392	8,966
Depreciation	3,149	5,050	5,153	7,430	7,724	1,444	29,950	13,175
Total operating expenses	<u>905</u>	<u>4,178</u>	<u>2,180</u>	<u>630</u>	<u>143</u>	<u>1,139</u>	<u>9,175</u>	<u>1,242</u>
Operating income (loss)	<u>4,054</u>	<u>9,228</u>	<u>7,333</u>	<u>8,060</u>	<u>7,867</u>	<u>2,583</u>	<u>39,125</u>	<u>14,417</u>
	1,349	3,482	652	93	(7,477)	(850)	(2,751)	1,562
<b>Nonoperating Revenues (Expenses):</b>								
Gain on disposal of capital assets	(15)	-	5	-	32	208	230	111
Insurance Recoveries	-	-	33	-	-	-	33	-
Operating grants	-	-	6	6	7,765	-	7,777	-
Interest income	106	464	312	320	84	25	1,311	166
Interest expense	(538)	(2,173)	(1,092)	-	-	-	(3,803)	-
Total nonoperating revenues (expenses)	<u>(447)</u>	<u>(1,709)</u>	<u>(736)</u>	<u>326</u>	<u>7,881</u>	<u>233</u>	<u>5,548</u>	<u>277</u>
Income (loss) before capital contributions and transfers	902	1,773	(84)	419	404	(617)	2,797	1,839
Capital contributions	-	2,115	572	6	25	3,852	6,570	42
Transfers in	-	167	756	-	75	356	1,354	170
Transfers out	(110)	(202)	(343)	-	(18)	(141)	(814)	(6)
Change in net assets	792	3,853	901	425	486	3,450	9,907	2,045
<b>Net Assets, Beginning</b>	<u>13,800</u>	<u>74,895</u>	<u>60,141</u>	<u>29,830</u>	<u>9,638</u>	<u>49,798</u>		<u>20,401</u>
<b>Net Assets, Ending</b>	<u>\$ 14,592</u>	<u>\$ 78,748</u>	<u>\$ 61,042</u>	<u>\$ 30,255</u>	<u>\$ 10,124</u>	<u>\$ 53,248</u>		<u>\$ 22,446</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							795	
Change in net assets of business-type activities							<u>\$ 10,702</u>	

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

**CITY OF IOWA CITY, IOWA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds		Total
<b>Cash Flows From Operating Activities</b>								
Receipts from customers and users	\$ 5,694	\$ 12,736	\$ 7,972	\$ 8,339	\$ 348	\$ 1,737	\$ 36,826	\$ 15,938
Payments to suppliers	(1,390)	(3,218)	(2,941)	(4,426)	(6,790)	(929)	(19,694)	(10,794)
Payments to employees	(1,749)	(1,848)	(2,195)	(2,431)	(934)	(622)	(9,779)	(1,810)
Net cash flows from operating activities	<u>2,555</u>	<u>7,670</u>	<u>2,836</u>	<u>1,482</u>	<u>(7,376)</u>	<u>186</u>	<u>7,353</u>	<u>3,334</u>
<b>Cash Flows From Noncapital Financing Activities</b>								
Grants received	-	-	-	1	7,771	5	7,777	-
Transfers from other funds	-	167	756	-	75	356	1,354	170
Transfers to other funds	(110)	(202)	(343)	-	(18)	(141)	(814)	(6)
Repayment/(payment) of notes receivable	-	-	-	5	347	-	352	-
Advances from other funds	(927)	-	-	-	-	206	(721)	-
Advances to other funds	-	-	-	937	-	-	937	-
Net cash flows from noncapital financing activities	<u>(1,037)</u>	<u>(35)</u>	<u>413</u>	<u>943</u>	<u>8,175</u>	<u>426</u>	<u>8,885</u>	<u>164</u>
<b>Cash Flows From Capital and Related Financing Activities</b>								
Capital grants received	-	879	41	-	25	3,626	4,571	-
Acquisition and construction of property and equipment	(211)	(1,259)	(1,338)	(1,760)	(196)	(4,180)	(8,944)	(1,747)
Proceeds from sale of property	1	-	5	-	449	223	678	117
Proceeds from insurance recoveries	-	-	33	-	-	-	33	-
Proceeds from issuance of refunding debt (principal plus premium & less discount)	9,216	15,915	-	-	-	-	25,131	-
Principal paid on bonded debt	(9,665)	(23,325)	(1,270)	-	-	-	(34,260)	-
Interest paid on bonded debt	(609)	(2,307)	(1,217)	-	-	-	(4,133)	-
Net cash flows from capital and related financing activities	<u>(1,268)</u>	<u>(10,097)</u>	<u>(3,746)</u>	<u>(1,760)</u>	<u>278</u>	<u>(331)</u>	<u>(16,924)</u>	<u>(1,630)</u>
<b>Cash Flows From Investing Activities</b>								
Interest on investments	191	474	324	486	109	40	1,624	267
Net increase (decrease) in cash and cash equivalents	441	(1,988)	(173)	1,151	1,186	321	938	2,135
<b>Cash and Cash Equivalents, Beginning</b>	<u>6,722</u>	<u>24,248</u>	<u>16,404</u>	<u>28,694</u>	<u>5,369</u>	<u>2,703</u>	<u>84,140</u>	<u>17,005</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 7,163</u>	<u>\$ 22,260</u>	<u>\$ 16,231</u>	<u>\$ 29,845</u>	<u>\$ 6,555</u>	<u>\$ 3,024</u>	<u>\$ 85,078</u>	<u>\$ 19,140</u>

(continued)

CITY OF IOWA CITY, IOWA

STATEMENT OF CASH FLOWS (continued)  
PROPRIETARY FUNDS

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>								
Operating income (loss)	\$ 1,349	\$ 3,482	\$ 652	\$ 93	\$ (7,477)	\$ (850)	\$ (2,751)	\$ 1,562
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:								
Depreciation expense	905	4,178	2,180	630	143	1,139	9,175	1,242
Changes in:								
Receivables:								
Accounts and unbilled usage	11	27	10	182	(37)	4	197	(24)
Due from other governments	-	(1)	(2)	3	-	-	-	(17)
Inventories	-	-	(17)	-	-	-	(17)	9
Accounts payable	(16)	(42)	(15)	(13)	(5)	(132)	(223)	296
Accrued liabilities	(7)	1	(1)	22	-	-	15	229
Due to other governments	-	-	(2)	6	3	-	7	-
Deferred revenue	280	-	-	-	-	-	280	-
Deposits	-	-	(21)	1	(5)	-	(25)	-
Other Post Employment Benefits Obligation	33	25	52	44	2	25	181	37
Landfill closure/postclosure liability	-	-	-	514	-	-	514	-
Total adjustments	1,206	4,188	2,184	1,389	101	1,036	10,104	1,772
Net cash flows from operating activities	\$ 2,555	\$ 7,670	\$ 2,836	\$ 1,482	\$ (7,376)	\$ 186	\$ 7,353	\$ 3,334
<b>Noncash Investing, Capital, and Financing Activities:</b>								
Contributions of capital assets from government and others	\$ -	\$ 681	\$ 369	\$ -	\$ -	\$ 541	\$ 1,591	\$ 42

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

**CITY OF IOWA CITY**

**STATEMENT OF FIDUCIARY  
ASSETS AND LIABILITIES**

June 30, 2010

(amounts expressed in thousands)

	<u>Agency Funds</u>
<b>Assets</b>	
Equity in pooled cash and investments	\$ 235
Accounts receivable	5
Interest receivable	1
Total assets	<u>\$ 241</u>
<b>Liabilities</b>	
Accounts payable	\$ 19
Accrued liabilities	11
Due to agency	211
Total liabilities	<u>\$ 241</u>

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

# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010

### 1. Accounting Policies

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

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

### The Reporting Entity

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

### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

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

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Description of Funds**

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

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

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

**Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its “measurement focus.” The government-wide financial statements and proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Agency funds do not have a measurement focus and use the accrual basis of accounting. Under the accrual method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, except those that conflict with GASB pronouncements, in accounting and reporting for these funds.

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

The City reports the following major governmental funds:

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2010

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

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

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

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

The City reports the following major proprietary funds:

The *Parking Fund* is used to account for the operation and maintenance of the "on" and "off" street public parking facilities.

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

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

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

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

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

The City also reports fiduciary funds which are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has two fiduciary funds which are maintained as agency funds, with no attempt to create an ongoing fund balance. The funds in this category are *Project Green*, which accounts for donations that are received to plant and develop yards and lawns, both public and private, within Iowa City, and the *Library Foundation*, which accounts for donations that are made to support the library development office.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**Uses of Estimates**

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

**Cash and Investments**

The City maintains one primary demand deposit account through which the majority of its cash resources are processed. Substantially all investment activity is carried on by the City in an investment pool, except for those funds required to maintain their investments separately. The earnings on the pooled investments are allocated to the funds on a systematic basis. All investments are stated at fair value except for the Iowa Public Agency Investment Trust (IPAIT) which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**Receivables and Revenue Recognition**

Property tax receivable is recognized in governmental funds on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year delinquent property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

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

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

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

**Inventories**

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. For the City, these are the General Fund, Water Fund, and the Equipment Maintenance Fund. Inventories included in the governmental funds are valued at cost using the first-in, first out (FIFO) method. The costs of governmental fund inventories are recorded as expenditures when consumed rather than when purchased. Inventories of materials and supplies in the enterprise funds are determined by actual count and priced on the FIFO method.

**Capital Assets**

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, water mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City follows the policy of not capitalizing an asset with an initial, individual cost of less than \$50,000 for infrastructure assets and \$5,000 for remaining assets. Such assets are recorded at original purchase cost or at fair value at the date of donation when received as donated properties.

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

Infrastructure	3 – 100 years
Buildings and structures	20 – 50 years
Improvements other than buildings	10 – 50 years
Vehicles	2 – 20 years
Other equipment	5 – 30 years

**Bond Premiums and Discounts**

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

**Compensated Absences**

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

**Pensions**

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

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

**Landfill Closing Costs**

Costs expected to be incurred in ultimately closing the present landfill site are being systematically provided for through charges to expense over the estimated useful life of the landfill on the basis of capacity used (see Note 7).

**Budgetary and Legal Appropriation and Amendment Policies**

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

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

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

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

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

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

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

A budget amendment must be prepared and adopted in the same manner as the original budget. The City's budget was amended as prescribed, and the effects of those amendments are shown in the accompanying budgetary comparison schedule. The original budget was increased by \$187,914,000 in revenues and other financing sources and by \$211,643,000 in expenditures and other financing uses. Appropriations as adopted or amended, and not encumbered, lapse at the end of the fiscal year.

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

**Restricted Assets**

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

**2. Compliance and Accountability**

At June 30, 2010 the Capital Project Fund for bridge, street, and traffic control construction reported a deficit fund balance of \$1,207,000. The deficit is due to capital expenditures. The City anticipates receiving funds from the Iowa Department of Transportation. If not, bonds will be issued in 2011 to cover the capital expenditures. At June 30, 2010 the Other Shared Revenue and Grants Fund reported a deficit balance of \$673,000. The deficit is due to flood expenditures related to home buyouts and down payment assistance. The City will be receiving funds from the Iowa Department of Economic Development and the Iowa Finance Authority to cover these expenditures.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

**3. Cash and Pooled Investments**

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance, national credit union administration, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Investments are stated at fair value. In addition, the City had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$46,091,065 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk. State law limits investments to commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. It is the City's policy to comply with rating restrictions. The investment in Iowa Public Agency Investment Trust is not rated by Moody's Investors service as it is a state security that is backed by the full faith and credit of the issuing government and is not subject to credit risk.

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

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

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

Due to legal and budgetary reasons, the general fund is assigned a portion of the investment earnings associated with other funds. These funds are the employee benefits, other shared revenue, and sanitation funds.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

**4. Interfund Balances and Transfers**

Interfund balances for the year ended June 30, 2010, consisted of the following:

	Advances from				Total
	General	Community Development Block Grant	Debt Service	Sanitation	
<u>Advances to:</u>					
General	\$ -	\$ -	\$ -	\$ 1,287,850	\$ 1,287,850
Community Development Block Grant	\$ 3,626	-	-	-	\$ 3,626
Other Shared Revenue and Grants	\$ 1,641,389	-	207,973	-	1,849,362
Parking		-	-	1,522,656	1,522,656
Housing Authority		18,000	-	-	18,000
Nonmajor enterprise	-	-	-	1,505,097	1,505,097
<b>Total</b>	<u>\$ 1,645,015</u>	<u>\$ 18,000</u>	<u>\$ 207,973</u>	<u>\$ 4,315,603</u>	<u>\$ 6,186,591</u>

Interfund balances at June 30, 2010, include advances due to/from other funds. Advances to/from other funds represent amounts for construction loans, land and negative cash balance funding. \$1,462,780 of the \$1,505,097 advances to the Nonmajor Enterprise Funds and \$1,395,840 of the \$1,522,656 advance to the Parking Fund are not expected to be repaid within the next year. \$1,179,296 of the \$1,287,850 advances to the General Fund and \$197,297 of the \$207,973 advance to the Other Shared Revenue and Grants Fund are not expected to be repaid within the next year. None of the \$18,000 advance to Housing Authority is expected to be repaid within the next year. The \$3,626 advance to the Community Development Block Grant Fund and the \$1,641,389 advance to the Other Shared Revenue and Grants Fund are expected to be repaid within the next year.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

Interfund transfers for the year ended June 30, 2010, consisted of the following:

	Transfer from				
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Nonmajor Governmental
<u>Transfer to:</u>					
General	\$ -	\$ 9,229,898	\$ -	\$ 103,488	\$ 281,893
Debt service	79,776	-	-	198,918	2,781,075
Other shared revenue and grants	22,898	388,457	-	-	207,812
Nonmajor governmental	359,883	-	30,000	1,202,076	1,160,646
Wastewater treatment	96,625	-	-	-	62,770
Water	106,086	-	-	3,954	646,102
Housing Authority	-	-	45,055	29,750	-
Nonmajor enterprise	115,664	-	-	-	240,380
Internal Service	11,350	-	-	23,247	18,343
 Total Transfer to	 <u>\$ 792,282</u>	 <u>\$ 9,618,355</u>	 <u>\$ 75,055</u>	 <u>\$ 1,561,433</u>	 <u>\$ 5,399,021</u>

(continued)

Transfers are used to move revenues and bond proceeds from the fund that State statutes or the budget requires to collect them to the fund that the State statutes or the budget requires to expend them.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

Transfer from						
Parking	Wastewater Treatment	Water	Housing Authority	Nonmajor Enterprise	Internal Service	Total Transfer from
\$ -	\$ 20,216	\$ 34,604	\$ 18,000	\$ 64,781	\$ -	\$ 9,752,880
-	-	-	-	67,857	-	3,127,626
-	-	-	-	-	-	619,167
-	181,228	308,468	-	-	-	3,242,301
-	-	-	-	7,500	-	166,895
-	-	-	-	-	-	756,142
-	-	-	-	-	-	74,805
-	-	-	-	-	-	356,044
109,532	-	-	-	-	6,884	169,356
<u>\$ 109,532</u>	<u>\$ 201,444</u>	<u>\$ 343,072</u>	<u>\$ 18,000</u>	<u>\$ 140,138</u>	<u>\$ 6,884</u>	<u>\$ 18,265,216</u>

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning July 1, 2009	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,482,906	\$ 4,395,031	\$ 40,000	\$ 21,837,937
Construction in progress	14,305,568	3,181,727	11,646,024	5,841,271
Total capital assets, not being depreciated	31,788,474	7,576,758	11,686,024	27,679,208
Capital assets, being depreciated:				
Buildings	61,281,261	1,640,965	408,117	62,514,109
Improvements other than buildings	5,345,298	127,102	100,817	5,371,583
Machinery and equipment	37,238,345	6,667,476	1,698,333	42,207,488
Infrastructure	97,342,237	8,766,289	-	106,108,526
Total capital assets being depreciated	201,207,141	17,201,832	2,207,267	216,201,706
Less accumulated depreciation for:				
Buildings	16,307,718	1,561,261	396,048	17,472,931
Improvements other than buildings	1,624,503	210,103	42,343	1,792,263
Machinery and equipment	24,849,371	3,001,630	1,551,524	26,299,477
Infrastructure	22,883,912	2,361,566	-	25,245,478
Total accumulated depreciation	65,665,504	7,134,560	1,989,915	70,810,149
Total capital assets, being depreciated, net	135,541,637	10,067,272	217,352	145,391,557
Governmental activities capital assets, net	\$ 167,330,111	\$ 17,644,030	\$ 11,903,376	\$ 173,070,765

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

	<u>Beginning July 1, 2009</u>	<u>Acquisitions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Balance June 30, 2010</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 25,783,133	\$ 142,947	\$ 78,983	\$ 25,847,097
Construction in progress	<u>6,204,686</u>	<u>7,357,258</u>	<u>2,253,190</u>	<u>11,308,754</u>
Total capital assets, not being depreciated	<u>31,987,819</u>	<u>7,500,205</u>	<u>2,332,173</u>	<u>37,155,851</u>
Capital assets, being depreciated:				
Buildings	119,026,032	1,115,974	460,165	119,681,841
Improvements other than buildings	10,348,442	49,319	-	10,397,761
Machinery and equipment	21,699,054	747,735	330,998	22,115,791
Infrastructure	<u>185,920,777</u>	<u>3,761,930</u>	<u>-</u>	<u>189,682,707</u>
Total capital assets being depreciated	<u>336,994,305</u>	<u>5,674,958</u>	<u>791,163</u>	<u>341,878,100</u>
Less accumulated depreciation for:				
Buildings	44,159,445	3,253,467	23,548	47,389,364
Improvements other than buildings	3,115,489	436,340	-	3,551,829
Machinery and equipment	12,434,263	1,223,607	315,428	13,342,442
Infrastructure	<u>54,868,265</u>	<u>4,269,818</u>	<u>-</u>	<u>59,138,083</u>
Total accumulated depreciation	<u>114,577,462</u>	<u>9,183,232</u>	<u>338,976</u>	<u>123,421,718</u>
Total capital assets, being depreciated, net	<u>222,416,843</u>	<u>(3,508,274)</u>	<u>452,187</u>	<u>218,456,382</u>
Business-type activities capital assets, net	<u>\$ 254,404,662</u>	<u>\$ 3,991,931</u>	<u>\$ 2,784,360</u>	<u>\$ 255,612,233</u>
Depreciation expense was charged to functions as follows:				
Governmental activities:				
Public safety				\$ 632,481
Public works				3,059,686
Culture and recreation				1,887,155
Community and economic development				37,061
General government				277,029
Internal service funds				<u>1,241,148</u>
Total depreciation expense - governmental activities				<u>\$ 7,134,560</u>
Business-type activities:				
Parking				\$ 905,221
Wastewater treatment				4,178,373
Water				2,180,524
Sanitation				629,714
Housing authority				143,084
Nonmajor enterprise				<u>1,139,062</u>
Total depreciation expense - business-type activities				<u>\$ 9,175,979</u>

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

**6. Long Term Debt**

**Changes in Debt for Bonds**

Bond debt activity for the year ended June 30, 2010, was as follows:

	<u>July 1, 2009</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2010</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 80,654,160	\$ -	\$ 9,354,538	\$ 71,299,622	\$ 9,570,840
Plus: Unamortized Premium	<u>568,373</u>	<u>-</u>	<u>76,258</u>	<u>492,115</u>	<u>76,258</u>
	<u>\$ 81,222,533</u>	<u>\$ -</u>	<u>\$ 9,430,796</u>	<u>\$ 71,791,737</u>	<u>\$ 9,647,098</u>
Business-type activities:					
General obligation bonds	\$ 4,340,840	\$ -	\$ 590,462	\$ 3,750,378	\$ 604,160
Less: Unamortized Discounts	<u>23,053</u>	<u>-</u>	<u>3,842</u>	<u>19,211</u>	<u>3,842</u>
Total general obligation bonds	<u>4,317,787</u>	<u>-</u>	<u>586,620</u>	<u>3,731,167</u>	<u>600,318</u>
Revenue bonds	87,815,000	24,190,000	33,670,000	78,335,000	3,370,000
Plus: Unamortized Premium	<u>60,855</u>	<u>940,615</u>	<u>54,582</u>	<u>946,888</u>	<u>54,582</u>
Total revenue bonds	<u>87,875,855</u>	<u>25,130,615</u>	<u>33,724,582</u>	<u>79,281,888</u>	<u>3,424,582</u>
	<u>\$ 92,193,642</u>	<u>\$ 25,130,615</u>	<u>\$ 34,311,202</u>	<u>\$ 83,013,055</u>	<u>\$ 4,024,900</u>

**General Obligation Bonds**

Various issues of general obligation bonds totaling \$75,050,000 are outstanding as of June 30, 2010. The bonds have interest rates ranging from 1.5% to 5.6% and mature in varying annual amounts ranging from \$95,000 to \$2,195,000 per issue, with the final maturities due in the year ending June 30, 2023. Interest and principal payments on all general obligation bonds, except tax abated portions recorded in the enterprise funds, are accounted for through the Debt Service Fund.

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

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

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

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	9,570,840	2,756,034	604,160	140,850
2012	9,877,143	2,427,730	622,857	119,247
2013	8,853,445	2,082,934	641,555	96,592
2014	8,558,446	1,771,924	636,554	71,997
2015	8,149,748	1,445,311	655,252	47,435
2016-2020	23,000,000	3,217,024	590,000	33,188
2021-2025	3,290,000	274,895	-	-
<b>Total</b>	<b>\$ 71,299,622</b>	<b>\$ 13,975,852</b>	<b>\$ 3,750,378</b>	<b>\$ 509,309</b>

**Revenue Bonds**

As of June 30, 2010, the following unmatured revenue bond issues are outstanding:

	Parking	Wastewater Treatment	Water
Original issue amount	\$ 9,110,000	\$ 48,020,000	\$ 25,365,000
Interest rates	3.0% to 5.0%	3.0% to 5.0%	2.0% to 4.65%
Annual maturities	\$ 420,000 to \$ 770,000	\$ 260,000 to \$ 2,750,000	\$ 355,000 to \$ 835,000
Amount outstanding	\$ 9,110,000	\$ 46,525,000	\$ 22,700,000

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2011	3,370,000	3,346,900
2012	6,315,000	2,893,609
2013	6,625,000	2,688,718
2014	5,075,000	2,498,788
2015	5,255,000	2,319,945
2016-2020	29,525,000	8,276,465
2021-2025	20,560,000	2,366,921
2026-2030	1,610,000	38,163
	<b>\$ 78,335,000</b>	<b>\$ 24,429,509</b>

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

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

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

On November 23, 2009, the City issued \$9,110,000 of parking revenue bonds for a current refunding of \$9,275,000 of parking revenue bonds. The refunding was undertaken to reduce total future debt service payments. The result of the transaction is a reduction of \$1,554,933 in future debt service payments and an economic gain of \$1,197,510.

On April 15, 2010, the City issued \$15,080,000 of wastewater revenue bonds for a current refunding of \$16,240,000 of wastewater revenue bonds on July 1, 2010. As a result, the refunded wastewater revenue bonds from that issue are considered to be defeased and the liability has been removed from the financial statements. The refunding was undertaken to reduce total future debt service payments. The result of the transaction is a reduction of \$1,892,479 in future debt service payments and an economic gain of \$1,686,527.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

**Summary of Bond Issues**

General obligation and revenue bonds payable at June 30, 2010, are comprised of the following issues:

	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2010</u>
<b>General Obligation Bonds:</b>					
Multi-Purpose and Library					
Construction	May 2002	\$ 29,100,000	3.5 - 5.0	6/21	\$ 14,875,000
Refunded Multi-Purpose (1)	Oct. 2002	10,600,000	2.5 - 4.0	6/15	2,090,000
Multi-Purpose	Nov. 2003	5,570,000	2.5 - 3.6	6/14	2,205,000
Taxable-Urban Renewal	Mar. 2004	7,305,000	4.0 - 5.4	6/23	6,320,000
Multi-Purpose	Mar. 2005	7,020,000	3.0 - 4.0	6/15	3,820,000
Multi-Purpose	Jun. 2006	6,265,000	3.625 - 4.0	6/16	4,105,000
Multi-Purpose	Jun. 2006	1,000,000	5.5 - 5.6	6/16	675,000
Refunded Water					
Construction (2)	Sep. 2006	3,350,000	3.6 - 3.75	6/17	2,105,000
Multi-Purpose	May 2007	8,870,000	3.75	6/17	6,545,000
Multi-Purpose	June 2008	9,150,000	3.25 - 3.75	6/18	7,545,000
Refunded Multi-Purpose	Oct. 2008	17,005,000	3.0 - 3.75	6/18	13,235,000
Multi-Purpose	June 2009	6,685,000	2.5 - 4.0	6/19	6,085,000
Taxable- Housing Improvements	June 2009	505,000	1.5 - 3.0	6/14	405,000
Refunded Multi-Purpose	June 2009	5,840,000	2.0 - 4.0	6/16	5,040,000
Total General Obligation Bonds					<u>\$ 75,050,000</u>
<b>Revenue Bonds:</b>					
Refunded Parking Bonds (3)	Nov. 2009	\$ 9,110,000	3.0 - 5.0	7/24	\$ 9,110,000
Refunded Wastewater					
Treatment Bonds (4)	Oct. 2008	24,280,000	3.0 - 5.0	7/22	22,785,000
Refunded Wastewater					
Treatment Bonds (5)	May 2009	8,660,000	3.5 - 5.0	7/25	8,660,000
Refunded Wastewater					
Treatment Bonds (6)	Apr. 2010	15,080,000	3.0 - 4.0	7/20	15,080,000
Water Bonds	Oct. 2002	8,500,000	2.0 - 4.65	7/22	6,165,000
Refunded Water Bonds (7)	Oct. 2008	7,115,000	3.0 - 4.375	7/24	6,785,000
Refunded Water Bonds (8)	May 2009	9,750,000	4.0 - 4.5	7/25	9,750,000
Total Revenue Bonds					<u>78,335,000</u>
					<u>\$ 153,385,000</u>

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

- (1) This bond issue has a portion of the general obligation bonds payable shown as a liability on the balance sheet of the Water Fund.
- (2) This bond issue has the general obligation bonds payable shown as a liability on the balance sheet of the Water Fund. Also, this bond issue refunds the November 1997 Water Construction General Obligation Bonds.
- (3) This bond issue refunds the December 1999 Parking Revenue Bonds.
- (4) This bond issue refunds the March 1996, May 1997, and January 1999 Wastewater Revenue Bonds.
- (5) This bond issue refunds the October 2000 Wastewater Revenue Bonds.
- (6) This bond issue refunds the December 2001 and April 2002 Wastewater Revenue Bonds.
- (7) This bond issue refunds the May 1999 Water Revenue Bonds.
- (8) This bond issue refunds the December 2000 Water Revenue Bonds.

**Conduit Debt Obligations**

From time to time, the City has issued Industrial Development Revenue Bonds and Facility Refunding Revenue Bonds to provide financial assistance to private sector entities for the acquisition, construction, and renovation of industrial and commercial facilities deemed to be in the public interest. The bonds are collateralized by the property financed and are payable solely from payments received on the underlying mortgage loans. All payments on the bonds are made by the private sector entities directly to a bond trustee, who is a third party financial institution, and in turn, disburses the payment to the respective bond holders. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2010, there were two series of Industrial Development Revenue Bonds and Facility Refunding Revenue Bonds outstanding, with an aggregate principal amount payable of \$38,442,139.

**Debt Legal Compliance**

Legal Debt Margin:

As of June 30, 2010, the general obligation debt issued by the City did not exceed its legal debt limit computed as follows:

Assessed valuation:	
Real property	\$ 4,307,005,765
Utilities	<u>72,469,098</u>
Total valuation	<u>\$ 4,379,474,863</u>
Debt limit, 5% of total assessed valuation	\$ 218,973,743
Debt applicable to debt limit:	
General obligation bonds	<u>75,050,000</u>
Legal debt margin	<u>\$ 143,923,743</u>

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

**7. Other Long-term Liabilities**

**Notes Payable**

**Changes in Long-Term Liabilities - Notes Payable**

Note Payable activity for the year ended June 30, 2010, was as follows:

	July 1, 2009	Issues	Retirements	June 30, 2010	Due Within One Year
Governmental activities:	211,000	-	-	211,000	-
	211,000	-	-	211,000	-

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

**Employee Vested Benefits**

**Changes in Long-Term Liabilities - Employee Vested benefits**

Employee Vested Benefits activity for the year ended June 30, 2010, was as follows:

	July 1, 2009	Issues	Retirements	June 30, 2010	Due Within One Year
Governmental activities:	\$ 2,030,118	\$ 1,156,913	\$ 1,087,269	\$ 2,099,762	\$ 1,133,652
Business-type activities:	\$ 510,449	\$ 291,120	\$ 278,551	\$ 523,018	\$ 288,275
	\$ 2,540,567	\$ 1,448,033	\$ 1,365,820	\$ 2,622,780	\$ 1,421,927

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

**Landfill Closure / Post-Closure Care Costs**

**Changes in Long-Term Liabilities - Landfill Closure Post-closure Care Costs**

Landfill Closure Post-closure care activity for the year ended June 30, 2010, was as follows:

	July 1, 2009	Issues	Retirements	June 30, 2010	Due Within One Year
Business-type activities:	\$ 10,645,935	\$ 513,994	\$ -	\$ 11,159,929	\$ -
	\$ 10,645,935	\$ 513,994	\$ -	\$ 11,159,929	\$ -

In August 1993, the GASB issued Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs* (the Statement). Under these rules, in addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year.

The estimated liability for landfill closure and post-closure care costs as of June 30, 2010, is approximately \$11,159,929, which is based on 85.1% usage (filled) of the landfill and is included in accrued liabilities within the Sanitation Fund. It is estimated that an additional amount of approximately \$4,692,300 will be recognized as closure and post-closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity by the year ended June 30, 2019. The estimated total current cost of the landfill closure and post-closure care costs at June 30, 2010, was determined by engineers from Howard R. Green Company and approximated \$13,113,900. It is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2010. These amounts are based on an estimated post-closure care and monitoring period of 30 years, consistent with current State Department of Natural Resources regulations. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City is required by federal and state laws and regulations to provide some form of financial assurance to finance closure and post-closure care. The City will meet its financial assurance obligations through the issuance of general obligation bonds. As of June 30, 2010, the Sanitation Fund had \$12,842,479 in related equity in pooled cash and investments, at fair value designated for satisfaction of post-closure costs. The City estimates that these cash reserves will only provide a fraction of the dollars needed to close and monitor the landfill. The remaining portion of post-closure care costs, anticipated future inflation costs and additional costs that might arise from changes in post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users as well as City taxpayers.

**Other Post Employment Benefits**

**Changes in Long-Term Liabilities - Other Post Employment Benefits**

	<u>July 1, 2009</u>	Net OPEB Obligation <u>Current Year</u>	<u>June 30, 2010</u>
Governmental activities:	\$ 464,700	\$ 885,450	\$ 1,350,150
Business-type activities:	\$ 201,091	\$ 195,247	\$ 396,338

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description: The City operates two self-funded medical and dental plans, one for Police and Fire Union employees and one for all other employees, which are offered to current and retired employees and their dependents. All full-time employees who retire or terminate/resign and their eligible dependents are offered the following post-employment benefit options:

Health insurance and dental insurance – The option of continuing with the City’s health insurance plan at the individual’s expense. These benefits cease upon Medicare eligibility.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

Life insurance – The option of converting the employee’s City-paid policy to an individual policy at the individual’s expense with the City’s life insurance carrier.

Long-term disability – For employees who terminate/resign and have been on the plan for a minimum of one year, the option of converting the employee’s City-paid group policy to a personal policy at the individual’s expense with the City’s long-term disability insurance carrier.

The above options, while at the individual’s own expense, are included within the City’s overall insurance package, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy: The contribution requirements of plans members are established and may be amended by the City. The City currently finances the benefit plans on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation: The City’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plans, and changes in the City’s net OPEB obligation:

Annual required contribution	\$1,288,466
Interest on net OPEB obligation	26,632
Adjustment to annual required contribution	<u>(23,779)</u>
Annual OPEB costs	1,291,319
Contributions made	<u>(210,622)</u>
Increase in net OPEB obligation	1,080,697
Net OPEB obligation beginning of year	<u>665,791</u>
Net OPEB obligation end of year	\$1,746,488

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed from City</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$1,291,319	16.3%	\$1,746,488

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

Funded Status and Funding Progress: As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$15,235,196, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,235,196. The covered payroll (annual payroll of active employees covered by the plans) was \$29,842,842 and the ratio of the UAAL to covered payroll was 51.1%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumption about future employments, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual review as actual results are compared with past expectations and new estimates are made about the future.

The required schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plans members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

As of the July 1, 2008 actuarial valuation date, the actuarial cost method used is the entry age normal method. The actuarial assumption includes a 4% discount rate. The projected annual medical trend rate is 10.5%. The ultimate medical trend rate is 6%. The medical trend rate is reduced by 0.5% each year until reaching the 6% ultimate trend rate. The projected annual dental trend rate is 6.0%. The ultimate dental trend rate is 4%. The dental trend rate is reduced by 0.5% each year until reaching the 4% ultimate trend rate.

Mortality rates for active employees are from the RP-2000 Employee Table and for retirees are from RP-2000 Healthy Annuitant Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the MFPRSI and IPERS pension plan turnover tables, adjusted to be consistent with recent City experience.

Projected claim costs of the health and dental plans are \$980.70 per month. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expenses over 30 years.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

**8. Short Term Debt**

**Changes in Short Term Liabilities – Loans Payable**

Loans Payable activity for the year ended June 30, 2010, was as follows:

	<u>July 1, 2009</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2010</u>	<u>Due Within One Year</u>
Governmental activities:	<u>-</u>	<u>\$ 497,500</u>	<u>\$ -</u>	<u>\$ 497,500</u>	<u>\$ 497,500</u>

During FY10, the City issued multiple short term loans totaling \$497,500. The loans mature one year from the date of the loan and bear interest rates ranging from 1% to 3.25%. The loans were used to fund the acquisition and rehabilitation of single family homes as part of the UniverCity Neighborhood Partnership Program (UniverCity). UniverCity is a cooperative effort of the City of Iowa City and the University of Iowa dedicated to ensuring that the University of Iowa Campus and surrounding neighborhoods remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners. The City has secured a \$1.25 million I-JOBS grant that will allow the program to acquire and rehabilitate 25 homes in the designated UniverCity Neighborhoods. These short term loans will be repaid with the proceeds from the sale of the rehabilitated homes.

**9. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; workplace accidents, errors and omissions; and natural disasters. During fiscal year 1988 the City established the Loss Reserve Fund, an internal service fund, to account for and finance its uninsured risks of loss. During the year ended June 30, 2010 the City purchased property, liability, and workers' compensation insurance under the program that provides for a \$100,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$400,000 self-insured retention on workers' compensation losses. The liability insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$21,000,000 annual aggregate of losses paid. The operating funds pay annual premiums to the Loss Reserve Fund. Accumulated monies in the Loss Reserve Fund are available to cover the self-insured retention amounts and any uninsured losses. Settled claims have not exceeded this commercial coverage in any of the past twenty three fiscal years.

The Housing Authority Fund is insured under a separate policy with the Assisted Housing Risk Management Association. The remaining funds participate in the Loss Reserve Fund. The funds make payments to the Loss Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. The Fund's accrued liabilities balance includes a claims liability at June 30, 2010 based on the requirements of GASB Statement No. 10, as amended, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Loss Reserve Fund's claims liability amount for property, liability, and workers' compensation for the years ended June 30, 2010 and 2009 are as follows:

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2008 – 2009	\$ 1,300,000	\$ 889,000	\$ 952,000	\$ 1,237,000
2009 – 2010	1,237,000	1,127,000	762,000	1,602,000

Also, the City is partially self-insured, through stop-loss insurance, for employee health care coverage, which is available to all of its permanent employees. This insurance provides stop-loss coverage for claims in excess of \$100,000 per employee with an aggregate stop-loss of \$9,034,731. The operating funds are charged premiums by the Loss Reserve Fund. The City reimburses a health insurance provider for actual medical costs incurred, plus a claims processing\administrative fee. Changes in the Loss Reserve Fund's claims liability amount for health care coverage for the years ended June 30, 2010 and 2009 are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2008 – 2009	\$ 688,000	\$ 6,649,000	\$ 6,500,000	\$ 837,000
2009 – 2010	837,000	5,879,000	6,002,000	714,000

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

**10. Contractual Commitments and Contingencies**

The total outstanding contractual commitments as of June 30, 2010 are as follows:

<u>Fund</u>	<u>Project</u>	<u>Amount</u>
Bridge, street and traffic control construction	Paving and bridge construction, engineering design and consulting	\$ 2,436,176
Other construction	Public works construction, culture & recreation construction, and fire station construction	2,615,333
Parking	Garage improvements and repair & maintenance	60,302
Wastewater	Facility consolidation consulting and wastewater main repairs	967,476
Water	Water main construction and flood mitigation construction	329,351
Sanitation	Landfill consulting and recycling facility construction	4,112,281
Airport	Runway grading and paving	37,776
Stormwater	Stormwater system improvements	449,961
		<u>\$ 11,008,656</u>

**11. Contingent Liabilities**

**Litigation**

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

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

**12. Pension and Retirement Systems**

**Municipal Fire and Police Retirement System of Iowa**

The City is a participating employer in the Municipal Fire and Police Retirement System of Iowa (MFPRSI or the Plan), which is a cost-sharing multiple-employer defined benefit public police and fire employees retirement system. All fire fighters and police officers appointed under civil service participate in the Plan. The Plan provides retirement, disability, and death benefits that are established under state statute. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive Suite 201, West Des Moines, Iowa 50266 or the report may be obtained from website [www.mfprsi.org](http://www.mfprsi.org) under the publications link. A member may retire at age 55 with 22 years of employment, and receive full benefits that are equal to 66% of the member's average final compensation. Additionally, members retiring with more than 22 years of service will receive an additional 2% of the member's average final compensation for up to 8 years of additional service. Other benefits are also calculated at varying percentages of the average final compensation. Benefits vest after four years of service.

Member contribution rates are established by state statute. For the fiscal year ended June 30, 2010, members contributed 9.40%. The City's contribution rate is based upon an actuarially determined normal contribution rate. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, the total then being divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions. Legislatively appropriated contributions from the state to the plan may further reduce the City's contribution rate. However, the City's contribution rate may not be less than 17% of earnable compensation.

The City was required to contribute 19.9% of earnable compensation of each member in 2010, 18.75% of earnable compensation in 2009, and 25.48% of earnable compensation in 2008. The contributions paid by the City for the years ended June 30, 2008, 2009, and 2010, were \$1,910,454, \$1,434,031, and \$1,349,558 respectively, and was equal to the required contributions for each year.

**Iowa Public Employees Retirement System**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries.

IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

All employees eighteen or older, except temporary employees of six months or less of employment duration, who do not participate in any other public retirement system in the state are eligible and must participate in IPERS. The pension plan provides retirement and death benefits that are established by state statute. Generally, a member may retire at the age of 65, or any time after age 62 and 20 years or more of service, or when age plus years of service equals or exceeds 88, and receive unreduced (for age) benefits. Members may also retire at the age of 55 or more at reduced benefits. Benefits vest after four years of service or after attaining the age of 55. Full benefits are equal to 60% of the average of the highest three years of covered wages times years of service divided by 30.

Plan members are required to contribute 4.5% of their annual covered salary and the City is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2009, and 2010, were \$1,534,552, \$1,659,955, and \$1,767,350 respectively, and were equal to the required contributions for each year.

**13. Municipal Utility Systems**

**Water System**

The Water Division is comprised of five parts: Administration, Treatment Plant, Customer Service, Distribution, and Public Information/Education. There are a total of 32.75 (FTE) employees who work in the Water Division. This division serves 69,086 people and has over 23,000 customers. The average daily use for 2010 was 5.48 million gallons per day (MGD). A peak flow of 10.6 MGD was experienced during the summer of 1989.

Water Sources: The primary source of water for the City is the alluvial collector wells along the Iowa River. Four collector wells can provide approximately 11.0 MGD. Additional sources include two Jordan aquifer wells which can provide 2.0 MGD; four Siluran aquifer wells which can provide 1.0 MGD; a sand pit that can provide 3.0 MGD; a river intake that can provide 3.0 MGD; for a total of approximately 20 MGD maximum capacity.

Water Treatment Processes: The facilities include one treatment plant (constructed in 2003) located at 80 Stephen Atkins Drive. The plant is a surface water plant design that includes aeration, lime softening (coagulation/flocculation/sedimentation), and granular activated charcoal filtration processes with fluoridation and free chlorination. The grade four water facility employs operators that perform over 200 water quality tests per day in-house and collect samples for testing at the University Hygienic Laboratory. This testing ensures that the water meets all of the Safe Drinking Water Act Standards.

Distribution System: The water flows through approximately 288 miles of water mains and includes over 25,000 service connections. The distribution piping consists of cast iron, ductile and PVC main that ranges in size from 2" to 30". The treatment plant site has effective water storage capacity of 1.75 million gallons of water; in addition there are four remote ground storage reservoirs (with pumping stations) that add up to remote effective storage capacity of 6.0 million gallons of water. The water system also provides for fire protection with approximately 3,100 hydrants located throughout the community.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

Billing and Collections: Customers are billed monthly on a combined utility statement which includes charges for sewer, water, solid waste, and curbside recycling. Under present City policy and City ordinances, utility bills are due when received but contain a delinquency date which provides 15 days for payment. If payment is not made in full within 22 days, a notice is mailed which allows 25 calendar days before service is disconnected. The City's bad debt write-offs have been less than 0.5% of gross revenues for the past three years.

Rates:

The following rates and charges were effective July 1, 2009.

Water Service Charge Minimums (includes up to the first 100 cubic feet (c.f.))

Meter Size		Meter Size	
<u>(Inches)</u>	<u>Charge</u>	<u>(Inches)</u>	<u>Charge</u>
5/8"	\$6.41	2"	\$22.14
3/4"	7.00	3"	40.91
1"	8.26	4"	71.37
1 1/2"	16.47	6"	143.61

Monthly Usage in excess of 100 cubic feet (c.f.)

101 – 3,000	\$2.99 per 100 c.f.
3,001 and over	\$2.15 per 100 c.f.

Single Purpose Meter Charges

First 100 (c.f)	Minimum Monthly Charge
Usage in excess of 100 cubic feet (c.f.)	\$2.99 per 100 c.f.

Changes in water rates over the last ten fiscal years.

2001	0%
2002	0%
2003	- 5%
2004	- 5%
2005	0%
2006	0%
2007	- 5%
2008	0%
2009	0%
2010	0%

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

Financial Information: The following table summarizes the results of operations for the Water System for the fiscal years ended June 30, 2010, 2009, and 2008.

**WATER SYSTEM  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS**

Last Three Fiscal Years  
(amounts expressed in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 7,957	\$ 8,107	\$ 8,195
Miscellaneous	<u>28</u>	<u>86</u>	<u>134</u>
Total operating revenues	<u>7,985</u>	<u>8,193</u>	<u>8,329</u>
<b>Operating Expenses:</b>			
Personal services	2,246	2,316	2,160
Commodities	987	768	1,348
Services and charges	<u>1,920</u>	<u>2,642</u>	<u>1,840</u>
	5,153	5,726	5,348
Depreciation	<u>2,180</u>	<u>2,124</u>	<u>2,065</u>
Total operating expenses	<u>7,333</u>	<u>7,850</u>	<u>7,413</u>
Operating income	<u>652</u>	<u>343</u>	<u>916</u>
<b>Nonoperating Revenues (Expenses):</b>			
Gain ( Loss) on disposal of capital assets	5	-	(2)
Insurance Recoveries	33	-	-
Operating Grants	6	15	-
Interest income	312	625	931
Interest expense	<u>(1,092)</u>	<u>(1,351)</u>	<u>(1,426)</u>
Total nonoperating revenues (expenses)	<u>(736)</u>	<u>(711)</u>	<u>(497)</u>
Income before capital contributions and transfers	(84)	(368)	419
Capital contributions	572	132	314
Transfers in	756	469	689
Transfers out	<u>(343)</u>	<u>(698)</u>	<u>(820)</u>
Change in net assets	901	(465)	602
<b>Net Assets, Beginning</b>	<u>60,141</u>	<u>60,606</u>	<u>60,004</u>
<b>Net Assets, Ending</b>	<u>\$ 61,042</u>	<u>\$ 60,141</u>	<u>\$ 60,606</u>

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

The following table summarizes the budget and actual figures for the Water System for the fiscal year ended June 30, 2010 and the budget for the fiscal year ended June 30, 2011 on a cash basis.

**WATER SYSTEM  
BUDGET AND ACTUALS (CASH BASIS)**

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Percentage</u>	FY11 <u>Budget</u>
Charges for services	\$ 7,997	\$ 8,390	95.32%	\$ 8,397
Interest income	323	337	95.85%	190
Miscellaneous	141	49	287.76%	49
Operating grants	41	1,749	2.34%	2,272
Transfers from other funds	4	336	1.19%	336
Bond sales	-	-	0.00%	-
Total Receipts	<u>\$ 8,506</u>	<u>\$ 10,861</u>	<u>78.32%</u>	<u>\$ 11,244</u>
Personal services	\$ 2,346	\$ 2,492	94.14%	\$ 2,481
Commodities	640	823	77.76%	806
Services and charges	2,158	2,574	83.84%	2,796
Capital outlay	677	5,062	13.37%	5,310
Transfer to capital project funds	308	1,300	23.69%	982
Transfers to other funds	19	-	-	-
Operating subsidy	20	20	100.00%	20
Debt service payments	12,767	12,768	99.99%	2,757
Total Disbursements	<u>\$ 18,935</u>	<u>\$ 25,039</u>	<u>75.62%</u>	<u>\$ 15,152</u>

**Sewer System**

The City of Iowa City operates a municipal Sewer Utility System consisting of approximately 254 miles of sanitary sewers, 18 lift stations, and 2 treatment plants. There are a total of 25.60 (FTE) employees who work in the Wastewater Division. This division serves 69,086 people and has over 23,000 customers. The average daily combined treatment flow for 2010 was 11.75 million gallons per day (MGD).

The North Plant was constructed in 1935 and the South Plant was completed in 1990 and upgraded in 2002. The connecting of the North and South Plants was completed in 1998. The City has the capability to divert all wastewater treatment to the South Plant and control all operations remotely through computer systems. The combined wastewater treatment system design has a maximum daily treatment capacity of 41.10 MGD. Both plants are in compliance with federal clean water standards.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

Billing and Collections: Customers are billed monthly on a combined utility statement which includes charges for sewer, water, solid waste, and curbside recycling. Under present City policy and City ordinances, utility bills are due when received but contain a delinquency date which provides 15 days for payment. If payment is not made in full within 22 days, a notice is mailed which allows 25 calendar days before service is disconnected. The City's bad debt write-offs have been less than 0.5% of gross revenues for the past three years.

Rates:

The following rates and charges were effective July 1, 2009.

Sewer Service Charge Minimum (includes up to the first 100 cubic feet (c.f.))	\$8.15
Monthly Usage in excess of 100 cubic feet (c.f.)	\$3.99

Changes in sewer rates over the last ten fiscal years.

2001	5%
2002	5%
2003	0%
2004	0%
2005	0%
2006	0%
2007	8%
2008	0%
2009	5%
2010	0%

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

Financial Information: The following table summarizes the results of operations for the Water System for the fiscal years ended June 30, 2010, 2009, and 2008.

**SEWER SYSTEM  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS**

Last Three Fiscal Years  
(amounts expressed in thousands)

	2010	2009	2008
<b>Operating Revenues:</b>			
Charges for services	\$ 12,637	\$ 12,557	\$ 12,318
Miscellaneous	73	84	75
Total operating revenues	12,710	12,641	12,393
<b>Operating Expenses:</b>			
Personal services	1,874	1,848	1,651
Commodities	645	853	606
Services and charges	2,531	2,501	2,324
	5,050	5,202	4,581
Depreciation	4,178	4,155	4,181
Total operating expenses	9,228	9,357	8,762
Operating income	3,482	3,284	3,631
<b>Nonoperating Revenues (Expenses):</b>			
Gain (loss) on disposal of capital assets	-	131	(5)
Operating grants	-	1	-
Interest income	464	820	944
Interest expense	(2,173)	(2,578)	(3,041)
Total nonoperating revenues (expenses)	(1,709)	(1,626)	(2,102)
Income before capital contributions and transfers	1,773	1,658	1,529
Capital contributions	2,115	266	577
Transfers in	167	148	30
Transfers out	(202)	(296)	(69)
Change in net assets	3,853	1,776	2,067
<b>Net Assets, Beginning</b>	74,895	73,119	71,052
<b>Net Assets, Ending</b>	\$ 78,748	\$ 74,895	\$ 73,119

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

The following table summarizes the budget and actual figures for the Sewer System for the fiscal year ended June 30, 2010 and the budget for the fiscal year ended June 30, 2011 on a cash basis.

**SEWER SYSTEM  
BUDGET AND ACTUALS (CASH BASIS)**

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Percentage</u>	FY11 <u>Budget</u>
Charges for services	\$ 12,671	\$ 13,413	94.47%	\$ 13,427
Interest income	473	593	79.76%	100
Miscellaneous	65	40	162.50%	57
Operating grants	879	20,563	4.27%	5,700
Local option sales tax	64	3,690	0.00%	9,286
Bond sales	15,869	15,900	99.81%	-
Total Receipts	<u>\$ 30,021</u>	<u>\$ 54,199</u>	<u>55.39%</u>	<u>\$ 28,570</u>
Personal services	\$ 1,913	\$ 1,895	100.95%	\$ 1,962
Commodities	542	580	93.45%	547
Services and charges	2,588	2,578	100.39%	2,879
Capital outlay	1,133	27,884	4.06%	19,396
Transfer to capital project funds	182	784	23.21%	774
Operating subsidy	20	20	100.00%	20
Debt service payments	16,087	16,088	99.99%	24,174
Total Disbursements	<u>\$ 22,465</u>	<u>\$ 49,829</u>	<u>45.08%</u>	<u>\$ 49,752</u>

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2010

**14. Subsequent events**

On August 2, 2010, the City of Iowa City received and awarded bonds for General Obligation Bonds, Series 2010B in the amount of \$7,420,000. The bonds were issued to finance multiple capital improvement projects.

**15. New Governmental Accounting Standards Board (GASB) Standards**

The Governmental Accounting Standards Board (GASB) has issued statements not yet implemented by the City. The statement, which might impact the City's financial statements is as follows:

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the fiscal year ending June 30, 2011. This Statement establishes new standards for fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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



**CITY OF IOWA CITY**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND ENTERPRISE FUNDS**  
**BUDGETARY BASIS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2010  
(dollar amounts expressed in thousands)

	Governmental Fund Types Actual Budgetary Basis	Enterprise Fund Types Actual Budgetary Basis	Total Actual Budgetary Basis
<b>Revenues:</b>			
Property taxes	\$ 45,318	\$ -	\$ 45,318
Delinquent property taxes	(2)	-	(2)
Tax increment financing taxes	3,919	-	3,919
Other city taxes	8,539	-	8,539
Licenses and permits	1,214	12	1,226
Intergovernmental	27,038	12,528	39,566
Charges for services	5,837	34,648	40,485
Use of money and property	781	1,987	2,768
Miscellaneous	3,175	2,340	5,515
<b>Total revenues</b>	<b>95,819</b>	<b>51,515</b>	<b>147,334</b>
<b>Expenditures/Expenses:</b>			
Public safety	18,312	-	18,312
Public works	12,737	-	12,737
Culture and recreation	11,412	-	11,412
Community and economic development	19,140	-	19,140
General government	7,091	-	7,091
Debt service	13,181	-	13,181
Capital outlay	10,224	-	10,224
Business-type	-	76,221	76,221
<b>Total expenditures/expenses</b>	<b>92,097</b>	<b>76,221</b>	<b>168,318</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>3,722</b>	<b>(24,706)</b>	<b>(20,984)</b>
Other financing sources and uses, net	1,547	24,940	26,487
<b>Net change in fund balances</b>	<b>5,269</b>	<b>234</b>	<b>5,503</b>
Balances, beginning of year	48,564	102,857	151,421
Balances, end of year	53,833	103,091	156,924

See Note to Required Supplementary Information.

Budgeted Amounts

Original	Final	Final to Actual Variance - Positive (Negative)
\$ 45,393	\$ 45,393	\$ (75)
-	6	(8)
2,839	4,045	(126)
1,588	9,326	(787)
1,325	1,351	(125)
24,410	111,976	(72,410)
39,592	40,213	272
3,165	2,533	235
5,756	8,598	(3,083)
124,068	223,441	(76,107)
18,750	20,483	2,171
13,297	13,948	1,211
11,723	11,884	472
5,500	35,671	16,531
8,328	7,968	877
13,146	13,182	1
20,290	67,235	57,011
49,456	122,790	46,569
140,490	293,161	124,843
(16,422)	(69,720)	48,736
10,185	39,754	(13,267)
(6,237)	(29,966)	35,469
104,883	152,413	
98,646	122,447	

**CITY OF IOWA CITY**

**BUDGETARY COMPARISON SCHEDULE  
BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2010  
(dollar amounts expressed in thousands)

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 95,819	\$ 4,755	\$ 100,574
Expenditures	92,097	(593)	91,504
Net	3,722	5,348	9,070
Other financing sources (uses)	1,547	(2,009)	(462)
Beginning Fund Balances	\$ 48,564	\$ (6,441)	\$ 42,123
Ending Fund Balances	\$ 53,833	\$ (3,102)	\$ 50,731

	Enterprise Fund Types		
	Budget Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 51,515	\$ (5,790)	\$ 45,725
Expenditures	76,221	(33,293)	42,928
Net	(24,706)	27,503	2,797
Other financing sources (uses)	24,940	(17,830)	7,110
Beginning Fund Balances	102,857	\$ 135,245	238,102
Ending Fund Balances	\$ 103,091	\$ 144,918	\$ 248,009

See Note to Required Supplementary Information.

**City of Iowa City, Iowa**  
**Note to Required Supplementary Information - Budgetary Reporting**  
**For the Year Ended June 30, 2010**

In accordance with Code of Iowa, the City Council annually adopts a budget following required public notice and hearing which includes all funds, except internal service funds and agency funds. The budget basis of accounting is cash basis. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. The legal level control is at the aggregated function level, not at the fund or fund type level.

During the year, budget amendments increased budgeted revenues by \$99,373,000 and expenditures by \$152,671,000. The budget amendments were primarily due to changes in breadth and timing of capital improvement projects and mediation costs and related grants due to the flood in the summer of 2008.

**City of Iowa City, Iowa**  
**Note to Required Supplementary Information – Schedule of Funding Progress for Health and**  
**Dental Plans**  
**For the Year Ended June 30, 2010**

Actuarial Valuation Date	Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
July 1, 2008	June 30, 2009	\$ -	\$ 15,235,196	\$ 15,235,196	0.00%	\$ 32,804,905	46.44%
July 1, 2008	June 30, 2010	\$ -	\$ 15,235,196	\$ 15,235,196	0.00%	\$ 32,804,905	46.44%

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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

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

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

## CAPITAL PROJECTS FUNDS

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

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

**Other Construction Fund** – accounts for the construction or replacement of other City general fixed assets, such as administrative buildings with various funding sources, including general obligation bonds, intergovernmental revenues, and contributions.

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

June 30, 2010  
(amounts expressed in thousands)

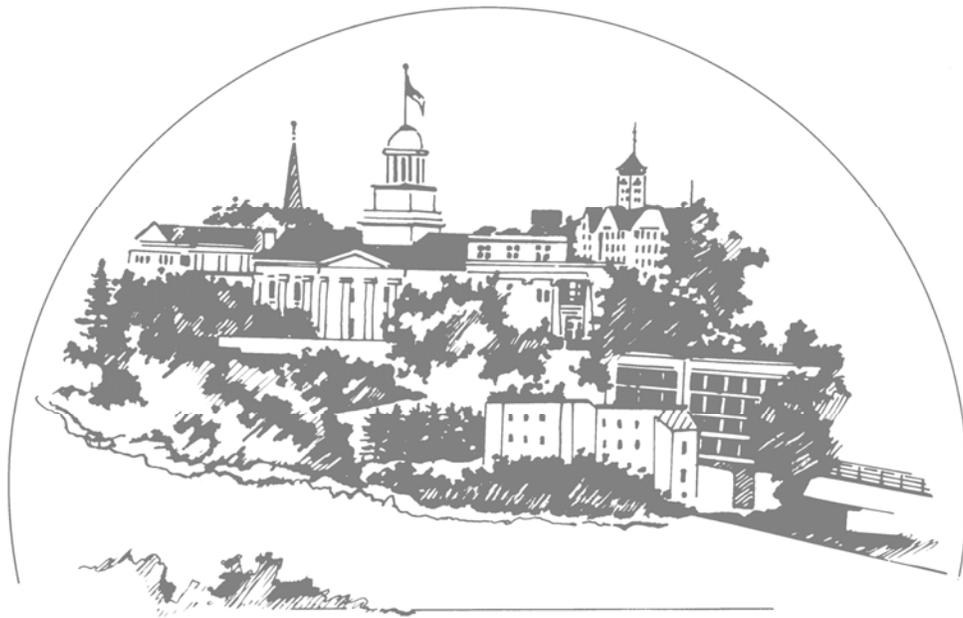
	Special Revenue		Capital Projects		Total
	Economic Development	Johnson County Council of Governments	Bridge, Street, and Traffic Control Construction	Other Construction	
<b>Assets</b>					
Equity in pooled cash and investments	\$ 143	\$ 70	\$ 918	\$ 223	\$ 1,354
Receivables:					
Property tax	7	-	-	-	7
Accounts and unbilled usage	-	-	16	137	153
Interest	4	-	-	15	19
Due from other governments	-	42	997	2,480	3,519
Assets held for resale	-	-	165	-	165
Restricted assets:					
Equity in pooled cash and investments	-	-	-	10,424	10,424
<b>Total assets</b>	<b>\$ 154</b>	<b>\$ 112</b>	<b>\$ 2,096</b>	<b>\$ 13,279</b>	<b>\$ 15,641</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 2	\$ 4	\$ 2,238	\$ 2,244
Contracts payable	-	-	302	484	786
Accrued liabilities	-	23	16	17	56
Due to other governments	-	-	1,962	-	1,962
Deferred revenue	-	-	1,019	753	1,772
<b>Total liabilities</b>	<b>-</b>	<b>25</b>	<b>3,303</b>	<b>3,492</b>	<b>6,820</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Assets held for resale	-	-	165	-	165
Encumbrances	-	-	-	372	372
<b>Unreserved</b>					
Designated for future improvements	-	-	-	-	-
Undesignated	154	87	(1,372)	9,415	8,284
<b>Total fund balances</b>	<b>154</b>	<b>87</b>	<b>(1,207)</b>	<b>9,787</b>	<b>8,821</b>
<b>Total liabilities and fund balances</b>	<b>\$ 154</b>	<b>\$ 112</b>	<b>\$ 2,096</b>	<b>\$ 13,279</b>	<b>\$ 15,641</b>

**CITY OF IOWA CITY, IOWA**

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

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

	Special Revenue		Capital Projects		Total
	Economic Development	Johnson County Council of Governments	Bridge, Street, and Traffic Control Construction	Other Construction	
<b>Revenues</b>					
Property taxes	\$ 3,898	\$ -	\$ 16	\$ -	\$ 3,914
Intergovernmental	-	285	2,884	3,607	6,776
Charges for services	-	-	8	-	8
Use of money and property	7	-	-	30	37
Miscellaneous	-	3	6	183	192
Total revenues	<u>3,905</u>	<u>288</u>	<u>2,914</u>	<u>3,820</u>	<u>10,927</u>
<b>Expenditures</b>					
Current:					
Public safety	-	-	-	1,332	1,332
Public works	-	-	1,347	197	1,544
Culture and recreation	-	-	-	273	273
Community and economic development	974	640	-	2	1,616
General government	-	-	-	121	121
Capital outlay	-	6	2,720	5,287	8,013
Total expenditures	<u>974</u>	<u>646</u>	<u>4,067</u>	<u>7,212</u>	<u>12,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,931</u>	<u>(358)</u>	<u>(1,153)</u>	<u>(3,392)</u>	<u>(1,972)</u>
<b>Other Financing Sources (Uses)</b>					
Insurance Recoveries	-	-	-	20	20
Transfers in	-	380	2,210	652	3,242
Transfers out	(3,155)	-	(381)	(1,864)	(5,400)
Total other financing sources and (uses)	<u>(3,155)</u>	<u>380</u>	<u>1,829</u>	<u>(1,192)</u>	<u>(2,138)</u>
Net change in fund balances	(224)	22	676	(4,584)	(4,110)
<b>Fund Balances, Beginning</b>	<u>378</u>	<u>65</u>	<u>(1,883)</u>	<u>14,371</u>	<u>12,931</u>
<b>Fund Balances, Ending</b>	<u>\$ 154</u>	<u>\$ 87</u>	<u>\$ (1,207)</u>	<u>\$ 9,787</u>	<u>\$ 8,821</u>



# NONMAJOR ENTERPRISE FUNDS

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

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

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

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

**CITY OF IOWA CITY, IOWA**

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

June 30, 2010

(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
<b>Assets</b>				
Current assets:				
Equity in pooled cash and investments	\$ 293	\$ 1,314	\$ 1,299	\$ 2,906
Receivables:				
Accounts and unbilled usage	-	60	180	240
Interest	-	2	2	4
Due from other governments	304	-	-	304
Total current assets	<u>597</u>	<u>1,376</u>	<u>1,481</u>	<u>3,454</u>
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and investments	9	-	109	118
Capital assets:				
Land	7,309	2,167	-	9,476
Buildings	4,038	-	741	4,779
Improvements other than buildings	357	-	-	357
Machinery and equipment	281	259	94	634
Infrastructure	7,337	34,956	-	42,293
Accumulated depreciation	(4,138)	(7,748)	(307)	(12,193)
Construction in progress	6,286	86	-	6,372
Total noncurrent assets	<u>21,479</u>	<u>29,720</u>	<u>637</u>	<u>51,836</u>
Total assets	<u>22,076</u>	<u>31,096</u>	<u>2,118</u>	<u>55,290</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	23	2	113	138
Contracts payable	249	42	-	291
Accrued liabilities	3	15	43	61
Total current liabilities	<u>275</u>	<u>59</u>	<u>156</u>	<u>490</u>
Noncurrent liabilities:				
Liabilities payable from restricted assets:				
Deposits	9	-	-	9
Advances from other funds	1,505	-	-	1,505
Other Post Employment Benefits Obligation	8	4	26	38
Total noncurrent liabilities	<u>1,522</u>	<u>4</u>	<u>26</u>	<u>1,552</u>
Total liabilities	<u>1,797</u>	<u>63</u>	<u>182</u>	<u>2,042</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	21,470	29,720	528	51,718
Unrestricted	(1,191)	1,313	1,408	1,530
Total net assets	<u>\$ 20,279</u>	<u>\$ 31,033</u>	<u>\$ 1,936</u>	<u>\$ 53,248</u>

**CITY OF IOWA CITY, IOWA**

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

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 289	\$ 617	\$ 790	\$ 1,696
Miscellaneous	36	1	-	37
Total operating revenues	<u>325</u>	<u>618</u>	<u>790</u>	<u>1,733</u>
<b>Operating Expenses:</b>				
Personal services	48	166	433	647
Commodities	21	193	51	265
Services and charges	241	152	139	532
	<u>310</u>	<u>511</u>	<u>623</u>	<u>1,444</u>
Depreciation	431	676	32	1,139
Total operating expenses	<u>741</u>	<u>1,187</u>	<u>655</u>	<u>2,583</u>
Operating income (loss)	<u>(416)</u>	<u>(569)</u>	<u>135</u>	<u>(850)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Gain on disposal of capital assets	208	-	-	208
Interest income	3	10	12	25
Total nonoperating revenues (expenses)	<u>211</u>	<u>10</u>	<u>12</u>	<u>233</u>
Income (loss) before capital contributions and transfers	(205)	(559)	147	(617)
Capital contributions	3,311	541	-	3,852
Transfers in	291	65	-	356
Transfers out	<u>(78)</u>	<u>(8)</u>	<u>(55)</u>	<u>(141)</u>
Change in net assets	3,319	39	92	3,450
<b>Net Assets, Beginning</b>	<u>16,960</u>	<u>30,994</u>	<u>1,844</u>	<u>49,798</u>
<b>Net Assets, Ending</b>	<u>\$ 20,279</u>	<u>\$ 31,033</u>	<u>\$ 1,936</u>	<u>\$ 53,248</u>

**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
<b>Cash Flows From Operating Activities</b>				
Receipts from customers and users	\$ 325	\$ 625	\$ 787	\$ 1,737
Payments to suppliers	(274)	(466)	(189)	(929)
Payments to employees	(41)	(163)	(418)	(622)
Net cash flows from operating activities	<u>10</u>	<u>(4)</u>	<u>180</u>	<u>186</u>
<b>Cash Flows From Noncapital Financing Activities</b>				
Operating grants received	5	-	-	5
Transfers from other funds	291	65	-	356
Transfers to other funds	(78)	(8)	(55)	(141)
Advances from other funds	206	-	-	206
Net cash flows from noncapital financing activities	<u>424</u>	<u>57</u>	<u>(55)</u>	<u>426</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Capital grants received	3,626	-	-	3,626
Acquisition and construction of property and equipment	(4,074)	(105)	(1)	(4,180)
Proceeds from sale of property	223	-	-	223
Net cash flows from capital and related financing activities	<u>(225)</u>	<u>(105)</u>	<u>(1)</u>	<u>(331)</u>
<b>Cash Flows From Investing Activities</b>				
Interest on investments	4	17	19	40
Net increase (decrease) in cash and cash equivalents	213	(35)	143	321
<b>Cash and Cash Equivalents, Beginning</b>	<u>89</u>	<u>1,349</u>	<u>1,265</u>	<u>2,703</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 302</u>	<u>\$ 1,314</u>	<u>\$ 1,408</u>	<u>\$ 3,024</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>				
Operating income (loss)	\$ (416)	\$ (569)	\$ 135	\$ (850)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	431	676	32	1,139
Changes in:				
Receivables:				
Accounts and unbilled usage	-	7	(3)	4
Accounts payable	(12)	(121)	1	(132)
Accrued liabilities	-	1	(1)	-
Other Post Employment Benefits Obligation	7	2	16	25
Total adjustments	<u>426</u>	<u>565</u>	<u>45</u>	<u>1,036</u>
Net cash flows from operating activities	<u>\$ 10</u>	<u>\$ (4)</u>	<u>\$ 180</u>	<u>\$ 186</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
Contributions of capital assets from government and others	\$ -	\$ 541	\$ -	\$ 541

# INTERNAL SERVICE FUNDS

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

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

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

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

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

**CITY OF IOWA CITY**

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

June 30, 2010

(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
<b>Assets</b>					
Current assets:					
Equity in pooled cash and investments	\$ 7,197	\$ 640	\$ 8,476	\$ 2,827	\$ 19,140
Receivables:					
Accounts and unbilled usage	19	-	-	5	24
Interest	10	1	12	4	27
Due from other governments	56	-	-	16	72
Inventories	323	-	-	-	323
Total current assets	<u>7,605</u>	<u>641</u>	<u>8,488</u>	<u>2,852</u>	<u>19,586</u>
Noncurrent assets:					
Capital assets:					
Land	45	-	-	-	45
Buildings	578	-	-	253	831
Improvements other than buildings	50	-	-	-	50
Machinery and equipment	12,446	226	8	1,550	14,230
Infrastructure	-	-	-	1,087	1,087
Accumulated depreciation	(8,566)	(123)	(4)	(1,599)	(10,292)
Total noncurrent assets	<u>4,553</u>	<u>103</u>	<u>4</u>	<u>1,291</u>	<u>5,951</u>
Total assets	<u>12,158</u>	<u>744</u>	<u>8,492</u>	<u>4,143</u>	<u>25,537</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	123	3	211	220	557
Accrued liabilities	104	4	2,328	73	2,509
Total current liabilities	<u>227</u>	<u>7</u>	<u>2,539</u>	<u>293</u>	<u>3,066</u>
Noncurrent liabilities:					
Other Post Employment Benefits Obligation	24	(10)	(14)	25	25
Total liabilities	<u>251</u>	<u>(3)</u>	<u>2,525</u>	<u>318</u>	<u>3,091</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	4,553	103	4	1,291	5,951
Unrestricted	7,354	644	5,963	2,534	16,495
Total net assets	<u>\$ 11,907</u>	<u>\$ 747</u>	<u>\$ 5,967</u>	<u>\$ 3,825</u>	<u>\$ 22,446</u>

**CITY OF IOWA CITY, IOWA**

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

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
<b>Operating Revenues:</b>					
Charges for services	\$ 4,856	\$ 318	\$ 8,970	\$ 1,786	\$ 15,930
Miscellaneous	-	-	1	48	49
Total operating revenues	<u>4,856</u>	<u>318</u>	<u>8,971</u>	<u>1,834</u>	<u>15,979</u>
<b>Operating Expenses:</b>					
Personal services	895	35	162	984	2,076
Commodities	1,855	2	19	257	2,133
Services and charges	467	193	7,823	483	8,966
	<u>3,217</u>	<u>230</u>	<u>8,004</u>	<u>1,724</u>	<u>13,175</u>
Depreciation	1,031	27	2	182	1,242
Total operating expenses	<u>4,248</u>	<u>257</u>	<u>8,006</u>	<u>1,906</u>	<u>14,417</u>
Operating income (loss)	<u>608</u>	<u>61</u>	<u>965</u>	<u>(72)</u>	<u>1,562</u>
<b>Nonoperating Revenues (Expenses):</b>					
Gain (loss) on disposal of capital assets	104	1	-	6	111
Interest income	62	6	67	31	166
Total nonoperating revenues (expenses)	<u>166</u>	<u>7</u>	<u>67</u>	<u>37</u>	<u>277</u>
Income (loss) before capital contributions and transfers	774	68	1,032	(35)	1,839
Capital contributions	-	-	-	42	42
Transfers in	144	-	-	26	170
Transfers out	-	-	(6)	-	(6)
Change in net assets	918	68	1,026	33	2,045
<b>Net Assets, Beginning</b>	<u>10,989</u>	<u>679</u>	<u>4,941</u>	<u>3,792</u>	<u>20,401</u>
<b>Net Assets, Ending</b>	<u>\$ 11,907</u>	<u>\$ 747</u>	<u>\$ 5,967</u>	<u>\$ 3,825</u>	<u>\$ 22,446</u>

**CITY OF IOWA CITY, IOWA**

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

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
<b>Cash Flows From Operating Activities</b>					
Receipts from customers and users	\$ 4,836	\$ 318	\$ 8,971	\$ 1,813	\$ 15,938
Payments to suppliers	(2,365)	(213)	(7,665)	(551)	(10,794)
Payments to employees	(852)	(45)	85	(998)	(1,810)
Net cash flows from operating activities	<u>1,619</u>	<u>60</u>	<u>1,391</u>	<u>264</u>	<u>3,334</u>
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfers from other funds	144	-	-	26	170
Operating transfers to other funds	-	-	(6)	-	(6)
Net cash flows from noncapital financing activities	<u>144</u>	<u>-</u>	<u>(6)</u>	<u>26</u>	<u>164</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Acquisition and construction of property and equipment	(1,496)	(38)	-	(213)	(1,747)
Proceeds from sale of property	110	1	-	6	117
Net cash flows from capital and related financing activities	<u>(1,386)</u>	<u>(37)</u>	<u>-</u>	<u>(207)</u>	<u>(1,630)</u>
<b>Cash Flows From Investing Activities</b>					
Interest on investments	99	9	112	47	267
Net increase in cash and cash equivalents	476	32	1,497	130	2,135
<b>Cash and Cash Equivalents, Beginning</b>	<u>6,721</u>	<u>608</u>	<u>6,979</u>	<u>2,697</u>	<u>17,005</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 7,197</u>	<u>\$ 640</u>	<u>\$ 8,476</u>	<u>\$ 2,827</u>	<u>\$ 19,140</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income (loss)	\$ 608	\$ 61	\$ 965	\$ (72)	\$ 1,562
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation expense	1,031	27	2	182	1,242
Changes in:					
Receivables:					
Accounts and unbilled usage	(19)	-	-	(5)	(24)
Due from other governments	(1)	-	-	(16)	(17)
Inventories	9	-	-	-	9
Accounts payable	(52)	(18)	177	189	296
Accrued liabilities	2	1	244	(18)	229
Other Post Employment Benefits Obligation	41	(11)	3	4	37
Total adjustments	<u>1,011</u>	<u>(1)</u>	<u>426</u>	<u>336</u>	<u>1,772</u>
Net cash flows from operating activities	<u>\$ 1,619</u>	<u>\$ 60</u>	<u>\$ 1,391</u>	<u>\$ 264</u>	<u>\$ 3,334</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>					
Contributions of fixed assets from government and others	\$ -	\$ -	\$ -	\$ 42	\$ 42

# AGENCY FUNDS

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

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

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

**CITY OF IOWA CITY**

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

For the Year Ended June 30, 2010  
(amounts expressed in thousands)

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Project Green</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 230	\$ 60	\$ 61	\$ 229
Interest receivable	2	1	2	1
Total assets	<u>\$ 232</u>	<u>\$ 61</u>	<u>\$ 63</u>	<u>\$ 230</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 19	\$ -	\$ 19
Due to agency	\$ 232	\$ 42	\$ 63	\$ 211
Total liabilities	<u>\$ 232</u>	<u>\$ 61</u>	<u>\$ 63</u>	<u>\$ 230</u>
<b>Library Foundation</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 4	\$ 12	\$ 10	\$ 6
Accounts receivable	6	-	1	5
	<u>\$ 10</u>	<u>\$ 12</u>	<u>\$ 11</u>	<u>\$ 11</u>
<b>Liabilities</b>				
Accrued liabilities	\$ 10	\$ 11	\$ 10	\$ 11
Total liabilities	<u>\$ 10</u>	<u>\$ 11</u>	<u>\$ 10</u>	<u>\$ 11</u>
<b>Total Agency Funds</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 234	\$ 72	\$ 71	\$ 235
Accounts receivable	6	-	1	5
Interest receivable	2	1	2	1
Total assets	<u>\$ 242</u>	<u>\$ 73</u>	<u>\$ 74</u>	<u>\$ 241</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 19	\$ -	\$ 19
Accrued liabilities	10	11	10	11
Due to agency	232	42	63	211
Total liabilities	<u>\$ 242</u>	<u>\$ 72</u>	<u>\$ 73</u>	<u>\$ 241</u>

# Statistical Section

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

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Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	114
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Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	126

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The city implemented GASB 34 in FY03; schedules presenting government-wide information include information beginning in that year.*



**CITY OF IOWA CITY, IOWA**

**NET ASSETS BY COMPONENT**

Last Eight Fiscal Years  
(Accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	\$ 73,447	\$ 67,090	\$ 84,768	\$ 95,227	\$ 101,027	\$ 104,833	\$ 100,741	111,703
Restricted	22,499	17,705	16,973	6,852	8,181	23,741	26,586	25,588
Unrestricted	16,926	11,700	3,793	10,827	11,043	1,119	17,938	32,478
<b>Total governmental activities net assets</b>	<u>\$ 112,872</u>	<u>\$ 96,495</u>	<u>\$ 105,534</u>	<u>\$ 112,906</u>	<u>\$ 120,251</u>	<u>\$ 129,693</u>	<u>\$ 145,265</u>	<u>\$ 169,769</u>
<b>Business-type activities</b>								
Invested in capital assets, net of related debt	\$ 111,487	\$ 150,817	\$ 150,797	\$ 155,346	\$ 172,518	\$ 156,075	\$ 162,211	172,601
Restricted	24,420	14,932	15,038	15,682	23,893	21,320	19,159	17,588
Unrestricted	33,339	36,246	40,780	42,988	33,695	60,225	63,842	65,725
<b>Total business-type activities net assets</b>	<u>\$ 169,246</u>	<u>\$ 201,995</u>	<u>\$ 206,615</u>	<u>\$ 214,016</u>	<u>\$ 230,106</u>	<u>\$ 237,620</u>	<u>\$ 245,212</u>	<u>\$ 255,914</u>
<b>Primary government</b>								
Invested in capital assets, net of related debt	\$ 184,934	\$ 217,907	\$ 235,565	\$ 250,573	\$ 273,545	\$ 260,908	\$ 262,952	284,304
Restricted	46,919	32,637	32,011	22,534	32,074	45,061	45,025	43,176
Unrestricted	50,265	47,946	44,573	53,815	44,738	61,344	82,500	98,203
<b>Total primary government net assets</b>	<u>\$ 282,118</u>	<u>\$ 298,490</u>	<u>\$ 312,149</u>	<u>\$ 326,922</u>	<u>\$ 350,357</u>	<u>\$ 367,313</u>	<u>\$ 390,477</u>	<u>\$ 425,683</u>

**CITY OF IOWA CITY, IOWA**

**CHANGES IN NET ASSETS**

Last Eight Fiscal Years  
(Accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>								
Governmental activities:								
Public safety	\$ 13,844	\$ 15,015	\$ 15,286	\$ 16,690	\$ 16,694	\$ 20,504	\$ 20,730	19,955
Public works	11,539	10,423	11,521	12,723	13,560	13,727	15,177	16,806
Culture and recreation	10,131	12,051	11,341	11,458	11,970	13,460	9,574	12,238
Community and economic development	3,133	2,580	6,960	6,264	4,680	1,850	8,726	16,913
General government	6,251	6,527	6,500	6,892	7,258	7,433	7,600	7,549
Debt service	3,662	3,440	3,602	3,404	3,459	3,517	3,264	2,970
Total governmental activities expenses	<u>48,560</u>	<u>50,036</u>	<u>55,210</u>	<u>57,431</u>	<u>57,621</u>	<u>60,491</u>	<u>65,071</u>	<u>76,431</u>
Business-type activities:								
Wastewater	12,086	12,344	12,214	11,710	11,537	11,757	11,925	11,274
Water	7,861	8,011	8,313	9,324	8,823	8,804	9,185	8,309
Sanitation	4,082	6,103	6,031	6,101	6,684	6,868	7,296	7,705
Housing authority	6,519	7,219	7,466	7,026	6,884	7,374	7,238	7,838
Parking	3,554	3,898	3,989	3,884	4,403	3,913	4,489	4,536
Airport	431	515	520	512	418	560	693	724
Stormwater	-	652	1,452	817	932	1,072	1,223	1,187
Cable television	687	549	607	576	525	598	633	645
Total business-type activities expenses	<u>35,220</u>	<u>39,291</u>	<u>40,592</u>	<u>39,950</u>	<u>40,206</u>	<u>40,946</u>	<u>42,682</u>	<u>42,218</u>
Total primary government expenses	<u>\$ 83,780</u>	<u>\$ 89,327</u>	<u>\$ 95,802</u>	<u>\$ 97,381</u>	<u>\$ 97,827</u>	<u>\$ 101,437</u>	<u>\$ 107,753</u>	<u>\$ 118,649</u>
<b>Program Revenues</b>								
Governmental activities:								
Charges for services								
Public safety	\$ 2,507	\$ 3,038	\$ 2,928	\$ 2,971	\$ 3,088	\$ 3,019	\$ 2,968	2,980
Public works	1,118	1,006	1,076	1,062	1,229	1,047	1,392	1,061
Culture and recreation	1,145	630	653	707	712	680	715	773
Community and economic development	192	-	-	-	-	-	-	-
General government	1,416	1,428	1,482	1,556	1,569	1,633	1,626	2,574
Operating grants and contributions	2,965	2,150	2,592	2,937	3,215	3,611	8,185	15,554
Capital grants and contributions	2,205	6,198	7,679	3,849	4,283	1,747	3,773	8,291
Total governmental activities program revenues	<u>11,548</u>	<u>14,450</u>	<u>16,410</u>	<u>13,082</u>	<u>14,096</u>	<u>11,737</u>	<u>18,659</u>	<u>31,233</u>
Business-type activities:								
Charges for services:								
Wastewater	12,445	12,580	12,145	12,145	12,535	12,318	12,557	12,637
Water	9,677	9,164	8,602	9,012	8,240	8,195	8,107	7,957
Sanitation	6,531	7,111	7,154	7,133	7,204	7,853	8,286	8,096
Housing authority	221	219	181	168	132	149	181	180
Parking	3,636	4,011	4,045	3,936	4,704	4,673	5,438	5,377
Airport	180	213	220	264	234	258	248	289
Stormwater	-	104	592	597	622	616	622	617
Cable Television	298	673	708	718	726	814	788	790

(continued)

**CITY OF IOWA CITY, IOWA**

**CHANGES IN NET ASSETS (continued)**

Last Eight Fiscal Years  
(Accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Capital grants and contributions: Wastewater	1,077	968	761	773	1,539	577	266	2,115
Capital grants and contributions: Water	640	452	588	606	845	314	132	572
Capital grants and contributions: Sanitation	-	-	-	46	-	-	-	6
Capital grants and contributions: Airport	-	116	283	1,125	1,231	1,580	3,239	3,311
Capital grants and contributions: Stormwater	-	717	755	468	1,251	302	68	541
Capital grants and contributions: Housing authority	-	-	-	-	-	17	-	25
Capital grants and contributions: Parking	-	-	-	-	-	8	-	-
Operating grants and contributions: Housing authority	6,291	6,950	7,012	7,414	7,165	6,281	6,668	7,765
Operating grants and contributions: Water	131	-	-	-	-	-	15	6
Operating grants and contributions: Airport	36	-	-	-	-	-	2	-
Operating grants and contributions: Sanitation	201	9	-	3	6	-	607	6
Operating grants and contributions: Wastewater	-	-	-	-	1	-	1	-
Total business-type activities program revenues	41,364	43,287	43,046	44,408	46,435	43,955	47,225	50,290
Total primary government revenues	<u>\$ 52,912</u>	<u>\$ 57,737</u>	<u>\$ 59,456</u>	<u>\$ 57,490</u>	<u>\$ 60,531</u>	<u>\$ 55,692</u>	<u>\$ 65,884</u>	<u>\$ 81,523</u>
Net (Expense) / Revenues								
Governmental activities	\$ (37,012)	\$ (35,586)	\$ (38,800)	\$ (44,349)	\$ (43,525)	\$ (48,754)	\$ (46,412)	\$ (45,198)
Business-type activities	6,144	3,996	2,454	4,458	6,229	3,009	4,543	8,072
Total primary government net expense	<u>\$ (30,868)</u>	<u>\$ (31,590)</u>	<u>\$ (36,346)</u>	<u>\$ (39,891)</u>	<u>\$ (37,296)</u>	<u>\$ (45,745)</u>	<u>\$ (41,869)</u>	<u>\$ (37,126)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
General revenues:								
Property taxes	\$ 32,257	\$ 34,173	\$ 35,327	\$ 37,770	\$ 41,492	\$ 43,400	\$ 47,085	\$ 49,467
Road use tax	5,144	5,311	5,269	5,303	5,305	5,432	5,254	5,525
Local Sales Option tax								8,141
Other taxes	1,399	1,609	1,351	1,240	1,412	1,435	1,489	1,535
Earnings on investments	1,207	1,056	1,576	2,678	4,045	3,932	3,057	1,766
Miscellaneous	3,174	3,746	3,994	4,422	3,656	3,516	4,894	3,893
Gain on sale of assets	(1,726)	65	95	100	281	(7)	-	-
Transfers	1,444	(1,840)	645	208	(5,321)	488	205	(625)
Total governmental activities	42,899	44,120	48,257	51,721	50,870	58,196	61,984	69,702
Business-type activities:								
General revenues:								
Earnings on investments	1,305	991	1,771	2,575	3,606	3,279	2,577	1,311
Gain on sale of assets	315	1,009	304	185	591	1,260	360	230
Miscellaneous	994	335	418	391	343	454	317	464
Transfers	(1,444)	1,840	(645)	(208)	5,321	(488)	(205)	625
Total business-type activities	1,170	4,175	1,848	2,943	9,861	4,505	3,049	2,630
Total primary government	<u>\$ 44,069</u>	<u>\$ 48,295</u>	<u>\$ 50,105</u>	<u>\$ 54,664</u>	<u>\$ 60,731</u>	<u>\$ 62,701</u>	<u>\$ 65,033</u>	<u>\$ 72,332</u>
Change in Net Assets								
Governmental activities	\$ 5,887	\$ 8,534	\$ 9,457	\$ 7,372	\$ 7,345	\$ 9,442	\$ 15,572	\$ 24,504
Business-type activities	7,314	8,171	4,302	7,401	16,090	7,514	7,592	10,702
Total primary government	<u>\$ 13,201</u>	<u>\$ 16,705</u>	<u>\$ 13,759</u>	<u>\$ 14,773</u>	<u>\$ 23,435</u>	<u>\$ 16,956</u>	<u>\$ 23,164</u>	<u>\$ 35,206</u>

**CITY OF IOWA CITY, IOWA**

**FUND BALANCES, GOVERNMENTAL FUNDS**

Last Eight Fiscal Years  
(Modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 1,094	\$ 396	\$ 362	\$ 570	\$ 568	\$ 446	\$ 555	\$ 406
Unreserved	13,012	14,301	15,525	16,551	18,528	14,488	15,362	26,101
Total general fund	<u>\$ 14,106</u>	<u>\$ 14,697</u>	<u>\$ 15,887</u>	<u>\$ 17,121</u>	<u>\$ 19,096</u>	<u>\$ 14,934</u>	<u>\$ 15,917</u>	<u>\$ 26,507</u>
All other Governmental Funds								
Reserved	\$ 11,536	\$ 1,677	\$ 2,198	\$ 1,592	\$ 1,984	\$ 3,107	\$ 5,339	\$ 3,903
Designated for long-term debt	4,448	6,930	3,067	2,725	4,289	8,691	11,759	13,952
Unreserved, reported in:								
Special revenue funds	3,819	9,379	6,222	3,422	3,366	2,571	(1,852)	(1,674)
Capital projects funds	1,047	3,882	6,143	7,093	7,894	11,118	10,960	8,043
Total all other governmental funds	<u>\$ 20,850</u>	<u>\$ 21,868</u>	<u>\$ 17,630</u>	<u>\$ 14,832</u>	<u>\$ 17,533</u>	<u>\$ 25,487</u>	<u>\$ 26,206</u>	<u>\$ 24,224</u>

**CITY OF IOWA CITY, IOWA**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**

Last Eight Fiscal Years  
(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues:</b>								
Property taxes and assessments	\$ 31,966	\$ 35,538	\$ 36,677	\$ 39,011	\$ 42,905	\$ 44,835	\$ 48,572	\$ 59,143
Licenses and permits	961	1,361	1,255	1,279	1,404	1,270	1,284	1,211
Intergovernmental	12,193	12,058	15,546	14,260	13,455	12,764	19,521	31,404
Charges for services	4,674	3,240	3,301	2,227	2,423	2,228	2,498	2,433
Use of money and property	997	1,002	1,354	2,203	3,378	3,206	2,645	1,599
Miscellaneous	2,558	4,377	4,121	4,176	3,858	3,977	5,302	4,784
Total governmental activities revenues	<u>\$ 53,349</u>	<u>\$ 57,576</u>	<u>\$ 62,254</u>	<u>\$ 63,156</u>	<u>\$ 67,423</u>	<u>\$ 68,280</u>	<u>\$ 79,822</u>	<u>\$ 100,574</u>
<b>Expenditures</b>								
Current								
Public safety	\$ 13,115	\$ 14,025	\$ 14,601	\$ 15,819	\$ 16,412	\$ 18,705	\$ 18,752	\$ 19,108
Public works	8,149	9,156	9,698	10,351	12,452	12,108	12,405	13,311
Culture and recreation	8,061	9,392	9,183	10,122	10,261	10,703	10,849	11,266
Community and economic development	3,715	3,486	6,375	4,698	3,445	4,437	8,037	10,520
General government	5,887	6,080	6,282	6,510	7,194	7,207	7,300	7,191
Debt service								
Principal	4,742	5,172	9,349	6,099	6,700	7,323	8,418	9,354
Interest	3,683	3,336	3,676	3,458	3,464	3,556	3,364	3,064
Capital projects	20,095	16,065	13,939	15,153	13,000	11,811	17,096	17,690
Total expenditures	<u>\$ 67,447</u>	<u>\$ 66,712</u>	<u>\$ 73,103</u>	<u>\$ 72,210</u>	<u>\$ 72,928</u>	<u>\$ 75,850</u>	<u>\$ 86,221</u>	<u>\$ 91,504</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (14,098)</u>	<u>\$ (9,136)</u>	<u>\$ (10,849)</u>	<u>\$ (9,054)</u>	<u>\$ (5,505)</u>	<u>\$ (7,570)</u>	<u>\$ (6,399)</u>	<u>\$ 9,070</u>
<b>Other financing sources (uses):</b>								
Issuance of long-term debt	\$ 10,600	\$ 12,875	\$ 7,020	\$ 7,265	\$ 8,870	\$ 9,150	\$ 30,035	\$ -
Sale of capital assets	-	384	406	109	470	111	554	222
Insurance Recoveries	-	-	-	-	-	-	-	20
Issuance of note payable	-	-	211	-	-	-	-	-
Premium (discount) on issuance of bonds	93	(19)	43	29	-	16	552	-
Payment of refunded bonds	(6,415)						(23,140)	-
Transfers in	15,172	14,614	15,776	21,627	21,552	25,413	16,486	16,742
Transfers out	(14,554)	(16,733)	(15,237)	(21,540)	(20,711)	(23,328)	(16,386)	(17,446)
Total other financing sources (uses)	<u>\$ 4,896</u>	<u>\$ 11,121</u>	<u>\$ 8,219</u>	<u>\$ 7,490</u>	<u>\$ 10,181</u>	<u>\$ 11,362</u>	<u>\$ 8,101</u>	<u>\$ (462)</u>
Net change in fund balances	<u>\$ (9,202)</u>	<u>\$ 1,985</u>	<u>\$ (2,630)</u>	<u>\$ (1,564)</u>	<u>\$ 4,676</u>	<u>\$ 3,792</u>	<u>\$ 1,702</u>	<u>\$ 8,608</u>
<b>Debt service as a percentage of noncapital expenditures</b>	17.0%	16.3%	21.5%	16.6%	17.0%	16.6%	17.0%	16.8%

**CITY OF IOWA CITY, IOWA**

**GENERAL GOVERNMENT TAX REVENUES BY SOURCE**

Last Ten Fiscal Years  
(Modified accrual basis of accounting)

(amounts expressed in thousands)

<b><u>Fiscal Year</u></b>	<b><u>Property Tax</u></b>	<b><u>Road Use Tax</u></b>	<b><u>Hotel/Motel Tax</u></b>	<b><u>Local Option Sales Tax<sup>1</sup></u></b>	<b><u>Utility Franchise Fee<sup>2</sup></u></b>	<b><u>Total</u></b>
2001	\$ 27,071	\$ 4,852	\$ 497	\$ -	\$ -	\$ 32,420
2002	28,623	5,077	646	-	-	34,346
2003	31,966	5,103	559	-	-	37,628
2004	34,958	5,311	580	-	-	40,849
2005	36,076	5,269	611	-	-	41,956
2006	38,336	5,303	674	-	-	44,313
2007	42,221	5,305	683	-	-	48,209
2008	44,101	5,432	734	-	-	50,267
2009	47,861	5,254	713	-	-	53,828
2010	50,256	5,525	699	8,141	47	64,668

<sup>1</sup> 1% Local Option Sales Tax went into effect 7/1/09 and will be effective through 6/30/13.

<sup>2</sup> 1% Utility Franchise Fee went into effect 4/1/10.

**CITY OF IOWA CITY, IOWA**  
**ASSESSED AND TAXABLE VALUE OF PROPERTY**

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended <u>June 30</u>	Taxable Property Assessed Value <sup>1</sup>			Exempt Property Assessed Value <sup>2</sup>	Total Assessed Value	Total Taxable Value <sup>3</sup>	Taxable Value as a Percentage of Assessed Value	Total Direct Tax Rate
	<u>Residential</u>	<u>Commercial</u>	<u>Agricultural</u>					
2001	\$ 1,932,822	\$ 974,519	\$ 2,303	\$ 156,741	\$ 3,066,386	\$ 1,950,279	63.60 %	14.757
2002	1,985,686	974,592	2,227	159,109	3,121,614	1,991,283	63.79	14.850
2003	2,154,801	1,038,402	1,968	179,816	3,374,987	2,072,923	61.42	16.813
2004	2,236,610	1,057,573	1,802	184,670	3,480,656	2,122,779	60.99	17.596
2005	2,647,345	1,166,455	1,582	208,199	4,023,580	2,362,936	58.73	17.314
2006	2,733,046	1,197,203	1,534	215,627	4,147,411	2,426,433	58.50	17.729
2007	3,011,803	1,253,641	1,565	219,351	4,486,360	2,565,360	57.18	17.302
2008	3,089,816	1,288,159	1,499	221,229	4,600,703	2,677,552	58.20	17.297
2009	3,123,398	1,327,385	2,315	219,706	4,672,804	2,756,451	58.99	17.717
2010	3,183,933	1,343,029	2,317	228,783	4,758,062	2,807,307	59.00	17.853

**Sources:**

<sup>1</sup>Johnson County Abstract Assessment

<sup>2</sup>City of Iowa City Assessor's Office - Annual Report

<sup>3</sup>Johnson County Auditor Office

**Notes:**

Property is reassessed in the odd numbered years to make adjustments to all property values, according to current market values. As per the Code of Iowa, all real property subject to taxation shall be valued at its actual value and, except as otherwise provided, shall be reassessed at 100% of its actual value.

Exempt property includes all property that is owned by religious and educational institutions, charitable and benevolent taxable property. Property owned by governmental entities is not taxable and is not included in "Exempt Property".

Tax rates are per \$1,000 of assessed value.

**CITY OF IOWA CITY, IOWA**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

Last Ten Fiscal Years

(per \$1,000 assessed valuation)

<u>Fiscal Year</u>	<u>City of Iowa City</u>			<u>Overlapping Rates</u>				<u>Total Direct &amp; Overlapping Rates</u>
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total City Millage</u>	<u>Johnson County<sup>1</sup></u>	<u>Iowa City School District</u>	<u>Kirkwood Community College</u>	<u>State of Iowa</u>	
2001	11.767	2.990	14.757	5.901	11.833	0.607	0.005	33.104
2002	11.905	2.945	14.850	5.802	11.540	0.607	0.005	32.803
2003	12.652	4.161	16.813	6.061	12.210	0.666	0.004	35.754
2004	13.026	4.570	17.596	6.102	12.865	0.679	0.004	37.247
2005	13.360	3.954	17.314	6.166	12.875	0.668	0.004	37.027
2006	13.580	4.149	17.729	6.391	13.582	0.649	0.004	38.355
2007	13.423	3.879	17.302	6.415	13.632	0.872	0.004	38.225
2008	13.511	3.786	17.297	7.803	14.192	0.852	0.004	40.148
2009	14.080	3.637	17.717	7.708	14.191	0.840	0.003	40.459
2010	14.216	3.637	17.853	7.540	14.690	0.926	0.003	41.012

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

**Note:**

<sup>1</sup>Includes Johnson County, City of Iowa City Assessor, and Agricultural Extension levies.

**CITY OF IOWA CITY, IOWA**

**PROPERTY TAX BUDGETS AND COLLECTIONS**

Last Ten Fiscal Years  
(Cash basis of accounting)

(amounts expressed in thousands)

<b><u>Collection Year</u></b>	<b><u>Total Tax Levied</u></b>	<b><u>Current Tax Collections</u></b>	<b><u>Percent of Levy Collected</u></b>	<b><u>Delinquent Tax Collections</u></b>	<b><u>Total Tax Collections</u></b>	<b><u>Total as a Percent of Levy</u></b>
2001	\$ 26,089	\$ 25,684	98.4 %	\$ 31	\$ 25,715	98.6 %
2002	27,920	28,423	101.8	5	28,428	101.8
2003	31,975	31,863	99.6	16	31,879	99.7
2004	34,073	34,009	99.8	23	34,032	99.9
2005	34,403	34,814	101.2	15	34,829	101.2
2006	36,460	36,654	100.5	44	36,698	100.7
2007	39,094	38,947	99.6	13	38,960	99.7
2008	39,973	39,768	99.5	70	39,838	99.7
2009	43,168	43,118	99.9	18	43,136	99.9
2010	45,393	45,318	99.8	17	45,335	99.9

**Source:** Certificate of City Taxes and Johnson County Treasurer's Office

**CITY OF IOWA CITY, IOWA**

**PRINCIPAL TAXPAYERS**

Current Year and Nine Years Ago

(amounts expressed in thousands)

<u>Ten largest taxpayers</u> <sup>1</sup>	<u>Type of Business</u>	<u>2001</u>			<u>2010</u>		
		<u>Taxable</u> <u>Valuation</u>	<u>Rank</u>	<u>% of Total</u> <u>Assessed</u> <u>Valuation</u>	<u>Taxable</u> <u>Valuation</u>	<u>Rank</u>	<u>% of Total</u> <u>Assessed</u> <u>Valuation</u>
ACT Inc. (formerly American College Testing Program)	Educational Testing Service	\$ 18,791	4	0.72 %	\$ 45,553	1	1.43 %
Mid-American Energy Company <sup>2</sup>	Public Gas and Electric Utility	45,277	1	1.74	40,242	2	1.26
Russell Gerdin	Trucking Company	-	-	N/A	19,003	3	0.60
Southgate Development Company	Real Estate Developer	16,335	5	0.63	18,532	4	0.58
MEHSM LC (Sycamore Mall)	Shopping Center	-	-	N/A	16,411	5	0.52
Alpha Inc	Industrial	-	-	N/A	15,426	6	0.48
Plaza Towers LLC/Meristar	Condo/Hotel/Commercial space	-	-	N/A	14,575	7	0.46
NCS Pearson	Information Services	15,759	6	0.61	14,317	8	0.45
Proctor & Gamble LLC	Manufacturing Company	19,915	3	0.77	13,752	9	0.43
United Natural Foods	Wholesale Distribution Company	-	-	N/A	13,095	10	0.41
Jame A and Lorretta Clark	Apartments	25,667	2	0.99	-	-	N/A
Old Capitol Mall Associates LP	Old Capitol Mall Town Center	13,497	7	0.52	-	-	N/A
Hy-Vee	Grocery Stores	13,322	8	0.51	-	-	N/A
Rexam Release International	Paper Treatment Manufacturing	12,892	9	0.50	-	-	N/A
Edwin&Ethel Barker &Barker Partnership	Apartments	12,192	10	0.47	-	-	N/A
<b>Total</b>		<u>\$ 193,647</u>		<u>7.46 %</u>	<u>\$ 210,906</u>		<u>6.62 %</u>

**Sources:**

<sup>1</sup>City of Iowa City Assessor's Office - 2009 Annual Report

<sup>2</sup>State Department of Revenue



**CITY OF IOWA CITY, IOWA**

**PRINCIPAL WATER SYSTEM CUSTOMERS**

Current Year and Eight Years Ago

<u>Customer Name</u>	<u>2002<sup>1</sup></u>			<u>2010</u>		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
Proctor & Gamble	\$ 526,885	1	5.56 %	\$ 599,272	1	7.92 %
Veterans Administration Medical Center	264,956	2	2.80	72,671	2	0.96
Campus Apartments	91,225	5	0.96	69,206	3	0.91
Mercy Hospital	107,160	4	1.13	68,177	4	0.90
Robert's Hometown Dairy	62,179	7	0.66	59,055	5	0.78
Mark IV Apts	60,363	8	0.64	55,672	6	0.74
Rus Property Management/Lakeside Manor	110,150	3	0.75	50,696	7	0.67
Pennigroth Apts	-	-	N/A	49,431	8	0.65
University of Iowa/Mayflower Apartments	60,169	9	0.64	43,246	9	0.57
Seville Apts				33,442	10	0.44
United Technology Automotive	71,066	6	0.75	-	-	N/A
Holiday Inn/ MPI Lease	50,925	10	0.54	-	-	N/A
	<u>\$ 1,405,078</u>		<u>14.43 %</u>	<u>\$ 1,100,868</u>		<u>14.55 %</u>
 Total Water System Charges	 \$ 9,049,700			 \$ 7,568,378		

**Sources:**

City of Iowa City Revenue Department  
November 2002 Water Revenue Bond Transcript Official Statement

**Notes:**

<sup>1</sup>Principal water system customers not available for 2001, so used information from 2002 to be able to provide comparative information.

**CITY OF IOWA CITY, IOWA**

**SALES HISTORY AND TOTAL WATER CHARGES**

Last Ten Fiscal Years

<b><u>Fiscal Year</u></b>	<b><u>Water Sales Cubic Feet Sold</u></b>	<b><u>Water System Charges</u></b>
2001	245,725,159	\$ 8,837,339
2002	253,409,874	9,049,700
2003	257,788,030	9,308,824
2004	253,454,012	8,850,608
2005	254,560,239	8,315,719
2006	267,107,998	8,844,993
2007	261,072,632	8,414,310
2008	249,361,929	7,976,536
2009	234,804,167	7,497,903
2010	234,342,825	7,568,378

**Sources:**

City of Iowa City Revenue Department

**CITY OF IOWA CITY, IOWA**

**PRINCIPAL SEWER SYSTEM CUSTOMERS**

Current Year and Nine Years Ago

<u>Customer Name</u>	<u>2001</u>			<u>2010</u>		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	\$ 2,061,479	1	18.55 %	\$ 2,010,239	1	16.03 %
Proctor & Gamble	836,403	2	7.53	1,195,084	2	9.53
Robert's Dairy	112,074	4	1.01	199,968	3	1.59
Mercy Hospital	94,030	6	0.85	117,571	4	0.94
Iowa City Landfill Division	-	-	N/A	102,083	5	0.81
Campus Apartments	89,027	7	0.80	96,613	6	0.77
Veterans Administration Medical Center	280,222	3	2.52	96,082	7	0.77
Pennigroth Apts	-	-	NA	88,289	8	0.70
Dolphin Lake Point (Lakeside Apts)	105,822	5	0.95	83,082	9	0.66
Mark IV Apartments	59,321	10	0.53	78,338	10	0.62
University of Iowa/Mayflower Apartments	84,933	8	0.76	-	-	N/A
United Tech Auto	79,004	9	0.71	-	-	N/A
	<u>\$ 3,802,315</u>		<u>34.21 %</u>	<u>\$ 4,067,349</u>		<u>32.43 %</u>
Total Sewer System Charges	\$ 11,111,313			\$ 12,541,905		

**Sources:**

City of Iowa City Revenue Department  
 April 2002 Sewer Revenue Bond Transcript Official Statement

**CITY OF IOWA CITY, IOWA**

**SALES HISTORY AND TOTAL SEWER CHARGES**

Last Ten Fiscal Years

<b><u>Fiscal Year</u></b>	<b><u>Sewer Sales Cubic Feet Sold</u></b>	<b><u>Sewer System Charges</u></b>
2001	299,381,463	\$ 11,111,313
2002	292,323,306	11,431,949
2003	297,084,229	12,015,122
2004	294,683,685	12,482,393
2005	297,714,953	12,557,646
2006	302,925,357	12,373,762
2007	315,199,203	11,084,369
2008	285,492,596	12,221,769
2009	276,455,246	12,499,949
2010	265,375,857	12,541,905

**Sources:**

City of Iowa City Revenue Department

**CITY OF IOWA CITY, IOWA**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b><u>Governmental Activities</u></b>		<b><u>Business-Type Activities</u></b>		<b><u>Total Primary Government</u></b>	<b><u>Percentage of Personal Income<sup>1</sup></u></b>	<b><u>Per Capita<sup>1</sup></u></b>
	<b><u>General Obligation Bonds</u></b>	<b><u>Capital Loan Note</u></b>	<b><u>General Obligation Bonds</u></b>	<b><u>Revenue Bonds</u></b>			
2001	\$ 46,697,343	\$ -	\$ 14,867,657	\$ 111,245,000	\$ 172,810,000	4.32%	\$ 2,777
2002	72,198,652	-	13,061,348	141,410,000	226,670,000	5.50%	3,643
2003	71,641,169	-	11,358,831	120,310,000	203,310,000	4.80%	3,259
2004	79,344,600	-	9,640,400	115,710,000	204,695,000	4.49%	3,281
2005	77,015,379	211,000	8,274,622	110,930,000	196,431,001	4.18%	3,149
2006	78,181,155	211,000	6,878,845	105,915,000	191,186,000	3.78%	3,040
2007	80,350,630	211,000	5,489,370	100,760,000	186,811,000	3.43%	2,786
2008	82,177,395	211,000	4,912,605	95,345,000	182,646,000	3.20%	2,693
2009	80,654,160	211,000	4,340,840	87,815,000	173,021,000	2.99%	2,504
2010	71,299,622	211,000	3,750,378	78,335,000	153,596,000	2.54%	2,223

**Notes:**

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

<sup>1</sup> Population and personal income information can be found on page 124.

**CITY OF IOWA CITY, IOWA**

**RATIOS OF GENERAL OBLIGATION BONDED DEBT<sup>1</sup>  
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita)

<b><u>Fiscal Year</u></b>	<b><u>Property Assessed Value<sup>2</sup></u></b>	<b><u>Gross Bonded Debt</u></b>	<b><u>Debt Payable from Proprietary</u></b>	<b><u>Debt Service Fund Balance</u></b>	<b><u>Net General Obligation Bonded Debt</u></b>	<b><u>Ratio of Net Bonded Debt to Assessed Value</u></b>	<b><u>Net Bonded Debt Per Capita<sup>3</sup></u></b>
2001	\$ 2,909,644	\$ 61,565	\$ 14,868	\$ 494	\$ 46,203	15.88:1000	\$ 743
2002	2,962,505	85,260	13,061	464	71,735	24.21:1000	1,153
2003	3,195,171	83,000	11,359	4,448	67,193	21.03:1000	1,077
2004	3,295,986	88,985	9,640	6,930	72,415	22.36:1000	1,161
2005	3,815,381	85,290	8,275	3,067	73,948	19.38:1000	1,185
2006	3,931,784	85,060	6,879	2,725	75,456	19.19:1000	1,200
2007	4,267,009	85,840	5,489	4,289	76,062	17.83:1000	1,134
2008	4,379,475	87,090	4,913	8,691	73,486	16.78:1000	1,083
2009	4,453,099	84,995	4,341	11,759	68,895	15.47:1000	997
2010	4,529,279	75,050	3,750	13,952	57,348	12.66:1000	830

**Notes:**

<sup>1</sup> General Obligation bonds.

<sup>2</sup> Obtained from the City of Iowa City Assessor's Office.

<sup>3</sup> Population data can be found on page 124.

**CITY OF IOWA CITY, IOWA**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES<sup>1</sup>**

Last Ten Fiscal Years

(amounts expressed in thousands)

<b>Fiscal Year Ended June 30</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>	<b><u>Total General Governmental Expenditures and Transfers</u></b>	<b><u>Ratio of Debt Service to General Expenditures</u></b>
2001	\$ 3,541	\$ 1,763	\$ 5,304	\$ 53,898	.10 : 1.00
2002	3,599	2,136	5,735	53,462	.11 : 1.00
2003 <sup>2</sup>	4,742	3,683	8,425	82,001	.10 : 1.00
2004	5,172	3,336	8,508	83,445	.10 : 1.00
2005	9,349	3,676	13,025	88,342	.15 : 1.00
2006	6,099	3,458	9,557	93,360	.10 : 1.00
2007	6,700	3,464	10,164	93,639	.11 : 1.00
2008	7,323	3,556	10,879	99,178	.11 : 1.00
2009	8,418	3,364	11,782	102,607	.11 : 1.00
2010	9,354	3,064	12,418	108,950	.11 : 1.00

**Notes:**

<sup>1</sup> General Fund, Special Revenue Funds and Debt Service Fund.

<sup>2</sup> Beginning in FY03, Capital Projects Funds are also included.

**CITY OF IOWA CITY, IOWA**

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

June 30, 2010

(amounts expressed in thousands, except per capita)

<u>Name of Governmental Unit</u>	<u>Total General Long-Term Bonded Debt Outstanding</u>	<u>% Applicable to the City of Iowa City</u>	<u>Amount Applicable to the City of Iowa City</u>	<u>Per Capita</u>
City of Iowa City	\$ 75,050	100.00%	\$ 75,050	\$ 1,086
Iowa City Community School District	<u>24,160</u>	59.36%	<u>14,341</u>	<u>208</u>
Total	<u>\$ 99,210</u>		<u>\$ 89,391</u>	<u>\$ 1,294</u>
Per capita assessed value				<u>\$ 64,565</u>

**Source:** Johnson County Auditor's Office.

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Iowa City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**CITY OF IOWA CITY, IOWA**

**LEGAL DEBT MARGIN INFORMATION**

Last Ten Fiscal Years

(amounts expressed in thousands)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Fiscal Year 2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$ 129,891	\$ 134,997	\$ 145,482	\$ 148,125	\$ 159,759	\$ 164,799	\$ 190,769	\$ 196,589	\$ 213,350	\$ 218,974
Total net debt applicable to limit	61,565	85,260	83,000	88,985	85,290	85,060	85,840	87,090	84,995	75,050
Legal debt margin	<u>\$ 68,326</u>	<u>\$ 49,737</u>	<u>\$ 62,482</u>	<u>\$ 59,140</u>	<u>\$ 74,469</u>	<u>\$ 79,739</u>	<u>\$ 104,929</u>	<u>\$ 109,499</u>	<u>\$ 128,355</u>	<u>\$ 143,924</u>
Total net debt applicable to the limit as a percentage of debt limit	47.40%	63.16%	57.05%	60.07%	53.39%	51.61%	45.00%	44.30%	39.84%	34.27%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Total Assessed Valuation	\$ 4,379,474,863
Debt Limit - 5% of Total Assessed Valuation	218,973,743
Less: Amount of Debt Applicable to Debt Limit	<u>75,050,000</u>
Legal Debt Margin	<u>\$ 143,923,743</u>

**Note:** Under Iowa code, the city's outstanding general obligation debt should not exceed 5 percent of total assessed property value.

**CITY OF IOWA CITY, IOWA**

**GENERAL OBLIGATION DEBT ANNUAL MATURITY SCHEDULE**

<b>Fiscal Year</b>	<b>Payments</b>			<b>Funding Source(s)</b>			<b>Principal Outstanding at Beginning of Fiscal Year</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Property Tax Revenue</b>	<b>Tax Increment Financing</b>	<b>Water Revenue</b>	
2010	\$ 9,945,000	\$ 3,225,756	\$ 13,170,756	\$ 11,749,915	\$ 668,553	\$ 752,288	\$ 84,995,000
2011	10,175,000	2,896,884	13,071,884	11,656,922	669,953	745,009	75,050,000
2012	10,500,000	2,546,976	13,046,976	11,635,894	668,978	742,104	64,875,000
2013	9,495,000	2,179,526	11,674,526	10,269,976	666,403	738,147	54,375,000
2014	9,195,000	1,843,921	11,038,921	9,662,254	668,115	708,552	44,880,000
2015	8,805,000	1,492,746	10,297,746	8,926,181	668,878	702,687	35,685,000
2016	7,825,000	1,152,151	8,977,151	7,986,336	673,690	317,125	26,880,000
2017	6,225,000	844,846	7,069,846	6,086,693	677,090	306,063	19,055,000
2018	5,070,000	599,996	5,669,996	4,991,062	678,934	-	12,830,000
2019	2,570,000	387,034	2,957,034	2,277,600	679,434	-	7,760,000
2020	1,900,000	266,184	2,166,184	1,483,000	683,184	-	5,190,000
2021	2,005,000	170,490	2,175,490	1,485,750	689,740	-	3,290,000
2022	625,000	68,765	693,765	-	693,765	-	1,285,000
2023	660,000	35,640	695,640	-	695,640	-	660,000
<b>Total</b>	<b>\$ 84,995,000</b>	<b>\$ 17,710,915</b>	<b>\$ 102,705,915</b>	<b>\$ 88,211,583</b>	<b>\$ 9,482,357</b>	<b>\$ 5,011,975</b>	

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF REVENUE BOND COVERAGE**

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	Revenue	Expenses <sup>1</sup>	Net Revenue Available for Debt Service	Annual Debt Service <sup>2</sup>			Ratio of Coverage
				Principal	Interest	Total	
<b>Parking Revenue<sup>3</sup></b>							
2001	\$ 4,309	\$ 2,176	\$ 2,133	\$ 485	\$ 836	\$ 1,321	1.61
2002	4,272	1,960	2,312	510	746	1,256	1.84
2003	4,198	1,953	2,245	375	715	1,090	2.06
2004	4,164	2,319	1,845	395	687	1,082	1.71
2005	4,360	2,377	1,983	305	663	968	2.05
2006	4,161	2,380	1,781	320	645	965	1.85
2007	5,035	2,973	2,062	335	626	961	2.15
2008	4,995	2,454	2,541	355	606	961	2.64
2009	5,630	3,024	2,606	370	584	954	2.73
2010 <sup>6</sup>	5,509	3,149	2,360	390	504	894	2.64
<b>Wastewater Treatment Revenue<sup>4</sup></b>							
2001	\$ 12,824	\$ 3,248	\$ 9,576	\$ 2,505	\$ 3,589	\$ 6,094	1.57
2002	12,501	3,389	9,112	3,005	4,236	7,241	1.26
2003	13,000	4,463	8,537	3,060	4,385	7,445	1.15
2004	12,947	4,523	8,424	3,280	3,672	6,952	1.21
2005	12,600	4,432	8,168	3,630	3,537	7,167	1.14
2006	12,798	4,260	8,538	3,815	3,390	7,205	1.19
2007	13,708	4,236	9,472	3,905	3,234	7,139	1.33
2008	13,332	4,581	8,751	4,105	3,071	7,176	1.22
2009 <sup>6</sup>	13,462	5,202	8,260	4,260	2,813	7,073	1.17
2010 <sup>6</sup>	13,174	5,050	8,124	4,205	2,307	6,512	1.25
<b>Water Revenue<sup>5</sup></b>							
2001	\$ 10,629	\$ 3,410	\$ 7,219	\$ 140	\$ 445	\$ 585	12.34
2002	10,179	3,428	6,751	705	1,175	1,880	3.59
2003	10,241	4,361	5,880	500	1,088	1,588	3.70
2004	10,627	4,360	6,267	925	1,427	2,352	2.66
2005	9,287	4,783	4,504	845	1,340	2,185	2.06
2006	9,918	5,722	4,196	880	1,305	2,185	1.92
2007	9,220	5,356	3,864	915	1,268	2,183	1.77
2008	9,258	5,348	3,910	955	1,229	2,184	1.79
2009 <sup>6</sup>	8,833	5,726	3,107	995	1,171	2,166	1.43
2010 <sup>6</sup>	8,336	5,153	3,183	680	1,055	1,735	1.83

**Notes:**

<sup>1</sup> Excludes depreciation and interest.

<sup>2</sup> Includes principal and interest of revenue bonds only.

<sup>3</sup> Parking Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.25.

<sup>4</sup> Wastewater Treatment Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.10.

<sup>5</sup> Water Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.10.

<sup>6</sup> Refunded Revenue Bonds paid are excluded from the principal of Annual Debt Service.

**CITY OF IOWA CITY, IOWA**

**REVENUE DEBT ANNUAL MATURITY SCHEDULE**

Fiscal Year	Payments			Funding Source(s)			Principal Outstanding at Beginning of Fiscal Year
	Principal	Interest	Total	Sewer Revenue	Parking Revenue	Water Revenue	
2010 <sup>1</sup>	\$ 33,670,000	\$ 3,865,927	\$ 37,535,927	\$ 6,912,469	\$ 893,862	\$ 1,734,596	\$ 87,815,000
2011	3,370,000	3,346,900	6,716,900	3,894,003	810,926	2,011,971	78,335,000
2012	6,315,000	2,893,609	9,208,609	6,308,000	839,200	2,061,409	74,965,000
2013	6,625,000	2,688,718	9,313,718	6,411,888	838,975	2,062,855	68,650,000
2014	5,075,000	2,498,787	7,573,787	4,668,681	838,300	2,066,806	62,025,000
2015	5,255,000	2,319,945	7,574,945	4,674,900	832,250	2,067,795	56,950,000
2016	5,475,000	2,118,837	7,593,837	4,695,119	832,950	2,065,768	51,695,000
2017	5,655,000	1,900,255	7,555,255	4,659,575	830,150	2,065,530	46,220,000
2018	5,895,000	1,669,306	7,564,306	4,661,575	831,450	2,071,281	40,565,000
2019	6,115,000	1,426,737	7,541,737	4,646,400	826,850	2,068,487	34,670,000
2020	6,385,000	1,161,332	7,546,332	4,647,463	826,350	2,072,519	28,555,000
2021	6,135,000	884,216	7,019,216	4,118,013	828,900	2,072,303	22,170,000
2022	4,980,000	633,225	5,613,225	2,717,288	824,469	2,071,468	16,035,000
2023	3,825,000	430,279	4,255,279	1,361,250	823,869	2,070,160	11,055,000
2024	2,795,000	276,097	3,071,097	793,250	824,000	1,453,847	7,230,000
2025	2,825,000	143,106	2,968,106	797,250	712,375	1,458,481	4,435,000
2026	1,610,000	38,163	1,648,163	794,375	-	853,788	1,610,000
<b>Total</b>	<b>\$ 112,005,000</b>	<b>\$ 28,295,439</b>	<b>\$ 140,300,439</b>	<b>\$ 66,761,499</b>	<b>\$ 13,214,876</b>	<b>\$ 32,329,064</b>	

**Notes:**

<sup>1</sup> Additional principal payments above the funding sources for 2010 were funded through the refunding of bonds issued November 2009 and April 2010.

**CITY OF IOWA CITY, IOWA**

**REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE**

**Parking**

Fiscal Year	Outstanding		Total
	Principal	Interest	
2010 <sup>1</sup>	\$ 390,000	\$ 503,862	\$ 893,862
2011	420,000	390,926	810,926
2012	500,000	339,200	839,200
2013	515,000	323,975	838,975
2014	530,000	308,300	838,300
2015	540,000	292,250	832,250
2016	560,000	272,950	832,950
2017	580,000	250,150	830,150
2018	605,000	226,450	831,450
2019	625,000	201,850	826,850
2020	650,000	176,350	826,350
2021	680,000	148,900	828,900
2022	705,000	119,469	824,469
2023	735,000	88,869	823,869
2024	770,000	54,000	824,000
2025	695,000	17,375	712,375
Total	<u>\$ 9,500,000</u>	<u>\$ 3,714,876</u>	<u>\$ 13,214,876</u>

**Sewer**

Fiscal Year	Outstanding		Total
	Principal	Interest	
2010 <sup>1</sup>	\$ 4,205,000	\$ 2,307,469	\$ 6,512,469
2011	1,840,000	2,054,003	3,894,003
2012	4,615,000	1,693,000	6,308,000
2013	4,865,000	1,546,888	6,411,888
2014	3,250,000	1,418,681	4,668,681
2015	3,370,000	1,304,900	4,674,900
2016	3,520,000	1,175,119	4,695,119
2017	3,625,000	1,034,575	4,659,575
2018	3,775,000	886,575	4,661,575
2019	3,915,000	731,400	4,646,400
2020	4,090,000	557,463	4,647,463
2021	3,740,000	378,013	4,118,013
2022	2,485,000	232,288	2,717,288
2023	1,220,000	141,250	1,361,250
2024	700,000	93,250	793,250
2025	740,000	57,250	797,250
2026	775,000	19,375	794,375
Total	<u>\$ 50,730,000</u>	<u>\$ 15,631,499</u>	<u>\$ 66,361,499</u>

(continued)

**CITY OF IOWA CITY, IOWA**

**REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE (continued)**

**Water**

Fiscal Year	Outstanding		Total
	Principal	Interest	
2010 <sup>1</sup>	\$ 680,000	\$ 1,054,596	\$ 1,734,596
2011	1,110,000	901,971	2,011,971
2012	1,200,000	861,409	2,061,409
2013	1,245,000	817,855	2,062,855
2014	1,295,000	771,806	2,066,806
2015	1,345,000	722,795	2,067,795
2016	1,395,000	670,768	2,065,768
2017	1,450,000	615,530	2,065,530
2018	1,515,000	556,281	2,071,281
2019	1,575,000	493,487	2,068,487
2020	1,645,000	427,519	2,072,519
2021	1,715,000	357,303	2,072,303
2022	1,790,000	281,468	2,071,468
2023	1,870,000	200,160	2,070,160
2024	1,325,000	128,847	1,453,847
2025	1,390,000	68,481	1,458,481
2026	835,000	18,788	853,788
Total	<u>\$ 23,380,000</u>	<u>\$ 8,949,064</u>	<u>\$ 32,329,064</u>

**Notes:**

<sup>1</sup>Amounts for Principal excludes called revenue bonds.

**CITY OF IOWA CITY, IOWA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**

Last Ten Calendar Years

<b>Calendar Year</b>	<b>Population<sup>6</sup></b>	<b>Personal Income<sup>1</sup></b>	<b>Per Capita Personal Income<sup>1</sup></b>	<b>School Enrollment<sup>2</sup></b>	<b>Unemployment Rate<sup>3</sup></b>	<b>Retail Sales<sup>4</sup></b>
2001	62,220	4,002,951	29,678	11,603	2.4	780,591,426
2002	62,220	4,121,142	30,182	11,697	3.2	766,901,892
2003	62,380	4,238,881	30,616	11,700	3.5	776,693,440
2004	62,380	4,556,578	32,372	11,885	4.0	854,156,442
2005	62,380	4,702,875	33,066	11,866	2.9	878,009,171
2006	62,887	5,054,903	35,038	11,988	2.4	901,481,066
2007	67,062	5,440,966	37,092	12,824	2.9	934,971,428
2008	67,831	5,716,364	38,273	12,911	3.1	958,509,729
2009	69,086	5,783,699	37,985	13,049	4.3	905,139,461
2010 <sup>5</sup>	69,086	6,043,695	39,164	13,319	4.3	725,329,723

**Sources and Notes:**

<sup>1</sup> Personal Income and Per Capita Personal Income based on metropolitan Iowa City / Coralville and based on figures from Bureau of Economic Analysis. Personal Income expressed in thousands.

<sup>2</sup>Iowa City Community School District and local private schools

<sup>3</sup>Iowa Workforce Development Center

<sup>4</sup>Iowa Retail Sales & Use Report, Iowa Department of Revenue and Finance. Fiscal year ending March 31.

<sup>5</sup>Personal Income and Per Capita Personal Income for 2010 not available. Amounts projected based on average increase over previous 9 years.

<sup>6</sup>US Census Bureau

**CITY OF IOWA CITY, IOWA**

**PRINCIPAL EMPLOYERS**

Current Year and Nine Years Ago

<u>Employers</u>	<u>2001</u>		<u>2010</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	23,648	1	35,069	1	36.9 %
Iowa City Community School District	1,316	2	1,676	2	1.8
NCS Pearson	1,252	3	1,400	3	1.5
Veterans Administration Medical Center	1,239	4	1,351	4	1.4
Mercy Hospital	1,214	5	1,266	5	1.3
ACT Inc. (formerly American College Testing Program)	1,100	6	1,221	6	1.3
Hy-Vee	843	8	1,166	7	1.2
City of Iowa City	613	10	957	8	1.0
International Automotive Components formerly Lear Corp	900	7	838	9	0.9
Gillette Canada (Oral B Laboratories)	731	9	720	10	0.8
	<u>32,856</u>		<u>45,664</u>		<u>48.1 %</u>
<b>Total Employees</b>			95,000		

**Sources:**

City of Iowa City Economic Development Division Community Profile (including full and part-time employees).

**Note:**

Total number of employees is not available for 2001, percentage of total city employment by employer is not presented.

**CITY OF IOWA CITY, IOWA**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**

Last Ten Fiscal Years

Full-Time Equivalent Employees as of June 30

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public Safety						
Police	96.25	97.25	97.25	97.25	94.25	94.25
Fire	52	58	58	58	56	57
Animal Shelter	5.5	5.5	6	6	6	6
Inspection Services	14.13	14.13	14.13	14.13	13.88	14.88
Public Works						
Public Works Admin	3	2	2	2	2	2
Engineering	11.6	13.6	13.6	13.6	11.6	11.6
Traffic Engineering	4.15	4.15	5.65	5.65	5.65	4.15
Streets	23.5	23.5	22	22	22	23.5
Culture and Recreation						
Parks and Rec Admin	2	2	2	2	2	2
Recreation	15.17	15.17	15.17	15.17	15.17	15.17
Parks	13	13	13	13	12	13
Forestry	3	3	3	3	3	3
Cemetery	3	3	3	3	3	3
CBD Maintenance	3	3	3	3	3	3
Library	40.25	41.25	41.25	43.25	42.63	42.63
Senior Center	6	6	5.81	5.81	6.31	6.31
Community and Economic Developmen	8.55	9.05	8.35	9.45	8.45	8.45
General Government						
City Council	7	7	7	7	7	7
City Manager	3	3	3	3	3	3
City Clerk	4.5	4.5	4	4	4	4
City Attorney	6	6.6	6.6	6.6	6.6	6.6
Tort Liabilitiy, Insurance						
Personnel	4	4	4	4	4	4
Finance	27.36	28.61	28.61	28.61	26.61	26.75
Government Buildings	4.97	4.96	4.96	4.96	4.96	4.96
Energy Conservation	0.5	0.5	0.5	0.5	0.5	0.5
Human Rights	2	2	2.5	2.5	2.5	2.5
Transit	48.25	48.5	48.5	48.5	50.5	50.5
Special Revenue						
Employee Benefits	0.45	0.4	0.34	0.34	0.34	0.39
CIP / Roads	6	7	7	7	3	2
Community Development	4.75	4.75	5.45	5.35	4.35	4.35
JCCOG	6.1	6.1	6.1	6.1	6.1	6.6
Library Development	1.5	1.5	1.5	1.5	0.8	1
Internal Service Funds						
Information Technology	7.5	7.5	7.5	7.5	8	11.75
Equipment	9.5	10.25	11.25	11.26	11.25	11.26
Central Services	2.25	0.75	0.75	0.75	0.75	0.75
Risk Management	1.46	1.26	1.33	1.33	1.32	1.38
Business-Type Activities						
Parking	37	37	31.5	31.5	32.75	32.75
Wastewater Treatment	25.3	26.3	26.3	27.3	27.3	25.5
Water	26.2	28.2	30.7	31.7	31.7	32.5
Sanitation	32.35	32.35	32.35	32.35	34.35	33.85
Airport	2	2	2	2	2	1.6
Cable television	5.25	5.25	6.19	6.19	6.19	6.19
Stormwater						0.5
Housing Authority	12.5	12.5	12.5	12.5	12.75	13.25
<b>Total</b>	<u>591.79</u>	<u>606.38</u>	<u>605.64</u>	<u>610.65</u>	<u>599.56</u>	<u>605.37</u>

**Source:** City's Financial Plans.

Full-Time Equivalent Employees as of June 30

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
96.25	96.25	103.25	103.25
57	57	57	57
6	6	6	6
14.88	15.38	15.55	15.55
2	2	2	2
11.6	11.35	11.35	11.35
4.15	4.15	4.15	4.15
23.5	23.5	25.5	25.5
2	2	2	2
15.42	15.42	15.42	15.42
13	13	13	13
3	3	3	3
3	3	3	3
3	3	3	3
42.89	43.14	43.14	43.14
6.31	6.31	6.31	6.31
8.45	8.95	9.05	9.05
7	7	7	7
3	3	3	3
4	4	4	4
6.6	6.6	6	6
4	4	1	1
4	4	4	4
26.75	26.5	25.3	25.3
4.96	4.96	4.96	4.96
0.5	0.25	0.25	0.25
2.5	2.5	2.5	2.5
50.5	54.75	58.5	58.5
0.39	0.29	0.29	0.29
2	1	2	2
4.35	3.98	3.88	3.88
6.6	6.6	6.6	6.6
1	1	1	1
12	12.3	12.3	12.3
11.26	11.26	11.26	11.26
0.75	0.75	0.75	0.75
1.38	1.73	1.93	1.93
32.75	32.75	33.25	33.25
25.5	25.5	25.6	25.6
32	32.75	32.75	32.75
33.85	34.85	34.85	35.85
1.6	1.6	1.75	1.75
6.19	6.19	6.44	6.44
1	2	1.9	1.9
13.25	13.25	13.25	13.25
<u>608.13</u>	<u>614.81</u>	<u>629.03</u>	<u>630.03</u>

**CITY OF IOWA CITY, IOWA**

**OPERATING INDICATORS BY FUNCTION**

Last Ten Fiscal Years

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety										
Police <sup>1</sup>										
Physical arrests	7,339	8,929	8,016	7,288	7,528	6,895	6,505	6,434	6,486	4,939
Traffic Violations	8,047	7,639	7,428	8,515	7,428	8,198	6,684	5,827	4,460	3,498
Fire <sup>2</sup>										
Number of calls answered	3,570	3,519	3,546	3,518	3,596	3,679	4,136	4,257	4,152	3,851
Inspections conducted	1,079	989	936	975	1,083	1,232	1,495	1,712	1,959	1,781
Parking										
Parking Violations <sup>3</sup>	N/A	N/A	186,674	155,338	145,033	139,338	166,187	147,673	126,050	118,717
Wastewater Treatment										
Daily average treatment in gallons <sup>4</sup>	5,710,000	5,110,000	4,530,000	4,960,000	4,870,000	4,580,000	9,430,000	12,810,000	12,340,000	12,860,000
Maximum daily capacity of plant in gallons	35,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	41,000,000	41,000,000	41,100,000
Number of sewer system customers	19,480	20,106	20,708	21,165	21,552	22,046	22,481	22,909	23,161	23,344
Water										
Daily average consumption in gallons	5,717,000	6,000,000	6,034,000	5,742,000	5,448,500	5,680,600	5,516,238	5,475,122	5,508,077	5,483,255
Maximum daily capacity of plant in gallons	10,500,000	10,500,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000
Water System Customers by Classification										
Residential	19,600	20,308	20,992	21,527	21,972	22,529	22,973	21,454	21,334	21,560
Commercial	1,325	1,341	1,358	1,377	1,400	1,408	1,448	1,378	1,385	1,372
Industrial	12	12	12	13	13	13	13	13	14	13
Other	124	124	127	125	129	134	137	139	142	148
Total Customers	21,061	21,785	22,489	23,042	23,514	24,084	24,571	22,984	22,875	23,093
Sanitation										
Number of Customers	13,555	13,668	13,806	13,983	14,158	14,371	14,556	14,574	14,700	14,831
Tons	7,905	8,138	8,062	8,716	8,667	8,463	8,722	8,834	8,747	8,869
Landfill										
Tonnage	97,208	103,404	103,585	108,155	113,356	111,124	135,315	132,760	140,810	150,369

**Sources:** Various city divisions.

**Notes:**

<sup>1</sup> Numbers are based on a calendar year and 2010 figures are compiled through 11/30/10.

<sup>2</sup> Numbers are based on a calendar year and 2010 figures are compiled through 10/01/10 for inspection and 10/01/10 for calls.

<sup>3</sup> Information on the number of parking violations not available for FY01 and FY02.

<sup>4</sup> Numbers for FY07 and after are based on both the North and South Wastewater Plants.



**CITY OF IOWA CITY, IOWA**

**CAPITAL ASSETS BY FUNCTION**

Last Ten Fiscal Years

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	17	17	17	17	17	17	17	17	18
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire apparatus	8	8	8	8	8	8	8	9	9	9
Public Works										
Streets										
Miles	249	251	256	259	262	262	268	269	270	272
Street Lights	2,863	2,920	2,919	3,352	3,357	3,378	3,395	3,403	3,408	3,410
Culture and Recreation										
Library	1	1	1	1	1	1	1	1	1	1
Cemetery	1	1	1	1	1	1	1	1	1	1
Acreage	40	40	40	40	40	40	40	40	40	40
Parks	50	50	50	61	61	61	61	61	61	40
Acreage	1,322	1,322	1,322	1,400	1,400	1,400	1,600	1,603	1603	1335
Recreation										
Recreation center	2	2	2	2	2	2	2	2	2	2
Swimming pools	3	3	3	3	3	3	3	3	3	3
Ball diamonds	29	29	29	29	29	29	29	31	30	30
Tennis courts	12	12	12	12	12	12	12	12	12	12
Soccer fields	25	25	25	25	25	25	25	25	20	20

(continued)

**CITY OF IOWA CITY, IOWA**

**CAPITAL ASSETS BY FUNCTION (continued)**

Last Ten Fiscal Years

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Parking										
Facilities	4	4	4	4	4	5	5	5	5	5
Spaces	2,537	2,537	2,537	2,537	2,537	3,137	3,100	3,085	3,086	3,086
Wastewater Treatment										
Miles of sanitary sewer	263	266	269	274	277	280	286	288	289	291
Miles of storm sewer	91	94	98	102	105	110	117	118	120	122
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connectors	21,061	21,785	22,514	23,077	23,558	24,113	24,903	25,104	23,161	23,344
Water										
Miles of water mains	252	260	265	269	272	277	283	284	288	290
Number of city owned fire hydrants	2,109	2,182	2,243	2,340	2,448	2,474	2,569	2,575	2,635	2,662
Sanitation										
Landfills	1	1	1	1	1	1	1	1	1	1
Acreage	200	200	200	200	200	200	200	395	395	395

**Sources:** Various city divisions.





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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Iowa City, Iowa, and are reported in Part III of the accompanying Schedule of Findings and Questioned Costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's responses, we did not audit the City's responses, and accordingly, we express no opinion on them.

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

*Eide Bailly LLP*

Dubuque, Iowa

December 15, 2010, except for Note 3 to the Schedule of Expenditures of Federal Awards which is dated May 31, 2012



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Iowa City, Iowa, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Iowa City, Iowa, complied, in all material respects, with the compliance requirements referred to above that that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Subsequent to the issuance of the City's 2010 financial statements and our report dated December 15, 2010, we became aware that certain testing procedures required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, had not been performed. Upon performing those procedures, we determined that finding II-B-10 should be included within this report. In our original report we expressed an unqualified opinion on the 2010 compliance, and our opinion on compliance, as expressed herein, remains unqualified.

## Internal Control Over Compliance

Management of the City of Iowa City, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Eide Bailly LLP*

Dubuque, Iowa

December 15, 2010, except for Note 3 to the Schedule of Expenditures of Federal Awards which is dated May 31, 2012

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Commerce			
Direct Program			
Economic Adjustment Assistance	11.307		\$ 5,603
Economic Adjustment Assistance	11.307		<u>27,684</u>
Total U.S. Department of Commerce			<u>33,287</u>
U.S. Department of Housing and Urban Development			
Direct Program			
Community Development Block Grants/ Entitlement Grants	14.218		279,566
Community Development Block Grants/ Entitlement Grants	14.218		<u>515,972</u>
			<u>795,538</u>
Pass-Through Program From			
Iowa Department of Economic Development			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRMH-015	584,709
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRMH-215	829,858
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRB-204	819,294
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-210	1,297,500
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-071	34,650
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-225	1,896,523
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-010	<u>2,387,928</u>
			<u>7,850,462</u>

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2010**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Housing and Urban Development (continued)			
Direct Program			
HOME Investment Partnerships Program	14.239		\$ 61,186
HOME Investment Partnerships Program	14.239		53,272
HOME Investment Partnerships Program	14.239		184,569
HOME Investment Partnerships Program	14.239		<u>202,297</u>
			<u>501,324</u>
ARRA – Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)			
	14.253		<u>176,785</u>
Public and Indian Housing	14.850		122,330
Public and Indian Housing	14.850		<u>106,870</u>
			<u>229,200</u>
Section 8 Housing Choice Vouchers	14.871		<u>7,237,907</u>
Public Housing Capital Fund	14.872		44,415
Public Housing Capital Fund	14.872		<u>109,360</u>
			<u>153,775</u>
ARRA - Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885		<u>169,005</u>
Total U.S. Department of Housing and Urban Development			<u>17,113,996</u>
U.S. Department of Justice			
Pass-Through Program From Iowa Department of Justice			
Violence Against Women Formula Grants	16.588	VW-10-34	<u>46,929</u>
Direct Program			
Bulletproof Vest Partnership Program	16.607		216
Bulletproof Vest Partnership Program	16.607		<u>1,535</u>
			<u>1,751</u>
Pass-Through Program From Governor’s Office of Drug Control Policy Public Safety Partnership and Community Policing Grants			
	16.710	09-Hotspots/ Interdiction-09	<u>1,642</u>
Direct Program			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		6,698
Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>2,885</u>
			<u>9,583</u>

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2010**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Justice (continued)			
Pass-Through Program From			
Governor's Office of Drug Control Policy			
ARRA – Edward Byrne Memorial Justice			
Assistance Grant Program/Grants to States			
and Territories			
	16.803	09JAG/ARRA-206	<u>\$ 123,675</u>
Direct Program			
ARRA – Edward Byrne Memorial Justice			
Assistance Grant Program/Grants to Units			
of Local Government			
	16.804		<u>179,973</u>
Total U.S. Department of Justice			<u>363,553</u>
U.S. Department of Transportation			
Direct Program			
Airport Improvement Program	20.106		1,673
Airport Improvement Program	20.106		281,569
Airport Improvement Program	20.106		6,635
Airport Improvement Program	20.106		26,678
ARRA - Airport Improvement Program	20.106		1,269,453
Airport Improvement Program	20.106		6,715
Airport Improvement Program	20.106		<u>1,698,358</u>
			<u>3,291,081</u>
Pass-Through Program From			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	FHWAIA08-05	23,628
Highway Planning and Construction	20.205	FHWAIA08-02	18,898
Highway Planning and Construction	20.205	FHWAIA08-03	34,829
Highway Planning and Construction	20.205	10MPO-JCCOG	126,681
ARRA -Highway Planning and			
Construction	20.205	ESL-3715(643)--7S-52	600,000
Highway Planning and Construction	20.205	HDP-3715(628)--71-52	<u>357,184</u>
			<u>1,161,220</u>
Federal Transit – Capital Investment Grants	20.500	IA-04-0113-371-07	4,268
Federal Transit – Capital Investment Grants	20.500	IA-04-0113-371-10	<u>882,474</u>
			<u>886,742</u>
Federal Transit – Metropolitan Planning			
Grants	20.505	10MPO-JCCOG	<u>33,136</u>

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2010**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Transportation (continued)			
Direct Program			
Federal Transit – Formula Grants	20.507		\$ 904,110
Pass-Through Program From			
Iowa Department of Transportation			
ARRA - Federal Transit – Formula Grants	20.507	IA-96-0001-210-09	<u>1,057,448</u>
			<u>1,961,558</u>
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	IA-16-X001-371-10	<u>94,336</u>
Job Access – Reverse Commute	20.516	IA-37-X012-371-09	560
Job Access – Reverse Commute	20.516	IA-37-X017-371-10	93,451
Job Access – Reverse Commute	20.516	IA-37-X017-371-09	<u>32,267</u>
			<u>126,278</u>
Iowa Department of Public Safety, Governor’s Traffic Safety Bureau			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP-10-410, Task 36	19,138
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP-09-410, Task 36	<u>10,595</u>
			<u>29,733</u>
Total U.S. Department of Transportation			<u>7,584,084</u>
U.S. Department of Energy			
Direct Program			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128		<u>20,211</u>
U.S. Department of Education			
Pass-Through Program From			
Iowa Department of Education			
ARRA – State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	S397A090016A	<u>75,568</u>

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**YEAR ENDED JUNE 30, 2010**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Homeland Security			
Pass-Through Program From			
Iowa Homeland Security and Emergency			
Management Division			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DR-IA	<u>\$ 1,565,813</u>
Hazard Mitigation Grant (B)	97.039	FEMA-DR-1763-0015 01	3,622,952
Hazard Mitigation Grant (B)	97.039	DR-1737-0001-01	8,301
Hazard Mitigation Grant (B)	97.039	DR-1763-0137-01	<u>7,142</u>
			<u>3,638,395</u>
Direct Program			
Assistance to Firefighters Grant	97.044	EMW-2008-FR-00186	<u>906,400</u>
Total U.S. Department of Homeland Security			<u>6,110,608</u>
Total			<u>\$ 31,301,307</u>

See notes to the Schedule of Expenditures of Federal Awards.

**CITY OF IOWA CITY, IOWA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

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**NOTE 1. BASIS OF PRESENTATION**

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

**NOTE 2. SUBRECIPIENTS**

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 666,836
HOME Investment Partnerships Program	14.239	326,630
Edward Byrne Memorial Justice Assistance Grant Program	16.738	9,243
ARRA – Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories	16.803	60,214
ARRA – Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	16.804	106,610

**NOTE 3. RESTATEMENT**

The City's 2010 Schedule of Expenditures of Federal Awards was reissued to report \$3,622,952 of expenditures under CFDA# 97.039 Hazard Mitigation Grant (B), instead of CFDA# 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters). A material weakness was added to the Schedule of Findings and Questioned Costs as finding II-B-10.

**CITY OF IOWA CITY, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

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

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiency	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Cluster: 14.218	Community Development Block Grants/ Entitlement Grants
14.253	ARRA – Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)
14.228	Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii
16.804	ARRA – Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
Cluster: 20.500	Federal Transit – Capital Investment Grants
20.507	Federal Transit – Formula Grants
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs	\$939,039
Auditee qualified as low-risk auditee	No

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

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**Part II: Findings Related to the Financial Statements:**

**MATERIAL WEAKNESSES:**

II-A-10 Material Audit Adjustment

Criteria – A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – During the course of our engagement, we proposed a material audit adjustment to the financial statements that would not have been identified as a result of the City’s existing internal controls and, therefore, could have resulted in a material misstatement of the City’s financial statements. The adjustment was related to a loan receivable within the Shared Revenue Fund.

Cause – There was a miscommunication between the Accounting Division and the Planning and Community Development Department regarding a payment from the Shared Revenue Fund that was a loan, not a grant.

Effect – The effect of this condition was that if the adjustment had not been recorded, the financial statements would have been materially misstated.

Recommendation – We recommend that finance staff work together with the Planning and Community Development Department to develop a process to identify and track the needed information to record the proper receivable and deferred revenue balances at year end.

Response – A separate expenditure account number has been set up for Aid to Agency payments that are external loans to help identify these payments in the General Ledger as loans versus assistance payments.

The Accounting Division will look at an internal control process to track balances in the Accounting Division to be used as a comparison to balances maintained in Planning and Community Development. Finance staff will work with the Planning and Community Development Department staff to identify the necessary information to record the proper receivable and deferred revenue balances at year end.

Due to an increase in Federal and State funding for flood and stimulus grants, the Accounting Division was already in the process of hiring an additional accountant, whose primary responsibility will be grants and who will be able to commit more time to grant reporting to help prevent issues like this in the future.

Conclusion – Response accepted.

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

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**Part II: Findings Related to the Financial Statements: (continued)**

II-B-10 Material Adjustment to the Schedule of Expenditures of Federal Awards

Criteria – A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Condition – An adjustment was made to the Schedule of Expenditures of Federal Awards to correct a data entry error that was not identified through the City’s existing internal controls and resulted in a material misstatement of the City’s Schedule of Expenditures of Federal Awards.

Cause – There is no formal internal review process for the Schedule of Expenditures of Federal Awards over City personnel administering the grant reporting. The cause of this error was a data entry error on a CFDA number that was entered in the software used to prepare the Schedule of Expenditures of Federal Awards. CFDA number 97.036 was entered rather than 97.039. Third party verification by the grant awarding agency also confirmed the incorrect CFDA number.

Effect – The effect of this condition was that the federal expenditures were reported under an incorrect CFDA number which resulted in a major program not being identified as such.

Recommendation – We recommend that finance staff develop a review procedure to insure that all information included in the Schedule of Expenditures of Federal Awards is correctly reported.

Response – Due to an increase in Federal and State funding for flood and stimulus grants, the Accounting Division hired an additional accountant in January 2011 whose primary responsibility is grants and who is able to commit more time to grant reporting. Going forward, this grant accountant will look at CFDA numbers entered into the software used to prepare the Schedule of Expenditure of Federal Awards to verify data entry.

Conclusion – Response accepted.

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

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**Part III: Other Findings Related to Required Statutory Reporting:**

- III-A-10 Certified Budget – Disbursements during the year ended June 30, 2010, did not exceed the amount budgeted.
- III-B-10 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- III-C-10 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-10 Business Transactions – No business transactions between the City and City officials or employees were noted.
- III-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- III-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- III-H-10 Revenue Bonds – No instances of non-compliance with the provisions of the City’s revenue bond resolutions were noted.