

Davenport Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2012



City of Davenport, Iowa

CITY OF DAVENPORT, IOWA
COMPREHENSIVE ANNUAL FINANCIAL
REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared by:
Finance Department
Accounting Division

Front Cover: Designed by Helen Boyd, Engineering Division

INTRODUCTORY SECTION

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INTRODUCTORY SECTION

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December 4, 2012

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

State law requires that cities publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and that their financial condition and their transactions be examined annually by the Auditor of State or by a certified public accountant. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Davenport for the fiscal year ended June 30, 2012.

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

The City's financial statements have been audited by McGladrey & Pullen, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The results of the City's Single Audit for the fiscal year ended June 30, 2012 provided no instances of material weaknesses in the internal control over compliance or significant violations of applicable laws, regulations, contracts and grants. These reports are available in the City's separately issued Single Audit Report.

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



Profile of the City

The City of Davenport, the principal city of eastern Iowa and the county seat of Scott County, is located on the Iowa bank of the Mississippi River approximately midway between the cities of Des Moines and Chicago. The City is the third largest city in Iowa. Davenport, named after Colonel George Davenport, was originally settled in 1808, making it one of the oldest cities in the upper Midwest. Incorporated in 1836, Davenport continues as one of the four remaining special charter cities in Iowa. Davenport is the major city of the Quad-City Metropolitan Area, which includes three counties located in two states. The area includes Scott County, Iowa and Rock Island and Henry Counties in Illinois. The major communities, apart from Davenport, include the cities of Bettendorf, Iowa and Rock Island, Moline and East Moline in Illinois. The Davenport-Rock Island-Moline Metropolitan Statistical Area (MSA) had an official 2010 population of 379,690. Davenport had an official 2010 population of 99,685.

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy. Historically, the economic strength of the Quad-Cities has been dependent upon the manufacturing of farm and construction equipment. During the early 1980s, with multiple plant closings and layoffs, unemployment reached a high in Davenport of 12 percent. After reaching this peak in 1983, unemployment rates have declined. This reduction in unemployment is attributed, in part, to the growth in the area of professional and nonprofessional services. The Davenport-Rock Island-Moline MSA 2011 unemployment rate (through nine months) of 6.5 % was lower than the nation (7.8%). The total number of jobs in the MSA has grown the past two years, and of the 197,200 persons in the labor force in 2012, 184,000 were employed, which is indicative of the economic diversification that has occurred. Major employment in the area includes the health care, retail, meat packing and

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

Tax base composition is diverse, consisting of 49 percent residential, 42 percent commercial, 5 percent utility and 4 percent industrial properties. The tax base is not concentrated; the largest taxpayer accounts for 5.5 percent of total value and the remaining nine leading taxpayers account for just 6.5 percent of taxable value. More detailed information on permits and principal taxpayers can be found in the statistical section of this report.

The River Renaissance on the Mississippi project was kicked off in August 2001, when the State of Iowa approved a \$20 million grant to the City as part of the \$113 million. Completed in October 2008, River Renaissance is a collection of major improvements and renovations downtown and on the riverfront, including: the Figge Art Museum, the New Ventures Center, the River Music Experience, the River Music Skybridge, the Adler Theatre Stage Expansion and Downtown Parking. Scott County, Iowa assisted with a \$5 million grant subsequent to a special referendum at which 73 percent of voters favored the bond issue. This has spurred additional investments to Downtown Davenport including One Renaissance Plaza, a \$14 million, 90,000-square-foot, Class A office facility in the downtown and approximately 250 loft apartments constructed in the old warehouse district. The \$40 million renovation of the Hotel Blackhawk is complete and re-opened in December 2010. This facility is attached to the City's RiverCenter Convention Hall and provides 130 new hotel rooms and 30 luxury market-rate apartments and adds 130 jobs in downtown Davenport. The same company, Restoration St. Louis, also restored the Forrest Block building, an 1885 Italianate style building, with 22 market-rate luxury apartments. The company has recently acquired the historic Renwick building and is beginning its development into 18 luxury apartments and 12,000 feet of street level retail. In addition, two major corporations, AT&T (previously Cingular) and eServ, a Perot Systems Company have new facilities in Davenport. AT&T is now occupying a 75,000 square foot facility, bringing 510 jobs with a total payroll of \$11 million. eServe has completed constructing a new building valued at \$5.95 million providing 60 new positions for a total of 235 jobs. Approximately 55 engineering jobs have been created with an average annual wage of \$61,000 per year.

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

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

The City's General Fund receives approximately 75 percent of its revenue from property taxes. The State of Iowa allows a maximum levy rate of \$8.10 per thousand dollars of assessed value and \$0.27 in an emergency levy. The City has been at the maximum levy rates since 1984 and 1986, respectively. Also, growth limitations are imposed on the City's property tax base by the State, including the residential property rollback. The 1995 phase out of property taxes on machinery and equipment reduced the City's property tax base by \$82 million from FY 2000 through FY 2004. The State has also exempted gas and electric utilities from property tax, and while a replacement tax was revenue neutral for three years, the actual experience has fallen short by \$50,000 per year. The taxable property tax base has grown moderately, an average of 3.6 percent annually over the last ten fiscal years ending in FY 2012, despite the above State limitations. Personnel costs represent 80 percent of the fund's expenditures. Wages have grown at an average annual rate of 4.5 percent over the last several years. Employee benefits include funding for health claims which have increased an average of 6.3 percent per year over the last 10 years ending in FY 2012. In addition, contributions to the state-wide fire and police pension system have been increasing from the FY 2010 contribution rate of 17 percent to 19.9 percent in FY 2011, 24.76 percent in FY 2012, 26.12% in FY 2013, and 30.12% in FY 2014 due to recent losses in the pension fund brought on by the national economic downturn. As a result of this structural imbalance and the challenges discussed above, employee reductions, cost sharing and non-property tax revenue increases (including a garbage collection fee imposed in FY 2005 and clean water utility fee in FY 2006) have been necessary in order to balance the fund.

Future budgets will challenge the City to continue current services within the current revenue and expenditure structure. It is important to note that the State does provide unlimited property tax levies for employee benefits (trust and agency levy), debt service (debt service levy), and insurance/claims (tort liability levy), whereas the general and emergency levies are limited as discussed above. The City also has the ability to collect a utility franchise fee on natural gas and is actively pursuing moving the City's gaming operation onto land. These non-property-tax revenues are two options that could help diversify revenues.

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

The major source of funds for the program is general obligation bonds, which are primarily financed from an unlimited debt service property tax levy and local sales tax receipts. The City attempts to leverage its program commitment with available grants from the federal and state governments and private sector partnerships. The City has had the same debt service property tax levy rate of \$1.76/\$1,000 of taxable value since FY 2007. Since that time, debt service payments have been made with a combination of property taxes received from the debt service levy, local option sales tax revenue, and the programmed usage of general debt service fund balance. The City Council increased the debt service property tax levy to \$2.05 in FY 2013.

Highlights of the Capital Improvement Program which is scheduled to begin in fiscal year 2013 include:

- Street resurfacing, full depth patching and reconstruction \$4.7 million
- Forest Grove Road Paving \$4.2 million
- Veteran's Memorial Parkway \$2.6 million (project total \$8.2 million)
- River Drive Resurfacing \$2.6 million
- Transload facility \$3.0 million (project total \$9.7 million)
- Airport Runway Rehabilitation \$4.1 million
- Continue phase II and III of the Westside diversion tunnel. This project would resolve current and projected capacity problems and open 27 square miles to development in west/northwest Davenport. (\$45.4 million total cost)

Awards and Acknowledgements

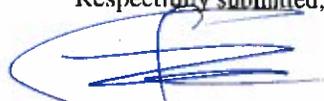
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Davenport, Iowa for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the 29th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

In addition, the City received the GFOA's Distinguished Budget Presentation Award for the FY2013 budget document. This is the 16th consecutive year that the City has received this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communication device.

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

Respectfully submitted,



Craig Malin
City Administrator



Brandon Wright
Interim Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Davenport
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.

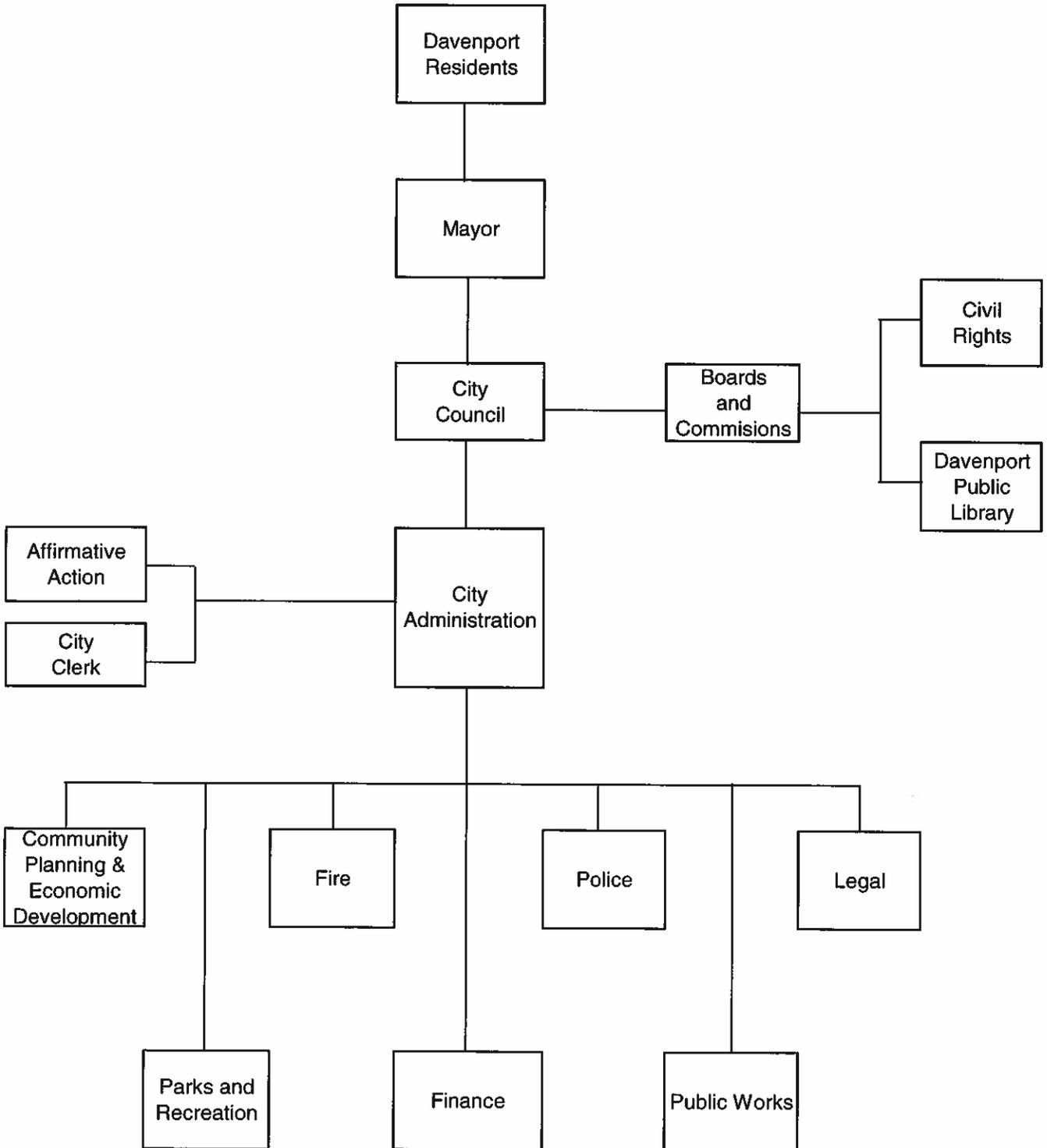


Christopher P. Moivell
President

Jeffrey R. Emer
Executive Director

CITY OF DAVENPORT

**ORGANIZATIONAL CHART
JUNE 30, 2012**



CITY OF DAVENPORT

**CITY OFFICIALS
June 30, 2012**

<u>OFFICIAL TITLE</u>	<u>OFFICIAL</u>	<u>TERM EXPIRATION DATE OF ELECTED OFFICIALS</u>
<u>Elected Officials</u>		
Mayor	William E. Gluba	1/14
Alderman at Large	Gene Meeker	1/14
Alderman at Large	Jason Gordon	1/14
Alderman First Ward	Nathan Brown	1/14
Alderman Second Ward	Bill Edmond	1/14
Alderman Third Ward	William J. Boom	1/14
Alderman Fourth Ward	Raymond A. Ambrose	1/14
Alderman Fifth Ward	Sheilia Burrage	1/14
Alderman Sixth Ward	Jeffrey W. Justin	1/14
Alderman Seventh Ward	Morris D. Barnhill	1/14
Alderman Eighth Ward	Mike Matson	1/14

Administration

City Administrator Craig Malin

Departments

Civil Rights	Judith Morrell
Community Planning and Economic Development	Pamela S. Miner
Finance	Alan E. Guard
Fire	Lynn Washburn-Livingston
Human Resources	Dawn M. Sherman
Information Technology	Rob Henry
Legal	Thomas D. Warner
Parks and Recreation	Seve Ghose
Library	LaWanda Roudebush
Police	Francis R. Donchez
Public Works	Michael F. Clarke

FINANCIAL SECTION



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davenport, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Davenport, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davenport, Iowa, as of June 30, 2012, and the respective changes in financial position and, where applicable, the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, on our consideration of the City of Davenport, Iowa'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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13, Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental and Proprietary Funds, Notes to Required Supplementary Information – Budgetary Reporting and Other Postemployment Benefit Plan on page 66 – 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Davenport, Iowa's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Davenport, Iowa's basic financial statements. The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion on or provide any assurance on it.

McGladrey LLP

Davenport, Iowa
December 4, 2012

Management's Discussion and Analysis

As management of the City of Davenport, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii through vii of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

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

- The assets of the City of Davenport exceeded its liabilities at June 30, 2012 by \$274,011 (net assets). Current liabilities exceeded current assets by \$31,116.
- The government's total net assets increased by \$11,737 during fiscal year (FY) 2012.
- At June 30, 2012, unassigned fund balance for the General Fund was \$5,606, or 8.7 percent of total General Fund expenditures, while total fund balance represents 15.4 percent of total expenditures.

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

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the government's net assets changed during FY 2012. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Davenport that are principally supported by property taxes, other local taxes and state and federal grants (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Davenport include public safety, public works, culture and recreation, community and economic development, and general government. The business-type activities of the City of Davenport include parking, sewer operations, RiverCenter (convention center), public transit, public housing, golf courses, airport, solid waste collection, clean water utility, and River's Edge (indoor recreational facility).

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

The government-wide financial statements can be found on pages 14 through 17 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Davenport maintains 15 individual governmental funds. In the basic financial statements, information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances (deficits) for the General Fund, General Debt Service Fund, Local Option Sales Tax Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report (supplemental information).

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

The basic governmental fund financial statements can be found on pages 18 through 25 of this report.

Proprietary funds. The City of Davenport maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Davenport's various functions. The City of Davenport uses internal service funds to account for employee health insurance, risk management, and information management services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The City of Davenport maintains ten enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. In the basic financial statements, the proprietary fund financial statements provide separate information for the parking system, sewer operations, RiverCenter, and clean water as these are considered to be major funds of the City of Davenport. Data from the other six enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report (supplemental information). The three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report (supplemental information).

The basic proprietary fund financial statements can be found on pages 26 through 37 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Davenport's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has three agency funds. The basic agency fund financial statements can be found on page 38 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 through 64 of this report.

Supplementary information. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, internal services funds, and agency funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 71 through 91 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Comparative data from fiscal year 2011 and 2012 are presented below. In Davenport, assets exceeded liabilities by \$274,011 at the close of the fiscal year ended June 30, 2012.

	Governmental Activities		Business-type activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 155,465	\$ 120,593	\$ 34,708	\$ 26,426	\$ 190,173	\$ 147,019
Capital assets	275,358	265,064	160,442	141,417	435,800	406,481
Total assets	430,823	385,657	195,150	167,843	625,973	553,500
Noncurrent liabilities outstanding	174,984	139,497	50,124	32,860	225,108	172,357
Other liabilities	116,911	110,213	9,943	8,656	126,854	118,869
Total liabilities	291,895	249,710	60,067	41,516	351,962	291,226
Net assets:						
Invested in capital assets, net of related debt	107,162	126,692	136,518	123,757	243,680	250,449
Restricted	44,109	12,739	4,050	3,849	48,159	16,588
Unrestricted(deficit)	(12,343)	(3,483)	(5,485)	(1,280)	(17,828)	(4,763)
Total net assets	\$ 138,928	\$ 135,948	\$ 135,083	\$ 126,326	\$ 274,011	\$ 262,274

By far the largest portion of the City of Davenport's net assets (88 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Davenport uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Davenport's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Davenport's net assets (17 percent) represents resources that are subject to external restrictions on how they may be used. Current liabilities exceed current assets in all three categories, both for the City as a whole, as well as for its separate governmental and business-type activities, in the amounts of \$30,131, \$26,500 and \$3,631, respectively.

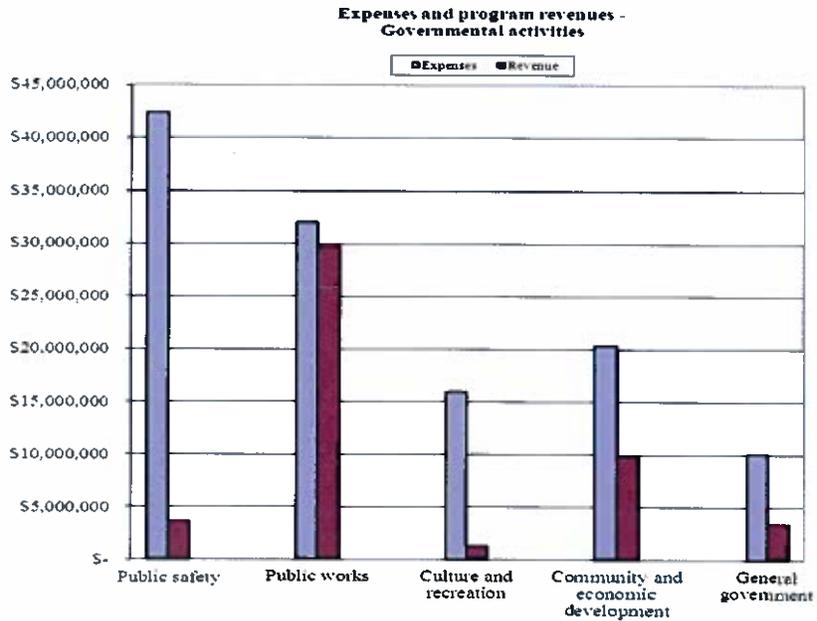
In the business-type activities, the \$8,282 increase in current and other assets is partially due to the increase in restricted cash from unspent bond proceeds of \$5,739 and cash held in escrow of \$1,418 due to a crossover refunding in fiscal year 2012.

City of Davenport's Changes in Net Assets

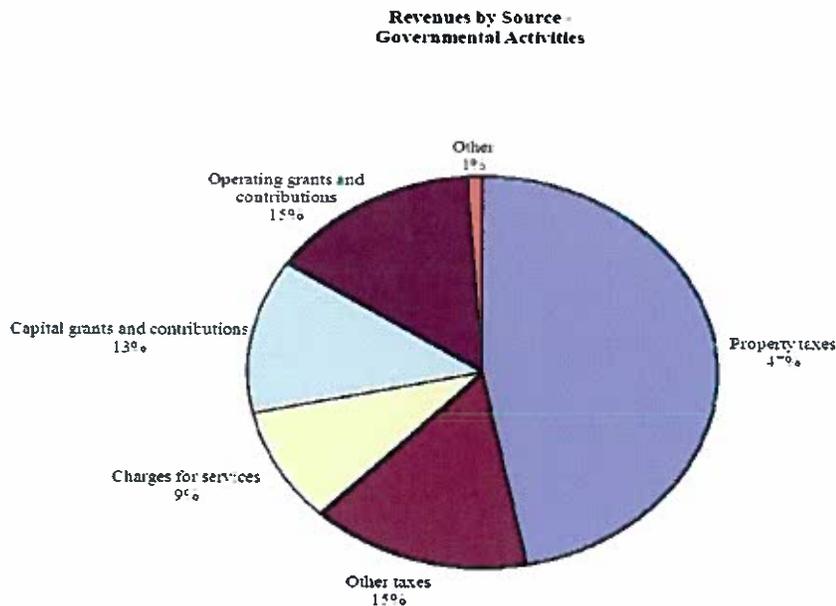
	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 12,332	\$ 12,941	\$ 29,428	\$ 26,517	\$ 41,760	\$ 39,458
Operating grants and contributions	19,132	19,070	1,829	1,654	20,961	20,724
Capital grants and contributions	16,534	20,033	12,705	10,664	29,239	30,697
General revenues:						
Property taxes	61,171	59,359	3,493	3,376	64,664	62,735
Other taxes	19,901	19,647	-	-	19,901	19,647
Other	1,400	1,801	1,010	1,021	2,410	2,822
Total revenues	130,470	132,851	48,465	43,232	178,935	176,083
Expenses:						
Public safety	42,449	42,049	-	-	42,449	42,049
Public works	32,069	43,599	-	-	32,069	43,599
Culture and recreation	15,982	13,674	-	-	15,982	13,674
Community and economic development	20,382	14,881	-	-	20,382	14,881
General government	10,097	9,914	-	-	10,097	9,914
Interest on long-term debt	5,599	6,489	-	-	5,599	6,489
Parking system	-	-	2,047	2,080	2,047	2,080
Sewer operations	-	-	16,650	15,506	16,650	15,506
RiverCenter	-	-	2,903	2,616	2,903	2,616
Public transit	-	-	6,325	5,867	6,325	5,867
Public housing	-	-	1,201	1,046	1,201	1,046
Golf courses	-	-	2,063	2,072	2,063	2,072
Airport	-	-	606	579	606	579
Curbside recycling	-	-	5,327	5,049	5,327	5,049
Clean water	-	-	2,537	2,185	2,537	2,185
Rivers Edge	-	-	961	1,088	961	1,088
Total expenses	126,578	130,606	40,620	38,088	167,198	168,694
Increase/(decrease) in net assets before transfers	3,892	2,245	7,845	5,144	11,737	7,389
Transfers	(912)	1,128	912	(1,128)	-	-
Increase/(decrease) in net assets	2,980	3,373	8,757	4,016	11,737	7,389
Net assets-beginning, as restated	135,948	132,575	126,326	122,310	262,274	254,885
Net assets-ending	\$ 138,928	\$ 135,948	\$ 135,083	\$ 126,326	\$ 274,011	\$ 262,274

Governmental activities. Governmental activities increased the City's net assets by \$3,892, before transfers. This increase is attributable to the increase in property and other taxes of \$2,066 from 2011.

Certain revenues are generated that are specific to governmental program activities. These totaled \$47,998. The graph below shows a comparison between the expenditures by governmental activity type and the revenues generated that are specific to those activities. Total governmental activities expenses decrease \$4,028. Public works decreased \$11,530, due to the fact that more capital items were acquired in FY12 in this category than in FY11, by \$13,406. Community and economic development increased \$5,501, mainly due to the addition to construction in progress of the rail project.



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



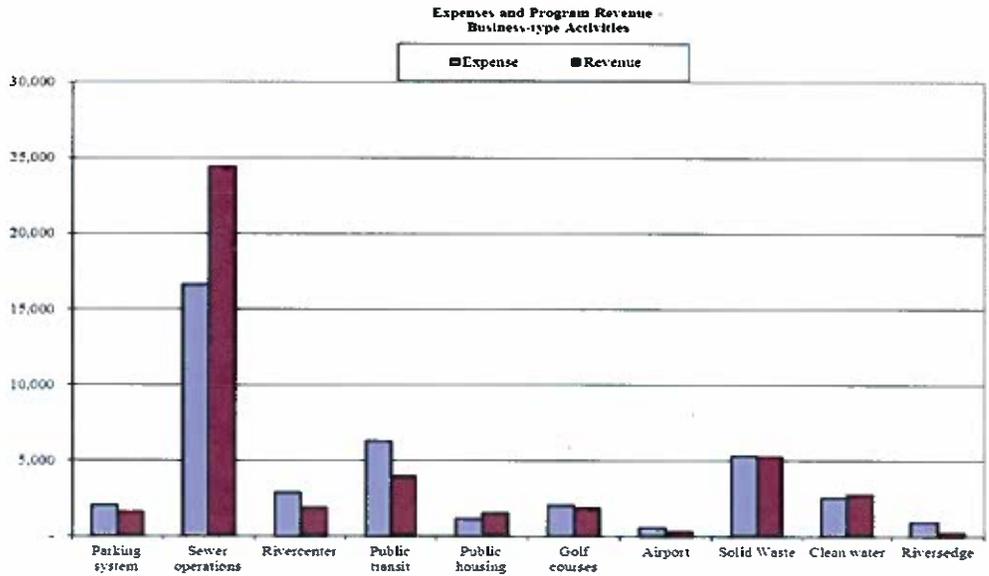
Total governmental activities' revenues for FY 2012 were \$130,470, a decrease of \$2,381 from FY 2011. This is primarily due to the decrease in capital grants in FY2012 due to the completion of grant funded public safety projects. The largest single revenue source was property taxes of \$61,171, which increased by \$1,812 (3 percent) during FY 2012. This increase resulted from an increase in the tax base of 3.8 percent. Capital grants decreased by \$3,499 during FY 2012. This was partially due to a decrease in public safety grants for flood protection of \$1,100, \$512 for consolidated dispatch and \$975 for interoperability.

.Business-type activities. Business-type activities increased the City of Davenport’s net assets by \$7,845. The key elements of this increase follow:

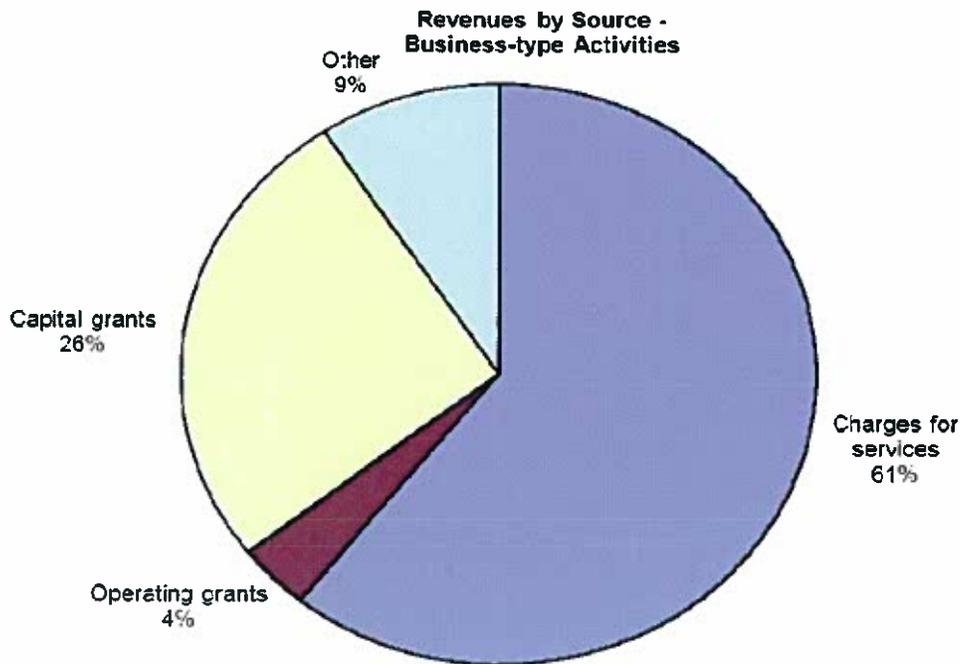
- The sewer fund increased the charge per cubic foot of use from \$2.23 to \$2.55 and the flat charge of a bill increased from \$8.63 to \$9.71. This increased the revenue in the sewer fund over \$1,726. The cost of the small garbage cart and medium garbage cart increased 11.3% and 13.2%, respectively, resulting in increased revenue of \$431 in the solid waste fund. The Rivercenter took catering in house, resulting in increased revenue of \$398.

Total business-type activities’ revenue for the fiscal year was \$48,465.

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



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



Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year 2012, the City of Davenport's governmental funds reported combined ending fund balances of \$49,949, an increase of \$25,815 in comparison with the prior year. The increase is attributable to an increase in the General Debt Service Fund of \$30,502 in the restricted fund balance, due to the timing of a crossover refunding and the proceeds are in an escrow account until the bonds are called. There was a decrease of \$5,899 in the capital projects fund and a decrease in the Local Option Sales Tax Fund of \$2,253, due to projects being completed. Approximately 9.4 percent of this total amount, \$4,700, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is nonspendable (represents prepaid amounts) \$17; restricted by grantors and other legal restrictions \$43,837; committed by the City Council for revolving loans and the levee improvement commission \$844; and assigned by the Chief Financial Officer for future projects \$545.

The General Fund is the chief operating fund of the City of Davenport. The General Fund includes many of the City's services including police, fire, parks and recreation, library, community and economic development, civil rights, administration, and finance. The General Fund group as reported combines a number of individual funds each with a specific purpose. These include the General Fund, the City's primary operating fund; the Trust and Agency Fund, which accounts for employee benefits; Hotel/Motel Tax Fund; the Library Special Levy Fund, used to enhance library services; Parks Special Needs Funds and the Flood Fund. At the end of the current fiscal year 2012, unassigned fund balance of the General Fund was \$5,606, while total fund balance was \$9,892. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 8.8 percent of total General Fund expenditures, 15.9 percent General Fund expenditures excluding the specific purpose funds, while total fund balance represents 15.5 percent of the total expenditures.

The total fund balance of the City of Davenport's General Fund increased by \$47 during the current fiscal year and the unassigned fund balance increased by \$351. The State of Iowa allows a maximum property tax levy rate of \$8.10 per thousand dollars of assessed value and \$0.27 in an emergency levy for general activities. The City has been at the maximum levy rates since 1984 and 1986, respectively. In addition to these two levies, the State allows unlimited levies for employee benefits (trust and agency levy) and insurance/claims (tort liability levy), which are also accounted for in the City's General Fund. Property tax balances from these two levies are reserved at the end of each year because their use is restricted.

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

The General Debt Service Fund has a total fund balance of \$33,641, all of which is reserved for the retirement of debt. The State of Iowa allows an unlimited property tax levy for debt service. The net increase in fund balance during the current year in the General Debt Service Fund was a minimal \$30,502, as explained above. The city prepares a rolling six-year capital improvement program. This will allow for a stable levy over the six years of the current program.

The Local Option Sales Tax Fund accounts for the proceeds of a local option sales tax and has a fund balance of \$516. The State of Iowa provides for a one-cent local option sales tax. Davenport voters approved the tax in 1988 and the referendum directs its usage to 60 percent for property tax relief (debt service levy) and 40 percent for capital improvements. A transfer of 60 percent of tax proceeds is made to the General Debt Service Fund and the

remainder is transferred to the Capital Projects Fund as expenditures occur. The net decrease in fund balance during the current year was \$2,253, due to the completion of capital projects.

The Capital Projects Fund has a fund balance of \$571, due to unspent bond proceeds. The net decrease in fund balance during the current year in the Capital Projects Fund was \$5,899.

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

Legal Compliance Budgetary Highlights

As explained in the Letter of Transmittal, budgetary legal compliance is demonstrated in one schedule summarizing all funds in the Required Supplementary Information section of this report on pages 68 and 69.

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

- The total original revenue budget of \$250,705 was increased to \$377,252, an increase of \$126,547. In the intergovernmental category, federal, state and local grants were carried forward in the budget amendment to reflect on-going construction in progress of capital projects in the amount of \$2,962. There were special revenue grant rollovers and new grants amounting to \$9,384 and \$32,257 budgeted for a bond refunding.
- The total original expenditure budget of \$222,236 was increased to \$349,120, an increase of \$126,884. In the community and economic development category, \$8,325 was carried forward for on-going grants and budgeted for new grants. In the capital outlay category, \$5,079 was carried forward in the budget amendment to reflect on-going construction in progress of capital projects. In the debt service category an additional \$32,257 was budgeted to reflect three refunding issues.

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

- In the intergovernmental revenue category, federal, state, and local grants in the amount of \$69,245 were not accrued or received due to construction projects not completed and special revenue grants not yet spent.
- In the other revenue category, there was \$14,404 of transfers not made, due to the not completed status of some capital projects.
- In the community and economic development expenditure category, \$4,961 was not spent in special revenue funds and will be carried forward. In the capital outlay category, \$92,741 of expenditures were budgeted and not spent, due to construction projects not completed. In the business type category, \$2,811 of the difference is due to bond principal payments being budgeted as an expense, but reported as adjustments to the liability.

General Fund Budgetary Highlights

As discussed above and in the Letter of Transmittal, the General Fund budget and actual revenues, expenditures and changes in fund balance have been incorporated into the statement of all funds on pages 68 and 69 of this report. Highlights for the General Fund follow.

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

- The total original revenue budget of \$62,519 was increased to \$63,196, an increase of \$677. In the intergovernmental revenue category, federal grants in the amount of \$208, and state grants in the amount of \$40, subsequent to original budget adoption are included as both revenues and expenditures.
- The total original expenditure budget of \$62,911 was increased to \$65,984, an increase of \$3,073. Police forfeiture and seizure monies of \$351 held as reserved General Fund balance at June 30, 2011 were included in amendments in order to authorize the expenditure during FY 2012. Public works expenditures were increased in amendments by \$99 as a result of the carryforward of the monies collected from developers and reserved for reforestation. Public works budget also increased to allow the purchase of gas for other local governments by \$696, and to reflect the change in funding for employee insurance directly in the fund and not as a transfer in. Culture and recreation expenditures were amended to include grants

carried forward of \$203 and new grants received as noted under the revenue discussion; \$150 for a donation to a local museum and \$200 to reflect hotel tax rebates.

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

- The net change in the General Fund balance in FY 2012 was \$47, a positive variance from the budgeted change (\$2,428) of \$2,381.
- Revenue items that came in under budget included gaming taxes from the casino and interest earnings.
- All expenditure categories came in under budget.
- A special library property tax levy (\$.27/\$1,000 assessed value) was approved by voters to support operations of two new branch libraries. Unexpended taxes of \$873 were a part of the favorable variance and a reservation of General Fund balance at June 30, 2012.

Capital Asset and Debt Administration

Capital assets. The City of Davenport's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$435,800 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and vehicles, sanitary sewers, bridges, traffic signals, storm sewers, and streets and roads. The total increase in the City of Davenport's investment in capital assets for the current fiscal year was 6.7 percent. Governmental activities accounted for \$10,294 of the increase in capital assets, and the business type activities accounted for \$19,025 of the increase. At June 30, 2012, and June 30, 2011 the depreciable capital assets of the City were 41 percent depreciated. This indicates that the City is replacing its assets as they are depreciating.

Major capital asset activities during fiscal year 2012 include the following:

Governmental activities

- Street and road work completed by the City of \$12,525 including \$2,354 of street resurfacing, \$1,085 of full-depth patching, \$3,193 of Division Street widening and \$1,312 of River Drive Front Porch Project.
- Fairmount Street Bridge \$1,357
- City Hall Upgrades \$861
- Completed work at the new Fire Training Center \$943
- Completed work at the new indoor police firing range \$1,046

Business-type activities

- Sanitary sewers \$640
- Storm sewers \$2,517
- Locust Street and Scott Street drainage \$1,911
- Taxiway Reconstruction & Box Hanger \$1,517
- Heritage Highrise upgrade \$760
- Grit tank replacement \$1,522
- Continued construction in progress on the Westside Diversion Tunnel \$16,265

Additional information on the City of Davenport's capital assets can be found in Note 6 in the notes to the financial statements.

City of Davenport's Capital Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 20,095	\$ 18,725	\$ 11,190	\$ 11,190	\$ 31,285	\$ 29,915
Buildings	105,284	99,609	96,703	95,865	201,987	195,474
Improvements other than buildings	27,398	26,689	13,484	11,583	40,882	38,272
Sanitary sewers	-	-	68,321	66,650	68,321	66,650
Equipment and vehicles	37,784	36,765	34,338	31,043	72,122	67,808
Bridges	6,334	4,976	-	-	6,334	4,976
Traffic signals	8,220	7,774	-	-	8,220	7,774
Storm sewers	-	-	21,960	19,469	21,960	19,469
Paving	188,423	178,910	1,363	222	189,786	179,132
Seawalls	2,685	623	-	-	2,685	623
Tunnels	54	54	-	-	54	54
Construction in progress	15,460	14,253	32,496	18,403	47,956	32,656
Accumulated depreciation	(136,379)	(123,314)	(119,413)	(113,008)	(255,792)	(236,322)
Total	\$ 275,358	\$ 265,064	\$ 160,442	\$ 141,417	\$ 435,800	\$ 406,481

Long-term debt. At the end of the current fiscal year, the City of Davenport had total bonded debt outstanding of \$222,115. Of this amount, \$161,246 comprises debt being serviced from the general debt service fund from property taxes and 60 percent of the local option sales tax proceeds. The remainder of the City of Davenport's debt represents bonds serviced by specified revenue sources, including the tax increment financing districts debt service fund, the levee improvement commission fund, the municipal improvement districts fund, the sewer operations enterprise fund, the public housing enterprise fund, the golf courses enterprise fund, the parking system enterprise fund, and the airport enterprise fund. The City has issued general obligation bonds backed by its full faith and credit, including the unlimited debt service property tax levy, which are planned to be retired from the above revenue sources rather than revenue bonds because legal debt capacity exists (see below) and the resulting lower interest costs benefit its citizens and service users. Detailed information on bonded debt abatement by fund is contained in a summary on page 58 of this report.

City of Davenport's Outstanding Debt

General Obligation Bonds

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation Bonds	\$180,909	\$152,696	\$41,206	\$24,384	\$222,115	\$177,080

The City of Davenport's total debt increased by \$45,035 during the current fiscal year. New debt issuance of \$66,175 during the year exceeded the debt retirement of \$21,160. However, there were three crossover refunding issues in FY 2012 and the City has investments in escrow accounts that will retire \$35,300 of debt when it is callable in FY 2013 and FY 2014. The issuance was to finance the City's capital improvement program including streets, buildings, and sanitary sewers (abated by user fees), and tax increment financing projects (abated by tax increment financing revenue).

The City's scheduled debt repayment is rapid, with 82 percent of outstanding bonded debt scheduled for repayment in 10 years and 98 percent in 15 years. State Statutes limit the amount of general obligation debt a governmental entity may issue to five percent of its total assessed valuation. The current debt limitation for the City of Davenport is \$303,752, which is significantly in excess of the City of Davenport's outstanding general obligation debt, \$222,115, and other debt subject to the debt limitation of \$12,931.

The City of Davenport maintains an AA rating from Standard & Poor's, and an Aa2 rating from Moody's Investors Service for general obligation debt. This reflects a downgrade by Moody's from Aa1. Moody's states the downgrade is attributable to the declining unassigned general fund balance over the last five years, limited liquidity in the enterprise funds and above average debt levels. Both firms view the outlook for their most recent ratings as stable. Despite the downgrade Moody's still considers bonds sold by Davenport as high quality and subject to low credit risk.

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

Economic Factors and Current and Future Budgets

The city's General Fund receives approximately 75% of its revenue from property taxes. The State of Iowa allows a maximum levy rate of \$8.10 per thousand dollars of assessed value and \$0.27 in an emergency levy. The city has been at the maximum levy rates since 1984 and 1986, respectively. Growth limitations are imposed on the city's property tax base by the state, including the residential property rollback. The 1995 phase out of property taxes on machinery and equipment reduced the city's property tax base by \$82 million from FY 2000 through FY 2004. The state has also exempted gas and electric utilities from property tax, and while a replacement tax was revenue neutral for three years, the replacement tax has been less than the property taxes would have been on the exempted values the last eight fiscal years. The taxable property tax base has grown moderately, an average of 3.4% annually over the last ten fiscal years. For FY 2013, taxable property values grew only 2.1%, well below the ten-year average. Assessed residential properties increased in value by 2.27%; however, with the residential rollback increasing from 48.5% to 50.7518%, taxable residential property value increased by 6.95% in Davenport. Although there was significant growth in taxable residential property for FY 2013, taxable commercial property value decreased by 2.86%.

Personnel costs represent one of the single largest categories of costs for the City. Employee benefits include funding for health claims, which have increased an average of 6.77% per year over the last ten years. State-mandated contributions to the statewide fire and police pension system continue to rise sharply. The contribution rate increased from 17% in FY 2010 to 19.9% in FY 2011 (\$800,000 in added costs) to 24.76% in FY 2012 (\$1 million in added costs) to 26.12% in FY 2013 (\$400,000 in added costs). The Municipal Fire and Police Retirement System of Iowa (MFPRSI) Board has already approved an increase to 30.12% in FY 2014, which will add an additional \$1 million in pension costs to the City. In order to fully fund projected increases in the state-mandated MFPRSI system, the City Council approved a \$0.96 increase in the trust & agency property tax levy in FY 2013. The levy increase is also projected to fully fund increases in the city's self-funded health insurance costs, which on average increase 5% each year.

The City's six bargaining groups and non-bargaining employees all went without a general wage increase in FY 2013 in order to reduce costs. Five of the six bargaining groups agreed to a 1% general wage increase in FY 2014 and an effectual increase of 2.25% in FY 2015. To better manage costs, investments in labor-saving technology continue to be supported, methods to reduce health care claims are ongoing, and intergovernmental partnerships are pursued where practicable. Revenue sources continue to be diversified (resulting in the reallocation of personnel costs to other funds) with incremental increases in the sewer fee, clean water fee, solid waste fee, and building permit fees to provide for the services related to each of these functions.

For the future, plans to enable the City to continue to adopt balanced budgets include: continued evaluation of the unlimited levies for employee benefits (Trust and Agency) and property and liability insurance and claims (Tort); consideration of a natural gas franchise utility fee to further diversify revenue; and moving the city's gaming operation onto land. The City has a strong record of implementing expenditure reductions and introducing efficiencies in order to balance General Fund budgets.

Requests for Information

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

CITY OF DAVENPORT

STATEMENT OF NET ASSETS
June 30, 2012

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Current assets:			
Unrestricted current assets:			
Cash and investments	\$ -	\$ 532,038	\$ 532,038
Delinquent property taxes receivable	1,078,570	59,019	1,137,589
Succeeding year property taxes receivable	67,294,316	3,558,077	70,852,393
Other taxes receivable	3,232,695	-	3,232,695
Special assessments	1,175,925	-	1,175,925
Accounts receivable	2,300,446	8,274,235	10,574,681
Internal balances	6,624,264	(6,624,264)	-
Due from other governments	6,674,297	478,240	7,152,537
Inventory	-	31,828	31,828
Prepaid items	415,170	2,444	417,614
Loans receivable	1,568,793	-	1,568,793
Total unrestricted current assets	90,364,476	6,311,617	96,676,093
Restricted current assets:			
Cash and cash equivalents	46,759	-	46,759
Total current assets	90,411,235	6,311,617	96,722,852
Noncurrent assets:			
Deferred charge-issuance cost	432,455	205,121	637,576
Investment in joint venture	-	462,672	462,672
Loans receivable	14,119,135	-	14,119,135
Restricted cash and cash equivalents	15,083,006	26,310,989	41,393,995
Restricted investments - held in escrow	35,418,880	1,417,587	36,836,467
Capital assets:			
Land	20,095,416	11,190,268	31,285,684
Buildings	105,284,461	96,702,845	201,987,306
Improvements other than buildings	27,397,543	13,483,586	40,881,129
Sanitary sewers	-	68,321,034	68,321,034
Equipment and vehicles	37,783,652	34,338,319	72,121,971
Bridges	6,333,822	-	6,333,822
Traffic signals	8,219,716	-	8,219,716
Storm sewers	-	21,959,955	21,959,955
Streets and roads	188,423,250	1,363,057	189,786,307
Seawalls	2,685,289	-	2,685,289
Tunnels	54,326	-	54,326
Construction in progress	15,460,013	32,495,681	47,955,694
Accumulated depreciation	(136,378,896)	(119,412,792)	(255,791,688)
Total capital assets	275,358,592	160,441,953	435,800,545
Total noncurrent assets	340,412,068	188,838,322	529,250,390
Total assets	\$ 430,823,303	\$ 195,149,939	\$ 625,973,242

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
LIABILITIES			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 10,494,496	\$ 878,402	\$ 11,372,898
Contracts payable	1,950,014	-	1,950,014
Accrued wages payable	1,067,998	240,402	1,308,400
Accrued compensated absences	4,210,927	544,899	4,755,826
Claims and judgments	3,717,990	-	3,717,990
Due to other governments	312	-	312
Accrued interest payable	591,201	146,018	737,219
General obligation bonds payable	16,261,175	3,568,825	19,830,000
Unearned revenue:			
Succeeding year property tax	67,294,316	3,558,077	70,852,393
Other	11,262,361	101,060	11,363,421
Total	<u>116,850,790</u>	<u>9,037,683</u>	<u>125,888,473</u>
Current liabilities payable from restricted assets:			
Accounts payable	46,759	-	46,759
Deposits payable	-	697,265	697,265
Notes payable	13,440	208,000	221,440
Total current liabilities payable from restricted assets	<u>60,199</u>	<u>905,265</u>	<u>965,464</u>
Total current liabilities	<u>116,910,989</u>	<u>9,942,948</u>	<u>126,853,937</u>
Noncurrent liabilities:			
Accrued compensated absences	714,710	92,484	807,194
Claims and judgments	3,494,001	-	3,494,001
Other postemployment benefits	2,454,633	545,055	2,999,688
Note payable	297,351	9,590,000	9,887,351
General obligation bonds payable	166,882,496	39,896,149	206,778,645
Special assessment with government commitment	1,140,837	-	1,140,837
Total noncurrent liabilities	<u>174,984,028</u>	<u>50,123,688</u>	<u>225,107,716</u>
Total liabilities	<u>291,895,017</u>	<u>60,066,636</u>	<u>351,961,653</u>
NET ASSETS			
Invested in capital assets, net of related debt	107,161,965	136,518,021	243,679,986
Restricted:			
Employee benefits	799,011	-	799,011
Tort Liability	1,547,832	-	1,547,832
Local option sales tax	516,465	-	516,465
Library	873,040	-	873,040
Police seizure	497,267	-	497,267
Debt retirement	37,497,505	-	37,497,505
Road use tax	659,437	-	659,437
Community development act	16,342	-	16,342
Municipal improvement districts	533,236	-	533,236
Revolving loans	760,794	-	760,794
Section 8	323,902	-	323,902
Home investment partnership projects	1,548	-	1,548
Levee improvement commission projects	83,667	-	83,667
Equipment replacement	-	4,049,687	4,049,687
Unrestricted (deficit)	(12,343,725)	(5,484,405)	(17,828,130)
Total net assets	<u>\$ 138,928,286</u>	<u>\$ 135,083,303</u>	<u>\$ 274,011,589</u>

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

CITY OF DAVENPORT

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SALES AND SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
Public safety	\$ 42,449,097	\$ 2,991,978	\$ 664,892	\$ -
Public works	32,069,097	4,486,531	9,193,438	16,082,956
Culture and recreation	15,981,258	772,321	262,162	291,729
Community and economic development	20,382,079	749,931	8,909,523	159,995
General government	10,097,216	3,331,628	102,318	-
Interest on long-term debt	5,598,997	-	-	-
Total governmental activities	126,577,744	12,332,389	19,132,333	16,534,680
Business-type activities:				
Parking system	2,046,877	1,351,539	-	277,040
Sewer operations	16,650,341	15,993,320	-	8,416,408
Rivercenter	2,902,730	1,725,151	-	135,447
Public transit	6,324,871	516,315	1,244,586	2,253,288
Public housing	1,200,491	421,850	579,483	571,296
Golf courses	2,063,357	1,863,339	-	2,500
Airport	606,160	209,121	4,800	124,747
Solid waste	5,326,665	5,023,908	-	201,134
Clean water	2,537,290	2,075,947	-	713,117
River's Edge	960,907	247,685	-	9,375
Total business-type activities	40,619,689	29,428,175	1,828,869	12,704,352
Total government	\$ 167,197,433	\$ 41,760,564	\$ 20,961,202	\$ 29,239,032

General Revenues:

Taxes:

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

Investment earnings

- Gain on sale of capital assets
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning

Net assets, ending

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

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

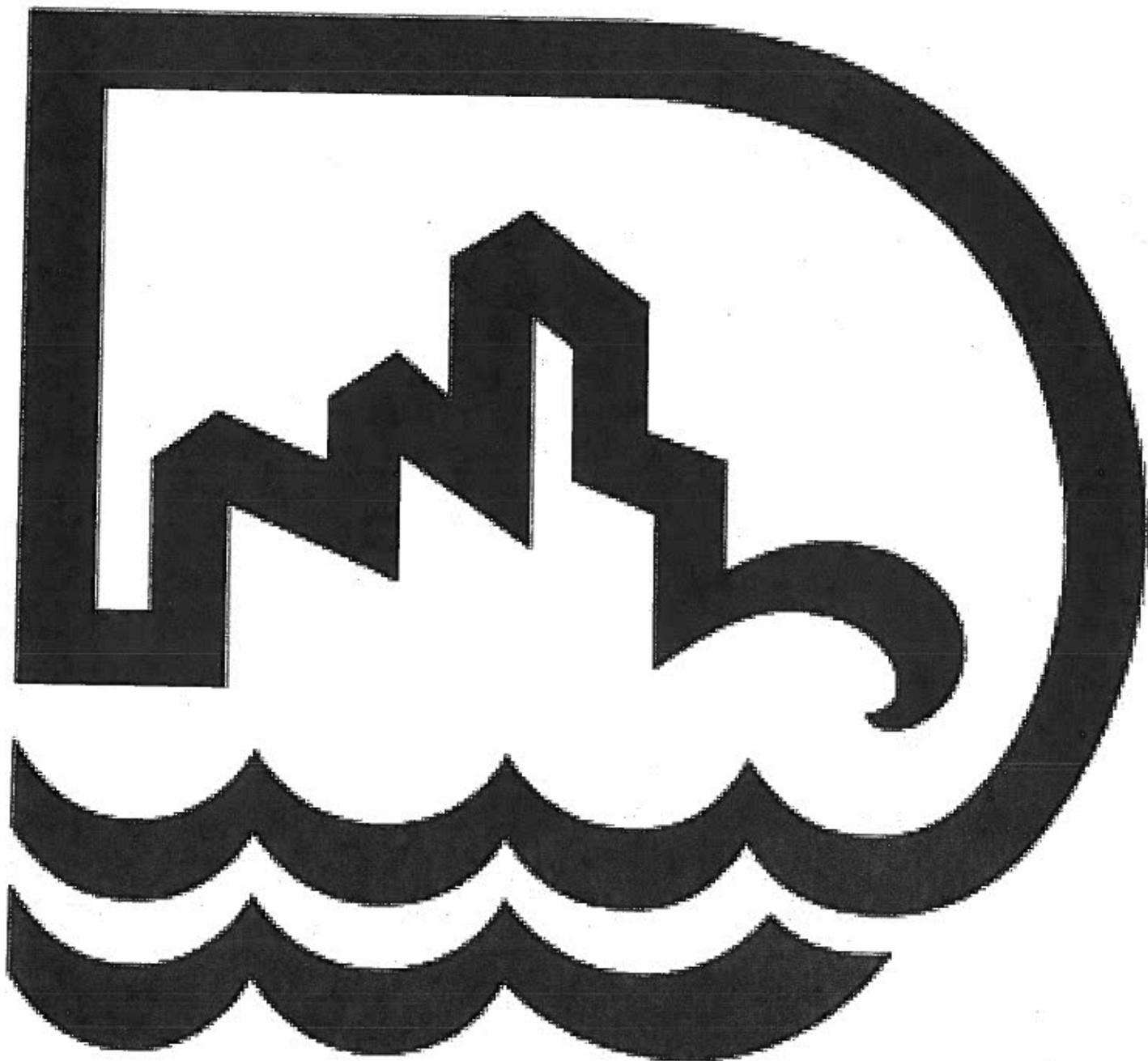
<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (38,792,227)	\$ -	\$ (38,792,227)
(2,306,172)	-	(2,306,172)
(14,655,046)	-	(14,655,046)
(10,562,630)	-	(10,562,630)
(6,663,270)	-	(6,663,270)
(5,598,997)	-	(5,598,997)
<u>(78,578,342)</u>	<u>-</u>	<u>(78,578,342)</u>
-	(418,298)	(418,298)
-	7,759,387	7,759,387
-	(1,042,132)	(1,042,132)
-	(2,310,682)	(2,310,682)
-	372,138	372,138
-	(197,518)	(197,518)
-	(267,492)	(267,492)
-	(101,623)	(101,623)
-	251,774	251,774
-	(703,847)	(703,847)
<u>-</u>	<u>3,341,707</u>	<u>3,341,707</u>
<u>(78,578,342)</u>	<u>3,341,707</u>	<u>(75,236,635)</u>
54,252,324	-	54,252,324
6,918,285	-	6,918,285
-	3,493,152	3,493,152
15,062,987	-	15,062,987
2,055,052	-	2,055,052
2,782,635	-	2,782,635
1,218,684	700,403	1,919,087
108,867	-	108,867
72,124	309,788	381,912
(911,944)	911,944	-
<u>81,559,014</u>	<u>5,415,287</u>	<u>86,974,301</u>
2,980,672	8,756,994	11,737,666
<u>135,947,614</u>	<u>126,326,309</u>	<u>262,273,923</u>
<u>\$ 138,928,286</u>	<u>\$ 135,083,303</u>	<u>\$ 274,011,589</u>

CITY OF DAVENPORT**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2012**

<u>ASSETS</u>	GENERAL FUND	LOCAL OPTION SALES TAX FUND	GENERAL DEBT SERVICE FUND
Cash and investments	\$ -	\$ -	\$ -
Receivables:			
Property taxes:			
Delinquent	835,393	-	118,651
Succeeding year	54,041,000	-	8,250,788
Other taxes	818,553	2,414,142	-
Accounts	949,405	31,680	138,859
Special assessments	-	43,118	1,132,807
Loans	-	2,553,960	-
Interfund receivable	9,709,253	-	1,448,485
Due from other governments	266,115	-	-
Prepays	23,179	-	-
Restricted assets-cash and investments	-	-	-
Restricted investments - held in escrow	-	-	33,239,247
TOTAL ASSETS	<u>\$ 66,642,898</u>	<u>\$ 5,042,900</u>	<u>\$ 44,328,837</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Wages payable	\$ 882,224	\$ 19,957	\$ -
Accounts payable	1,549,525	40,100	187,819
Contracts payable	-	-	-
Payable from restricted assets	-	-	-
Interfund payable	3,603	4,424,220	1,133,562
Due to other governments	-	-	-
Deferred/unearned revenue:			
Succeeding year property tax	54,041,000	-	8,250,788
Other	274,417	42,158	1,092,199
Note payable	-	-	-
Matured bonds payable	-	-	20,000
Matured interest payable	-	-	3,381
Total Liabilities	<u>56,750,769</u>	<u>4,526,435</u>	<u>10,687,749</u>
 FUND BALANCES:			
Nonspendable	23,179	-	-
Restricted	3,717,150	516,465	33,641,088
Committed	-	-	-
Assigned	545,488	-	-
Unassigned (Deficit)	5,606,312	-	-
Total Fund Balances	<u>9,892,129</u>	<u>516,465</u>	<u>33,641,088</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 66,642,898</u>	 <u>\$ 5,042,900</u>	 <u>\$ 44,328,837</u>

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

CAPITAL PROJECTS FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 6,392,236	\$ 3,989,716	\$ 10,381,952
-	124,526	1,078,570
-	5,002,528	67,294,316
-	-	3,232,695
1,149,857	28,539	2,298,340
-	-	1,175,925
-	13,133,968	15,687,928
1,715,130	-	12,872,868
4,129,563	2,278,619	6,674,297
158,212	-	181,391
-	46,759	46,759
-	2,179,633	35,418,880
<u>\$ 13,544,998</u>	<u>\$ 26,784,288</u>	<u>\$ 156,343,921</u>
\$ 20,943	\$ 114,950	\$ 1,038,074
6,861,717	906,924	9,546,085
1,950,014	-	1,950,014
-	46,759	46,759
-	1,390,722	6,952,107
-	312	312
-	5,002,528	67,294,316
3,830,600	13,993,443	19,232,817
310,791	-	310,791
-	-	20,000
-	-	3,381
<u>12,974,065</u>	<u>21,455,638</u>	<u>106,394,656</u>
-	-	23,179
570,933	5,390,882	43,836,518
-	844,461	844,461
-	-	545,488
-	(906,693)	4,699,619
<u>570,933</u>	<u>5,328,650</u>	<u>49,949,265</u>
<u>\$ 13,544,998</u>	<u>\$ 26,784,288</u>	<u>\$ 156,343,921</u>



**CITY OF DAVENPORT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total governmental fund balances	\$ 49,949,265
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	271,646,073
Assets are not available to pay for current-period expenditures are reported as deferred in governmental funds.	7,970,456
Internal service funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	239,545
Internal service funds activities allocated to business-type activities	703,503
Deferred charges	432,455
Long-term liabilities including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued employee benefits	(4,771,964)
Accrued interest payable	(587,820)
General Obligation bonds payable and special assessments	(184,264,508)
Other post employment benefits	(2,388,719)
	<u>(192,013,011)</u>
Net assets of governmental activities	<u>\$ 138,928,286</u>

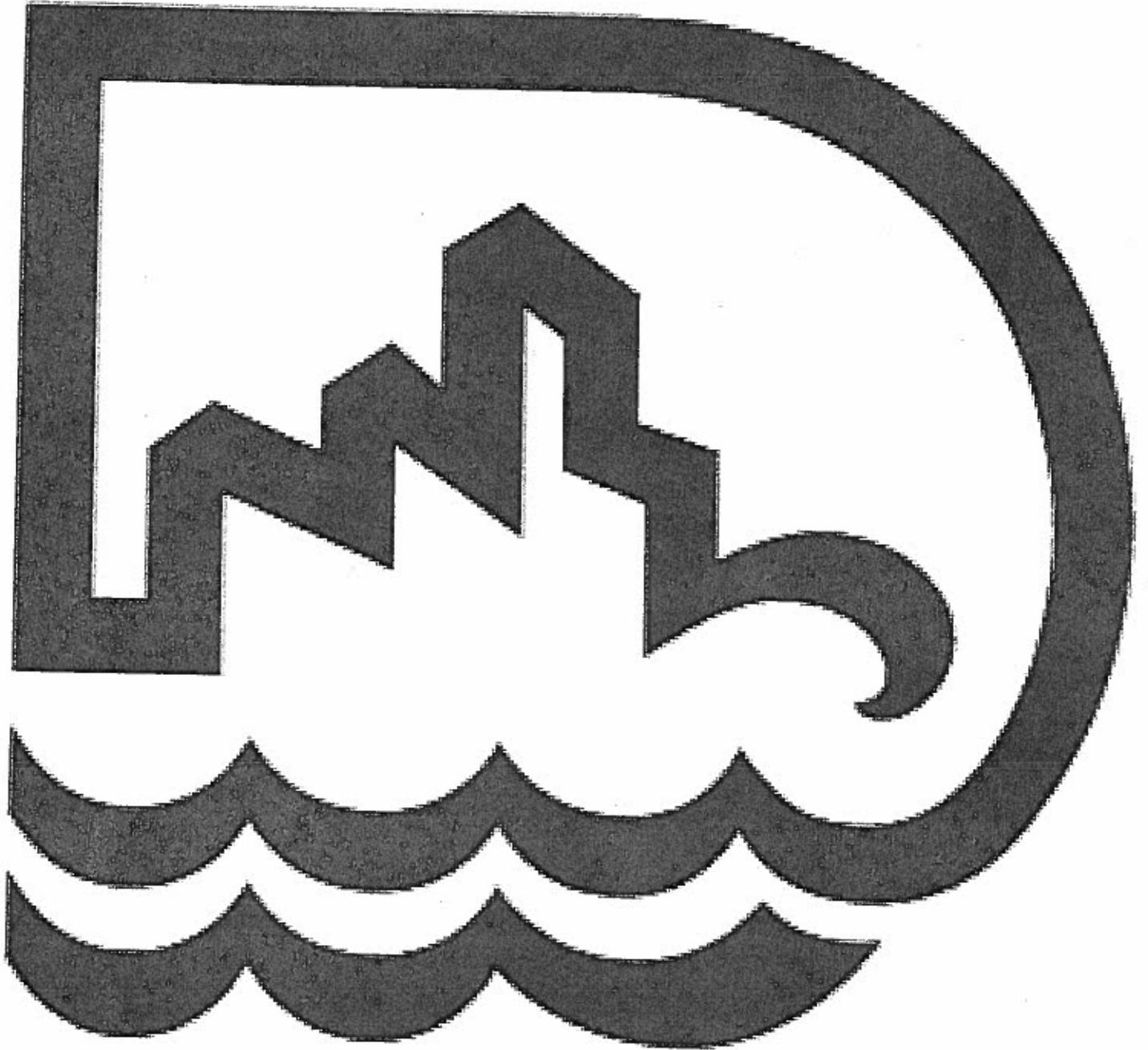
The notes to the financial statements are an integral part of this statement.

CITY OF DAVENPORT**GOVERNMENTAL FUNDS****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****For the Fiscal Year Ended June 30, 2012**

	GENERAL FUND	LOCAL OPTION SALES TAX FUND	GENERAL DEBT SERVICE FUND	CAPITAL PROJECTS FUND
REVENUES:				
Taxes	\$ 54,023,578	\$ 15,097,104	\$ 6,925,146	\$ -
Special assessments	-	-	58,964	-
Licenses and permits	1,271,534	-	-	-
Intergovernmental	1,171,447	-	-	13,628,173
Charges for services	4,339,590	139,877	-	-
Use of monies and property	254,819	82,658	288,426	285,014
Fines and forfeits	1,936,641	-	-	-
Loan repayments	-	-	-	86,240
Other	573,007	22,477	1,191,456	1,692,340
Total Revenues	<u>63,570,616</u>	<u>15,342,116</u>	<u>8,463,992</u>	<u>15,691,767</u>
EXPENDITURES:				
Current:				
Public safety	38,684,296	422,566	-	-
Public works	4,430,935	1,491,309	-	-
Culture and recreation	11,088,094	151,426	-	-
Community and economic development	1,360,345	860,722	941,913	-
General government	8,447,663	40,438	397,244	-
Capital outlay	-	-	-	38,425,489
Debt service:				
Principal retirement	-	-	15,713,300	-
Interest	-	-	5,407,071	-
Bond issuance costs	-	-	-	125,781
Total Expenditures	<u>64,011,333</u>	<u>2,966,461</u>	<u>22,459,528</u>	<u>38,551,270</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(440,717)</u>	<u>12,375,655</u>	<u>(13,995,536)</u>	<u>(22,859,503)</u>
OTHER FINANCING SOURCES (USES):				
Bond issuance	-	-	-	11,790,000
Premium on debt issued	-	-	3,135,194	-
Sale of capital assets	3,867	-	-	-
Transfers in	1,302,828	-	10,476,689	7,508,589
Transfers out	(818,829)	(14,628,543)	(565,000)	(2,337,888)
Refunding bond issuance	-	-	31,450,175	-
Total Other Financing Sources (Uses)	<u>487,866</u>	<u>(14,628,543)</u>	<u>44,497,058</u>	<u>16,960,701</u>
NET CHANGE IN FUND BALANCES	47,149	(2,252,888)	30,501,522	(5,898,802)
FUND BALANCES -BEGINNING	<u>9,844,980</u>	<u>2,769,353</u>	<u>3,139,566</u>	<u>6,469,735</u>
FUND BALANCES - ENDING	<u>\$ 9,892,129</u>	<u>\$ 516,465</u>	<u>\$ 33,641,088</u>	<u>\$ 570,933</u>

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

TOTAL NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 4,838,855	\$ 80,884,683
-	58,964
46,270	1,317,804
20,440,390	35,240,010
-	4,479,467
307,767	1,218,684
-	1,936,641
637,610	723,850
1,119,431	4,598,711
<u>27,390,323</u>	<u>130,458,814</u>
447,679	39,554,541
9,583,111	15,505,355
65,573	11,305,093
12,071,634	15,234,614
107,596	8,992,941
-	38,425,489
1,521,050	17,234,350
793,884	6,200,955
-	125,781
<u>24,590,527</u>	<u>152,579,119</u>
<u>2,799,796</u>	<u>(22,120,305)</u>
-	11,790,000
186,349	3,321,543
105,000	108,867
841,030	20,129,136
(2,702,325)	(21,052,585)
2,187,715	33,637,890
<u>617,769</u>	<u>47,934,851</u>
3,417,565	25,814,546
<u>1,911,085</u>	<u>24,134,719</u>
<u>\$ 5,328,650</u>	<u>\$ 49,949,265</u>



**CITY OF DAVENPORT, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

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

Net change in fund balances: total governmental funds \$ 25,814,546

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

Capital Expenditures	24,052,803
Depreciation	<u>(13,298,243)</u>
	<u>10,754,560</u>

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

Transfer of capital assets from Enterprise Fund	11,505
Proceeds from sale of capital assets	(108,867)
Loss on sale of capital asset	<u>(43,006)</u>
	<u>(140,368)</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (97,322)

The issuance of long-term debt (bonds) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds interest expenditures are reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items.

General obligation bonds issued, premiums and other deferred costs on bonds (additions and amortization)	(48,029,549)
Repayment of bond principal	17,234,350
Deferred charges	7,855
Interest	<u>(100,500)</u>
	<u>(30,887,844)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (815,016)

Internal services funds are used by management to charge the costs of various activities internally to individual funds. The net income of certain activities of internal service funds is reported with governmental activities. (1,647,884)

Change in net assets of governmental activities \$ 2,980,672

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

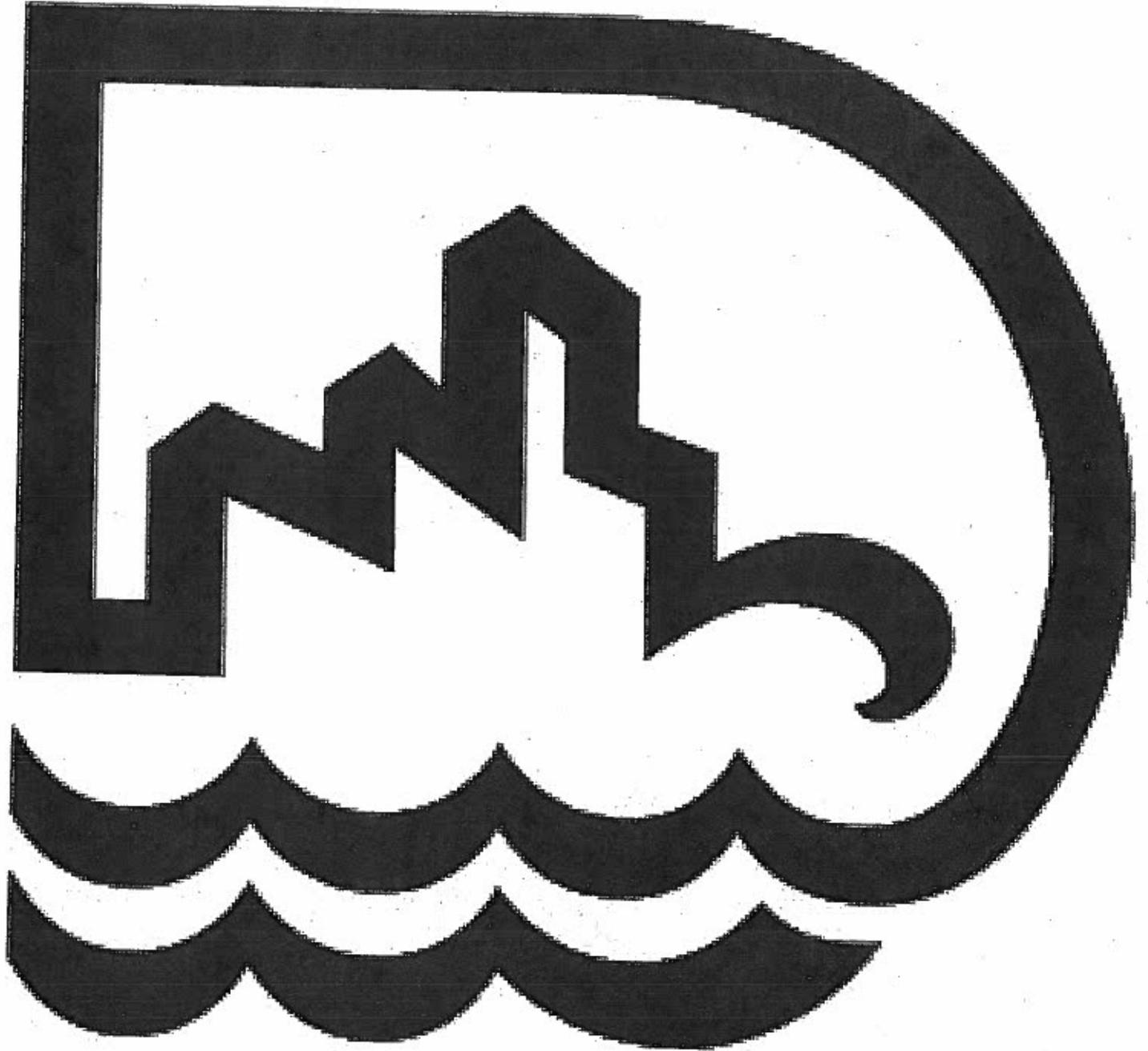
CITY OF DAVENPORT

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2012**

ASSETS	BUSINESS-TYPE ACTIVITIES -	
	PARKING SYSTEM	SEWER OPERATIONS
Current assets:		
Cash and cash equivalents	\$ -	\$ -
Receivables:		
Property taxes:		
Delinquent	-	-
Succeeding year	-	-
Accounts	48,669	4,690,521
Interest	-	-
Due from other governments	-	301,307
Inventory	-	-
Prepays	-	1,430
Total current assets	48,669	4,993,258
Noncurrent assets:		
Deferred charges	-	180,269
Investment in joint venture	-	-
Restricted cash and cash equivalents	-	24,155,218
Restricted investments - held in escrow	-	1,317,695
Capital assets:		
Land	3,647,368	779,435
Buildings	26,238,949	35,199,152
Improvements other than buildings	189,547	141,111
Sanitary sewers	-	68,321,034
Paving	1,140,885	-
Equipment and vehicles	707,848	18,971,596
Streets and roads	-	-
Storm sewers	-	-
Less accumulated depreciation	(8,884,291)	(66,980,839)
Construction in progress	28,462	31,169,579
Total noncurrent assets	23,068,768	113,254,250
Total assets	23,117,437	118,247,508
LIABILITIES		
LIABILITIES:		
Current liabilities:		
Wages payable	7,297	101,234
Accounts payable	17,700	247,212
Accrued interest payable	19,287	117,544
Compensated absences	14,035	297,936
Claims and judgments	-	-
Interfund loans payable	70,630	3,281,601
Deferred revenue:		
Succeeding year property tax	-	-
Other	-	-
Note payable - current	-	208,000
General obligation bonds - current	607,225	2,592,100
Deposits payable	-	662,652
Total current liabilities	736,174	7,508,279
Noncurrent liabilities:		
Compensated absences	2,382	50,568
Claims and judgments	-	-
Other postemployment benefits	18,157	230,175
Note payable	-	9,590,000
General obligation bonds -long term	6,468,397	30,369,511
Total noncurrent liabilities	6,488,936	40,240,254
Total liabilities	7,225,110	47,748,533
NET ASSETS		
Invested in capital assets, net of related debt	15,993,146	72,059,341
Restricted for equipment replacement	-	4,049,687
Unrestricted (deficit)	(100,819)	(5,610,053)
Total net assets	\$ 15,892,327	\$ 70,498,975

ENTERPRISE FUNDS

RIVERCENTER	CLEAN WATER	TOTAL NON-MAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
\$ -	\$ 126,391	\$ 405,647	\$ 532,038	\$ 3,899,481
-	-	59,019	59,019	-
-	-	3,558,077	3,558,077	-
761,037	673,526	2,100,482	8,274,235	2,106
-	-	-	-	-
-	-	176,933	478,240	-
31,828	-	-	31,828	-
1,014	-	-	2,444	233,779
<u>793,879</u>	<u>799,917</u>	<u>6,300,158</u>	<u>12,935,881</u>	<u>4,135,366</u>
-	16,705	8,147	205,121	-
-	-	462,672	462,672	-
-	1,596,158	559,613	26,310,989	-
-	-	99,892	1,417,587	-
2,472,550	144,078	4,146,837	11,190,268	-
18,789,006	-	16,475,738	96,702,845	-
59,147	187,509	12,906,272	13,483,586	2,513,263
-	-	-	68,321,034	-
84,121	-	138,051	1,363,057	-
594,292	1,323,051	12,741,532	34,338,319	3,722,983
-	-	-	-	-
-	21,959,955	-	21,959,955	-
(9,939,839)	(9,994,039)	(23,613,784)	(119,412,792)	(2,523,727)
-	924,989	372,651	32,495,681	-
<u>12,059,277</u>	<u>16,158,406</u>	<u>24,297,621</u>	<u>188,838,322</u>	<u>3,712,519</u>
<u>12,853,156</u>	<u>16,958,323</u>	<u>30,597,779</u>	<u>201,774,203</u>	<u>7,847,885</u>
804	14,694	116,373	240,402	29,924
139,510	17,972	456,008	878,402	146,838
-	5,808	3,379	146,018	-
531	36,202	196,195	544,899	131,375
-	-	-	-	3,717,990
133,822	23,492	2,411,216	5,920,761	-
-	-	3,558,077	3,558,077	-
79,117	-	21,943	101,060	-
-	-	-	208,000	-
-	125,000	244,500	3,568,825	-
-	-	34,613	697,265	-
<u>353,784</u>	<u>223,168</u>	<u>7,042,304</u>	<u>15,863,709</u>	<u>4,026,127</u>
90	6,144	33,300	92,484	22,298
-	-	-	-	3,494,001
1,949	34,111	260,663	545,055	65,914
-	-	-	9,590,000	-
-	2,006,135	1,052,106	39,896,149	-
<u>2,039</u>	<u>2,046,390</u>	<u>1,346,069</u>	<u>50,123,688</u>	<u>3,582,213</u>
<u>355,823</u>	<u>2,269,558</u>	<u>8,388,373</u>	<u>65,987,397</u>	<u>7,608,340</u>
12,059,277	14,010,566	22,395,691	136,518,021	3,712,519
-	-	-	4,049,687	-
438,056	678,199	(186,285)	(4,780,902)	(3,472,974)
<u>\$ 12,497,333</u>	<u>\$ 14,688,765</u>	<u>\$ 22,209,406</u>	<u>\$ 135,786,806</u>	<u>\$ 239,545</u>



**CITY OF DAVENPORT
RECONCILIATION OF ENTERPRISE FUNDS NET ASSETS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total enterprise funds net assets \$ 135,786,806

Amounts reported for enterprise activities in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain services to individual funds. Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds. (455,555)

Adjustments to reflect the consolidation of prior years internal service fund activities related to enterprise funds. (247,948)

Net assets of business-type activities \$ 135,083,303

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

CITY OF DAVENPORT

PROPRIETARY FUNDS

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

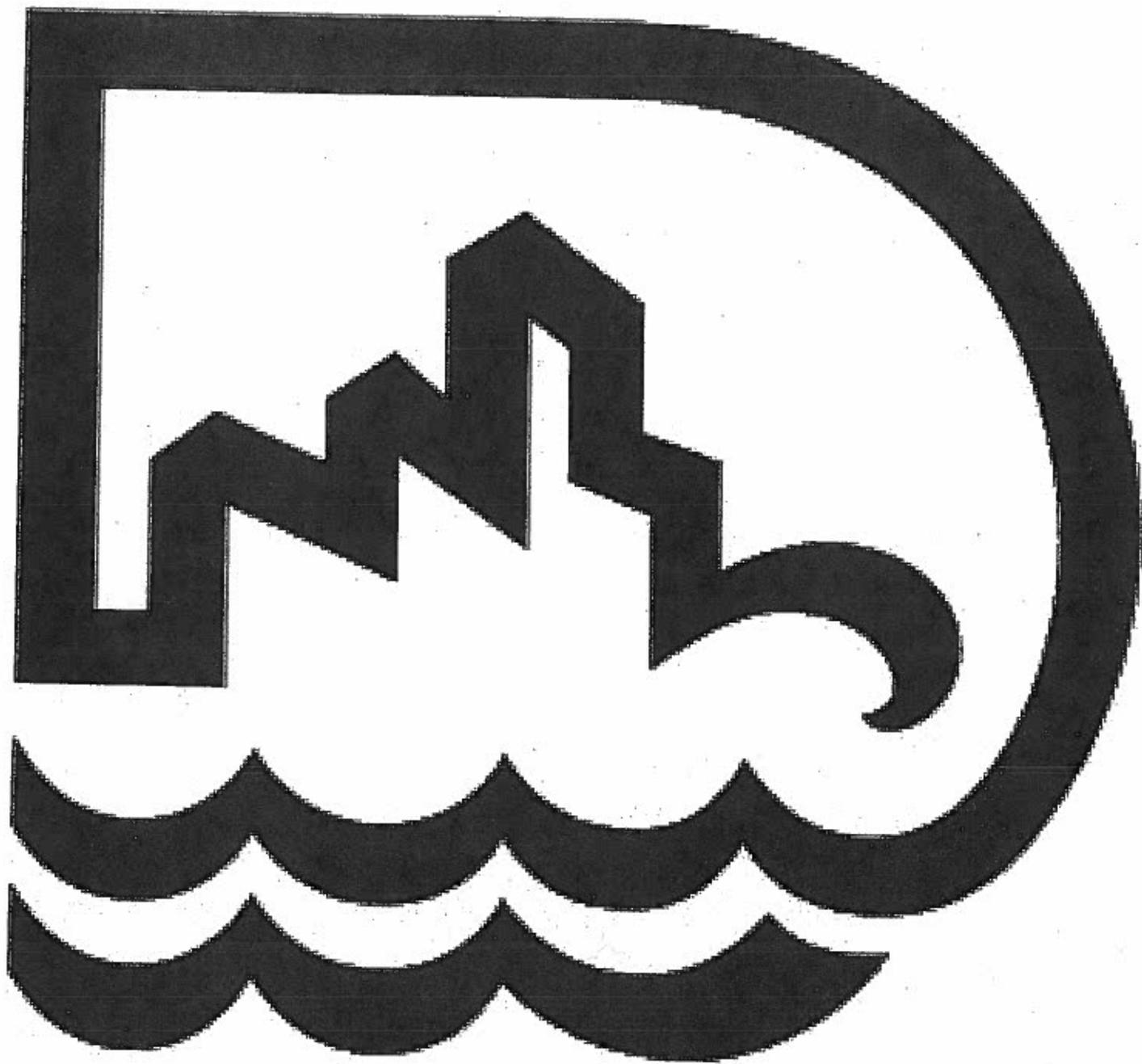
For the Fiscal Year Ended June 30, 2012

	<u>BUSINESS-TYPE ACTIVITIES -</u>		
	<u>PARKING SYSTEM</u>	<u>SEWER OPERATIONS</u>	<u>RIVERCENTER</u>
OPERATING REVENUES:			
Charges for services	\$ 1,278,559	\$ 15,903,142	\$ 1,725,151
Fines and forfeits	72,980	-	-
Other	24,594	145,473	6,467
Total Operating Revenues	<u>1,376,133</u>	<u>16,048,615</u>	<u>1,731,618</u>
OPERATING EXPENSES:			
Employee expenses	414,584	6,071,171	48,599
Supplies and services	600,257	5,898,734	2,316,734
Depreciation	758,595	3,742,161	524,471
Total Operating Expenses	<u>1,773,436</u>	<u>15,712,066</u>	<u>2,889,804</u>
OPERATING INCOME (LOSS)	<u>(397,303)</u>	<u>336,549</u>	<u>(1,158,186)</u>
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	-	-
Operating grants	-	-	-
Use of monies and property	18,037	92,555	-
Interest expense	(247,290)	(759,892)	-
Gain (loss) on disposition of capital assets	-	90,178	-
Joint venture adjustment	-	-	-
Total Non-operating Revenues (Expenses)	<u>(229,253)</u>	<u>(577,159)</u>	<u>-</u>
(LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(626,556)</u>	<u>(240,610)</u>	<u>(1,158,186)</u>
Capital contributions	277,040	8,416,408	135,447
Transfers in	491,479	-	633,000
Transfers out	-	-	-
Change in net assets	<u>141,963</u>	<u>8,175,798</u>	<u>(389,739)</u>
Total net assets - beginning	<u>15,750,364</u>	<u>62,323,177</u>	<u>12,887,072</u>
Total net assets - ending	<u>\$ 15,892,327</u>	<u>\$ 70,498,975</u>	<u>\$ 12,497,333</u>

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

ENTERPRISE FUNDS

<u>CLEAN WATER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>GOVERNMENTAL ACTIVITIES-INTERNAL SERVICE FUNDS</u>
\$ 2,075,947	\$ 8,282,808	\$ 29,265,607	\$ 17,603,704
-	-	72,980	-
1,836	131,418	309,788	668,985
<u>2,077,783</u>	<u>8,414,226</u>	<u>29,648,375</u>	<u>18,272,689</u>
929,136	6,869,153	14,332,643	1,706,434
719,758	7,325,976	16,861,459	18,367,001
863,276	2,029,810	7,918,313	452,421
<u>2,512,170</u>	<u>16,224,939</u>	<u>39,112,415</u>	<u>20,525,856</u>
<u>(434,387)</u>	<u>(7,810,713)</u>	<u>(9,464,040)</u>	<u>(2,253,167)</u>
-	3,493,152	3,493,152	-
-	1,828,869	1,828,869	-
6,001	583,810	700,403	16,983
-	(33,299)	(1,040,481)	-
-	(590)	89,588	(6,222)
-	(11,238)	(11,238)	-
<u>6,001</u>	<u>5,860,704</u>	<u>5,060,293</u>	<u>10,761</u>
(428,386)	(1,950,009)	(4,403,747)	(2,242,406)
713,117	3,150,835	12,692,847	138,967
-	-	1,124,479	-
-	(201,030)	(201,030)	-
<u>284,731</u>	<u>999,796</u>	<u>9,212,549</u>	<u>(2,103,439)</u>
<u>14,404,034</u>	<u>21,209,610</u>	<u>126,574,257</u>	<u>2,342,984</u>
<u>\$ 14,688,765</u>	<u>\$ 22,209,406</u>	<u>\$ 135,786,806</u>	<u>\$ 239,545</u>



**CITY OF DAVENPORT, IOWA
RECONCILIATION OF THE CHANGE IN NET ASSETS OF
ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

Net change in net assets in enterprise funds \$ 9,212,549

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

Internal service funds are used by management to charge the costs of various activities internally to individual funds. Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

(455,555)

Change in net assets of business-type activities

\$ 8,756,994

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

CITY OF DAVENPORT**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012**

	BUSINESS-TYPE ACTIVITIES -	
	PARKING SYSTEM	SEWER OPERATIONS
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 1,340,446	\$ 15,566,384
Cash paid to suppliers for goods and services	(603,513)	(5,780,566)
Cash paid to employees for services	(422,104)	(6,174,581)
Other operating revenue	24,594	145,473
Net Cash Provided by (Used for) Operating Activities	<u>339,423</u>	<u>3,756,710</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayments to other funds	(16,327)	(4,498,998)
Advances from other funds	70,630	3,281,601
Operating grants	-	-
Property tax	-	-
Transfers in	491,479	-
Transfers out	-	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>545,782</u>	<u>(1,217,397)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from general obligation bonds	-	17,454,000
Refunding discount/issue costs and premiums	4,874	1,534,489
Proceeds from the sale of capital assets	-	112,298
Acquisition and construction of capital assets	(61,229)	(13,029,848)
Principal paid on long-term debt	(598,600)	(3,142,550)
Interest paid on long-term debt	(248,287)	(718,925)
Deposits-other municipalities	-	28,033
Refunding bond proceeds	-	1,196,870
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(903,242)</u>	<u>3,434,367</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	-	(1,317,695)
Interest and other investment income	18,037	92,555
Net Cash provided by (used for) Investing Activities	<u>18,037</u>	<u>(1,225,140)</u>
Net Increase (Decrease) in Cash and Cash Equivalents		4,748,540
CASH AND CASH EQUIVALENTS-BEGINNING	<u>-</u>	<u>19,406,678</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ -</u>	<u>\$ 24,155,218</u>

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

ENTERPRISE FUNDS

<u>RIVERCENTER</u>	<u>CLEANWATER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS</u>
\$ 1,713,305	\$ 1,960,100	\$ 8,109,993	\$ 28,690,228	\$ 18,777,582
(2,269,084)	(733,655)	(7,228,579)	(16,615,397)	(17,122,037)
(50,512)	(939,032)	(6,986,051)	(14,572,280)	(1,699,063)
6,467	1,836	131,418	309,788	668,985
<u>(599,824)</u>	<u>289,249</u>	<u>(5,973,219)</u>	<u>(2,187,661)</u>	<u>625,467</u>
(166,998)	(2,001)	(1,658,775)	(6,343,099)	-
133,822	23,492	2,411,216	5,920,761	-
-	-	1,828,869	1,828,869	-
-	-	3,493,152	3,493,152	-
633,000	-	-	1,124,479	-
-	-	(201,030)	(201,030)	-
<u>599,824</u>	<u>21,491</u>	<u>5,873,432</u>	<u>5,823,132</u>	<u>-</u>
-	1,473,000	623,240	19,550,240	-
-	124,746	21,673	1,685,782	-
-	-	14,106	126,404	-
-	(965,320)	(230,564)	(14,286,961)	-
-	(148,000)	(238,500)	(4,127,650)	-
-	3,817	(33,068)	(996,463)	-
-	-	-	28,033	-
-	-	-	1,196,870	-
<u>-</u>	<u>488,243</u>	<u>156,887</u>	<u>3,176,255</u>	<u>-</u>
-	-	(99,892)	(1,417,587)	-
-	6,001	583,810	700,403	16,983
<u>-</u>	<u>6,001</u>	<u>483,918</u>	<u>(717,184)</u>	<u>16,983</u>
-	804,984	541,018	6,094,542	642,450
<u>-</u>	<u>917,565</u>	<u>424,242</u>	<u>20,748,485</u>	<u>3,257,031</u>
<u>\$ -</u>	<u>\$ 1,722,549</u>	<u>\$ 965,260</u>	<u>\$ 26,843,027</u>	<u>\$ 3,899,481</u>

(continued)

CITY OF DAVENPORT

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2012**

	BUSINESS-TYPE ACTIVITIES -	
	PARKING SYSTEM	SEWER OPERATIONS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (397,303)	\$ 336,549
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	758,595	3,742,161
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(11,093)	(336,758)
Decrease (increase) in inventory and prepaids	-	(1,430)
Increase (decrease) in accounts payable	(3,256)	119,598
Increase in other accrued liabilities	(7,520)	(103,410)
Increase in other deferred revenue	-	-
Total Adjustments	<u>736,726</u>	<u>3,420,161</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 339,423	\$ 3,756,710
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Acquisition of capital assets through capital contributions	\$ 277,040	\$ 8,416,408
Contribution of capital assets by municipality	(277,040)	(2,004,858)
Contribution of capital assets by subdividers	-	-
Contribution of capital assets by state and federal governments	-	(6,175,176)
Contribution by other	-	(236,374)

ENTERPRISE FUNDS

<u>RIVERCENTER</u>	<u>CLEANWATER</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUNDS</u>
\$ (1,158,186)	\$ (434,387)	\$ (7,810,713)	\$ (9,464,040)	\$ (2,253,167)
524,471	863,276	2,029,810	7,918,313	452,421
(54,336)	(115,847)	(192,373)	(710,407)	1,173,878
(39)	-	-	(1,469)	(18,112)
47,689	(13,897)	97,397	247,531	1,263,076
(1,913)	(9,896)	(116,898)	(239,637)	7,371
42,490	-	19,558	62,048	-
<u>558,362</u>	<u>723,636</u>	<u>1,837,494</u>	<u>7,276,379</u>	<u>2,878,634</u>
\$ (599,824)	\$ 289,249	\$ (5,973,219)	\$ (2,187,661)	\$ 625,467
\$ 135,447	\$ 713,117	\$ 3,150,835	\$ 12,692,847	\$ 138,967
(135,447)	(284,617)	(994,434)	(3,696,396)	(138,967)
-	-	-	-	-
-	(400,000)	(2,156,401)	(8,731,577)	-
-	(28,500)	-	(264,874)	-

CITY OF DAVENPORT

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2012**

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and investments	\$ 496,712
Total assets	<u>\$ 496,712</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 17,582
Due to other governments	479,130
Total liabilities	<u>\$ 496,712</u>

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

CITY OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

The City of Davenport does not have any component units required to be reported within the City's reporting entity.

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

Operations are reimbursed on a break-even basis, the City providing approximately 25% and Metrolink providing 75% for the year. The City paid \$1,522,828 in maintenance fees during the fiscal year ended June 30, 2012. The City's interest in the joint venture is accounted for under the equity method in the Transit enterprise fund (Note 8). Financial statements of the Quad-City Garage Policy Group may be obtained from the entity's administrative office at 2929 5th Avenue, Rock Island, IL 61201.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements, other than interfund services provided and used. Any direct expenses have not been eliminated and interfund services provided and used are shown as program revenue (for example, charges for services in the sewer fund by all other funds). Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of net assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets.

CITY OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

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

Separate financial statements are provided for governmental funds, propriety funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

C. Fund Accounting

The accounts of the City are organized on the basis of funds each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balances/net assets, revenues and expenditures or expenses, as appropriate. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as non-major governmental and proprietary funds. The City has the following funds:

(1) Governmental Fund Types

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

(a) General Fund

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

(b) Local Option Sales Tax Fund

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

(c) General Debt Service Fund

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

(d) Capital Projects Fund

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

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

(2) Proprietary Fund Types

Proprietary fund types are used to account for the City's ongoing organizations and activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The City applies only the applicable Financial Accounting Board guidance issued prior to November 30, 1989, which do not conflict with Governmental Accounting Standards Board statements, in accounting and reporting its enterprise operations.

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

- (a) **Parking System Fund** – Accounts for revenue and expenses associated with the City's parking system, which provides both on-street and off-street parking.
- (b) **Sewer Operations Fund** – Accounts for revenue and expenses of the system responsible for collecting and treating the wastewater of the Cities of Davenport, Bettendorf, Riverdale, and Panorama Park. Davenport accumulates the costs of operations, construction, and equipment replacement, and bills the other cities monthly for their portion of such costs based on an actual usage percentage calculated annually.
- (c) **RiverCenter Fund** – Accounts for rental income and expenses associated with the operation of a 57,000 square foot conference, convention and trade show facility. This fund is a nonmajor fund but the City has elected to report it as a major fund for public interest purposes.
- (d) **Clean Water Fund** – Accounts for revenue and expenses related to the operation and maintenance of the storm water collection system including inspections, mapping, drainage maintenance, street sweeping and other activities related to clean water activities. This fund is a nonmajor fund but the City has elected to report it as a major fund for public interest purposes.

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

(3) Fiduciary Fund Types

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

(a) **Agency Funds**

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

The City has 3 agency funds: Riverfront Task Force that accounts for donations toward the formulation of a plan for riverfront development; Library Gift that accounts for donations to the Davenport Public Library and disbursements as authorized by the Library Board of Trustees and M.D. Petersen Memorial that accounts for annual contributions from the Petersen estate and disbursements designated by the Davenport Levee Improvement Commission.

CITY OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

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

Property tax, local option sales tax, intergovernmental revenues and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Licenses and permits, fines and forfeits, charges for services, and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of monies and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

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

Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges for services. The principal operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses and include interest earnings and interest payments.

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

E. Cash and Pooled Cash Investments

Except where otherwise required, the City maintains all deposits in a bank account in the name of the City. Cash resources have been pooled in order to maximize investment opportunities. Income from investments purchased with pooled cash is allocated to individual funds based on the fund's average cash balance and legal requirements. Fund cash deficits, which represent current loans between funds, have been reported as interfund loans receivable/payable.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

F. Investments

Investments in government agency securities are stated at fair value based on quoted market prices. Investments in the Iowa Public Agency Investment Trust are stated at amortized cost.

G. Statement of Cash Flows

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

H. Property Tax Receivable

Property taxes, including tax increment financing, in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2012 and unpaid taxes. The succeeding year property tax receivable represent 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 have 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.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March 2011.

The City is permitted by the Code of Iowa to levy taxes up to \$8.10 per \$1,000 of assessed valuation for General Fund purposes, \$.27 per \$1,000 of assessed valuation for an Emergency Fund to assist in the funding of General Fund activities, \$.95 per \$1,000 of assessed valuation for a mass transportation program and unlimited amounts for the payment of principal and interest on general obligation bonds, judgments awarded against the City, trust and agency accounts for pension and related employee benefits funds, and to pay the premium costs on tort liability insurance. The combined tax rate for the collection year ended June 30, 2012 was \$15.53 per \$1,000 of assessed valuation.

I. Loans Receivable

Loans receivable consist of \$2,553,960 of financing provided to companies that are beginning operations. The remaining \$13,133,968 of loans receivable are low- and no-interest loans. The City receives federal funds from the U.S. Department of Housing and Urban Development as part of the Community Development Block Grant, which allows the City to provide loans at below-market-rates to eligible corporations and individuals to finance urban and community development. Loans are carried at the amount of unpaid principal. Management records allowances for estimated uncollectible amounts of \$3,742,338 based on historic information and review of outstanding amounts.

J. Special Assessments Receivable

Special assessments are levied against certain property owners benefited by various street projects. Special assessments receivable consists of assessments due over the next ten years in relation to these projects.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

K. Restricted Assets

If the use of monies received is limited by City ordinance and/or contract provisions, they are reported as restricted assets. Also, liabilities which are payable from restricted assets are reported as such. The following assets are reported as restricted at June 30, 2012: unexpended general obligation bond proceeds and other funds restricted to capital outlay of \$19,318,778, deposits and equipment replacements of \$4,836,440 in the Sewer Enterprise Fund, \$1,596,158 of unexpended bond proceeds in the Clean Water Enterprise Fund; \$400,000 of unexpended bond proceeds in the Solid Waste Enterprise Fund; \$125,000 of unexpended bond proceeds in the Public Housing Fund, security deposits of \$34,613 in the Public Housing Fund, and loan escrow payments of \$46,759 in the Community Development Act Special Revenue Fund. In governmental activities, there is also \$16,067,881 of unexpended general obligation proceeds restricted to capital outlay.

L. Capital Assets

Capital assets, including land, buildings, improvements, infrastructure, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statement and proprietary fund financial statements. In the governmental funds capital assets (capital outlay) is reported as expenditures and no depreciation is recognized. Generally, capital assets purchased in excess of \$5,000 are capitalized if they have an expected useful life of one year or greater. Assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value on the date donated.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest was \$674,124 in the Sewer Operations Fund and \$39,094 in the Clean Water Fund.

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

Buildings	40-50 years
Improvements	10-20 years
Equipment and vehicles	3-15 years
Sanitary sewers	40 years
Streets and roads	10-30 years
Storm sewers	30 years
Traffic signals	20-40 years

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

M. Deferred and Unearned Revenues

In the governmental funds, unearned revenues represent amounts due, which are measurable, but not available, or grants and similar items received, but for which the City has not met all eligibility requirements imposed by the provider. Unearned revenue consists of delinquent property tax receivable and other receivables not collected within sixty days after year end. In the statement of net assets, government funds financial statements and proprietary funds financial statements, unearned revenues and deferred revenues, respectively, represent the deferral of property tax receivables which are levied for a future period and unearned grants.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

N. Interfund Transactions

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

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

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

O. Compensated Absences

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

For government-wide financial statements and proprietary fund types, these accumulations are recorded as expenses and liabilities in the fiscal year earned. For governmental fund types, a liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Unspent debt proceeds for the Sewer Operations Fund and Public Housing Fund were \$17,419,884 and \$125,000 respectively. Unspent debt proceeds for the Capital Projects Fund were \$16,067,881. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted through enabling legislation consists of \$799,011 for employee benefits; \$1,547,832 for tort liability; \$516,465 for local option sales tax; \$873,040 for library; \$37,497,505 for debt service; \$659,437 for road use tax and \$533,236 for municipal improvement districts. Net assets are reported as unrestricted when they do not meet the definition of the two preceding categories. Deficits will require future funding. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

Q. Long-term Obligations

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

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

R. Prepays

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

S. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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 revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

2. CONTINGENCIES

A. Litigation

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

B. Grants

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

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

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

3. DEPOSITS AND INVESTMENTS

A. Deposits

Chapter 12C of the Code of Iowa requires that all City funds be deposited into an approved depository and either insured or collateralized. At year-end, the carrying amount of the City's deposits was \$40,235,104 and the bank balances were \$41,722,969. As of June 30, 2012, the City's deposits with financial institutions were entirely covered by federal depository insurance or insured by the state through pooled collateral, state sinking funds and by the state's ability to assess for lost funds.

B. Investments

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

Interest rate risk – the City's investment policy limits the investment of operating funds in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City. The City's investments in State and Local Government Securities exceed the 397 day investment period, but the maturities match the crossover refundings.

Credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk – The City's investment policy is to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer or a specific class of securities. However, the City's policy limits them from investing in prime bankers' acceptances, commercial paper, other short-term corporate debt, open-end management investment company or Iowa Public Agency Investment Trust of more than 10 percent of the investment portfolio or perfected repurchase agreements of more than 25 percent of the investment portfolio and more than 5 percent of the investment portfolio with a single issuer. In addition, no more than 5 percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification. More than 5 percent of the City's investments are in SLGS and IPAIT. The majority of these securities represent the crossover refunding proceeds.

Custodial credit risk – for an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The City's investments were not insured but were held by a custodian in the name of the City and not exposed to custodial credit risk.

At June 30, 2012, the interest rate risk and credit risk of the City's investments are as follows:

Type	Fair Value	Maturities	Credit Ratings
Federal Home Loan Bank (FHLB)	\$ 999,980	July 20, 2012	AAA
State and Local Government Securities (SLGS)	549,378	December 1, 2012	AAA
State and Local Government Securities (SLGS)	17,225,234	June 1, 2013	AAA
State and Local Government Securities (SLGS)	250,776	December 1, 2014	AAA
State and Local Government Securities (SLGS)	18,811,077	June 1, 2014	AAA

The City had investments in the Iowa Public Agency Investment Trust (IPAIT) with maturity of 1 day, which are valued at an amortized cost of \$414,218 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

4. FUND TRANSFER RECONCILIATION

The following is a schedule of transfers in and out as included in the financial statements of the City.

Transfer in:

	General Fund	General Debt Service Fund	Capital Projects Fund	Non-major governmental funds	Parking Fund	RiverCenter Fund	Total transfer
Transfer out:							
General Fund	\$ -	\$ -	\$ 185,829	\$ -	\$ -	\$ 633,000	\$ 818,829
Local Option Sales Tax Fund	1,000,000	8,037,792	5,024,272	75,000	491,479	-	14,628,543
General Debt Service Fund	-	-	-	565,000	-	-	565,000
Capital Project Fund	-	2,337,888	-	-	-	-	2,337,888
Other non-major governmental funds	302,828	101,009	2,298,488	-	-	-	2,702,325
Other non-major enterprise funds	-	-	-	201,030	-	-	201,030
Total Transfer	\$1,302,828	\$ 10,476,689	\$7,508,589	\$ 841,030	\$491,479	\$ 633,000	\$21,253,615

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them or (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other governmental and proprietary funds in accordance with budgetary authorizations. The governmental activities also contributed capital to the Parking System Fund, Sewer Operations Fund, RiverCenter Fund, Clean Water Fund, Public Housing Fund, Golf Courses Fund, Airport Fund, Public Transit Fund, Solid Waste Fund and River's Edge Fund.

5. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2012, interfund receivables and payables are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Local Option Sales Tax Fund	\$ 2,271,088
	General Debt Service Fund	277,093
	Non-major Governmental Funds	1,362,459
	Sewer Fund	3,182,945
	RiverCenter Fund	133,822
	Parking System Fund	70,630
	Non-major Proprietary Funds	2,411,216
	Local Option Sales Tax Fund	1,448,485
	Sewer Fund	98,656
	Clean Water Fund	23,492
General Debt Service	Non-major Governmental Funds	28,263
	Local Option Sales Tax Fund	704,647
	General	3,603
	General Debt Service Fund	856,469
		<u>\$ 12,872,868</u>

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

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

6. Changes in Capital Assets

The following is a summary of changes in capital assets for the year ended June 30,2012:

	BEGINNING BALANCE 06/30/11	ADDITIONS	TRANSFERS	DELETIONS	ENDING BALANCE 06/30/12
GOVERNMENTAL ACTIVITIES					
Capital assets, not being depreciated:					
Land	\$ 18,724,432	\$ 1,491,921	\$ -	\$ (120,937)	\$ 20,095,416
Construction in progress	14,253,149	18,726,839	(17,519,975)	-	15,460,013
Total capital assets, not being depreciated	<u>32,977,581</u>	<u>20,218,760</u>	<u>(17,519,975)</u>	<u>(120,937)</u>	<u>35,555,429</u>
Capital assets being depreciated					
Buildings	99,609,142	5,728,142	-	(52,823)	105,284,461
Improvements other than buildings	26,689,362	708,181	-	-	27,397,543
Equipment and vehicles	36,765,380	1,676,957	19,795	(678,480)	37,783,652
Bridges	4,975,990	1,357,832	-	-	6,333,822
Traffic Signals	7,774,259	445,457	-	-	8,219,716
Streets and roads	178,909,656	9,513,594	-	-	188,423,250
Seawalls	622,467	2,062,822	-	-	2,685,289
Tunnels	54,326	-	-	-	54,326
Total capital assets being depreciated	<u>355,400,582</u>	<u>21,492,985</u>	<u>19,795</u>	<u>(731,303)</u>	<u>376,182,059</u>
Less accumulated depreciation for:					
Buildings	27,609,490	2,550,324	-	(52,823)	30,106,991
Improvements other than buildings	7,638,345	1,419,691	-	-	9,058,036
Equipment and vehicles	22,542,170	2,795,398	8,290	(641,322)	24,704,536
Bridges	2,217,164	137,258	-	-	2,354,422
Traffic signals	5,219,186	244,914	-	-	5,464,100
Streets and roads	58,008,693	6,550,421	-	-	64,559,114
Seawalls	66,138	49,942	-	-	116,080
Tunnels	12,901	2,716	-	-	15,617
Total accumulated depreciation	<u>123,314,087</u>	<u>13,750,664</u>	<u>8,290</u>	<u>(694,145)</u>	<u>136,378,896</u>
Total capital assets being depreciated, net	<u>232,086,495</u>	<u>7,742,321</u>	<u>11,505</u>	<u>(37,158)</u>	<u>239,803,163</u>
Governmental activities capital assets, net	<u>\$ 265,064,076</u>	<u>\$ 27,961,081</u>	<u>\$ (17,508,470)</u>	<u>\$ (158,095)</u>	<u>\$ 275,358,592</u>
BUSINESS-TYPE ACTIVITIES					
Capital assets, not being depreciated:					
Land	\$ 11,190,268	\$ -	\$ -	\$ -	\$ 11,190,268
Construction in progress	18,403,582	21,686,069	-	(7,593,970)	32,495,681
Total capital assets not being depreciated	<u>29,593,850</u>	<u>21,686,069</u>	<u>-</u>	<u>(7,593,970)</u>	<u>43,685,949</u>
Capital assets, being depreciated:					
Buildings	95,865,067	990,694	-	(152,916)	96,702,845
Improvements other than buildings	11,583,074	1,900,512	-	-	13,483,586
Equipment and vehicles	31,042,540	4,693,139	(19,795)	(1,377,565)	34,338,319
Sanitary sewer	66,649,916	1,671,118	-	-	68,321,034
Storm Sewer	19,468,594	2,491,361	-	-	21,959,955
Streets and roads	222,172	1,140,885	-	-	1,363,057
Total capital assets being depreciated	<u>224,831,363</u>	<u>12,887,709</u>	<u>(19,795)</u>	<u>(1,530,481)</u>	<u>236,168,796</u>
Less accumulated depreciation for:					
Buildings	43,217,083	2,742,843	-	(152,916)	45,807,010
Improvements other than buildings	6,737,390	493,907	-	-	7,231,297
Equipment and vehicles	21,707,348	2,250,516	(8,290)	(1,352,254)	22,597,320
Sanitary sewer	32,772,206	1,696,787	-	-	34,468,993
Storm sewer	8,538,123	697,380	-	-	9,235,503
Streets and roads	35,789	36,880	-	-	72,669
Total accumulated depreciation	<u>113,007,939</u>	<u>7,918,313</u>	<u>(8,290)</u>	<u>(1,505,170)</u>	<u>119,412,792</u>
Total capital assets, being depreciated, net	<u>111,823,424</u>	<u>4,969,396</u>	<u>(11,505)</u>	<u>(25,311)</u>	<u>116,756,004</u>
Business-type activities capital assets, net	<u>\$ 141,417,274</u>	<u>\$ 26,655,465</u>	<u>\$ (11,505)</u>	<u>\$ (7,619,281)</u>	<u>\$ 160,441,953</u>

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

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

Governmental activities:	
General government	\$627,878
Community & economic development	26,366
Public works	8,296,932
Public safety	1,662,304
Culture & recreation	2,684,763
Internal service assets are charged to the various functions based on their usage of the assets	452,421
Total depreciation expense-governmental activities	<u>\$13,750,664</u>
Business-type activities:	
Parking systems	\$758,595
Sewer operations	3,742,161
RiverCenter	524,471
Public transit	549,640
Public housing	285,394
Golf courses	208,984
Airport	353,472
Solid Waste	519,624
Clean Water	863,276
River's Edge	112,696
Total depreciation expense-business-type activities	<u>\$7,918,313</u>

The government has active construction projects as of June 30, 2012. The projects include street construction and improvements, sanitary sewer and water pollution control plant improvements, parks, city wide beautification, and public buildings. At the year end the government's commitments with contractors are as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Streets/Improvements	\$ 17,735,293	\$ 4,069,891
Sanitary Sewer/WPCP	24,702,746	9,489,314
Parks	481,181	463,789
Public Safety	375,545	11,855
Public Buildings	998,984	78,674
Total	<u>\$ 44,293,749</u>	<u>\$ 14,113,523</u>

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

The government has significant encumbrances as of June 30, 2012. The encumbrances are in various funds, mostly for vehicles. At year end the government's significant encumbrances are as follows:

Fund	Amount
Capital Projects – restricted	\$ 298,027

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

7. EMPLOYEE RETIREMENT SYSTEMS

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

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

A. Iowa Public Employees Retirement System

The City of Davenport contributes to IPERS which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$2,514,056, \$2,113,864, and \$1,954,483 respectively, equal to the required contributions for each year.

B. Municipal Fire and Police Retirement System of Iowa

The City of Davenport contributes to MFPRSI which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees. The plan provides retirement, disability and death benefits, which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104th Street, Urbandale, Iowa 50322.

MFPRSI Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rates for the years ended June 30, 2012, 2011 and 2010 were 24.76%, 19.90%, and 17.00%. Contribution requirements are established by State statute. The City's contributions to the plan for the years ended June 30, 2012, 2011 and 2010 were \$5,320,594, \$4,023,428, and \$3,258,724, respectively, which met the required contributions for each year.

C. 457 Deferred Compensation Contributions

The City of Davenport contributes 1% to 8% matches to Police and Fire, Teamsters, Non-bargaining Management and department director's 457 deferred compensation plans. The City's contributions for the years ended June 30, 2012, 2011 and 2010 were \$1,811,869, \$1,758,704, and \$1,653,299 respectively.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

8. JOINT VENTURE

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

The City of Davenport and MetroLink have jointly constructed a maintenance facility. The City contributed \$542,196 and the MetroLink contributed \$362,523. The remainder of the funding was provided by grants from the Federal Transit Administration and the State of Illinois in the amount of \$5,495,205. The maintenance facility is recorded as an asset of MetroLink, and not by the QCGPG. The City's share of the facility is \$266,545 as of June 30, 2012.

The QCGPG consists of six (6) members, three (3) each representing the City of Davenport and MetroLink. Two members and an alternate are appointed by the Mayor of Davenport, subject to the approval of the Davenport City Council. Two members and alternate are appointed by the Chairman of the MetroLink Board of Trustees, subject to the approval of the Board of Trustees of the MetroLink. Officers are chosen from the above six (6) members, and there are two voting members each representing the City of Davenport and MetroLink. The facility supervisor, appointed by the parties, prepares an annual budget, which is presented to the parties, or to the QCGPG for their approval. Expenses incurred by the QCGPG are allocated either (a) on the basis of ownership of the facility, or (b) on the basis of the number of buses that the respective parties have in service. The City's investment as of June 30, 2012 was \$196,128.

A summary of the latest available financial information for the QCGPG as of June 30, 2012, and for the year then ended is as follows:

Total assets	<u>\$1,042,175</u>
Total liabilities	<u>\$576,131</u>
Total equity	<u>\$466,044</u>
Total revenue	\$5,244,030
Total expenses	<u>\$5,256,128</u>
Net change in fund equity	<u>\$ (12,098)</u>

The City uses the equity method of accounting for these investments. At June 30, 2012, this amounted to \$462,973 which includes the City's share of both the maintenance facility and the fund equity of the QCGPG.

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

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

9. LONG-TERM DEBT

The following is a summary of changes in long-term debt, net of the deferred portion of issuance costs, for the year ended June 30, 2012 (numbers shown in thousands):

Governmental Activities:	Balance June 30,2011	Additions	Retirements	Balance June 30,2012	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 151,620	\$ 45,382	\$ (17,234)	\$ 179,768	\$ 16,261
Special Assessment Debt	1,095	46	-	1,141	-
Less deferred costs:					
Discounts	(411)	40	(87)	(458)	-
refunding issuance	(104)	96	(479)	(487)	-
refunding gain/loss	28	-	55	83	-
premium on issuance	1,261	3,321	(344)	4,238	-
Total Bonds Payable	153,489	48,885	(18,089)	184,285	16,261
Other post employment benefits payable	1,500	955	-	2,455	-
Note Payable	-	311	-	311	13
Compensated Absences	5,013	5,660	(5,747)	4,926	4,211
	\$ 160,002	\$ 55,811	\$ (23,836)	\$ 191,977	\$ 20,485
Business-type Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 24,384	\$ 20,747	\$ (3,925)	\$ 41,206	\$ 3,569
Less deferred costs:					
Discounts	(78)	(174)	16	(236)	-
refunding issuance	(75)	10	(17)	(82)	-
refunding gain/loss	199	-	8	207	-
premium on issuance	500	2,062	(192)	2,370	-
Total Bonds Payable	24,930	22,645	(4,110)	43,465	3,569
Compensated Absences	676	794	(833)	637	545
Other post employment benefits payable	334	211	-	545	-
Note Payable	10,000	-	(202)	9,798	208
	\$ 35,940	\$ 23,650	\$ (5,142)	\$ 54,445	\$ 4,322

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

Internal service funds predominantly serve governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year end \$153,673 of internal service funds compensated absences and \$65,914 of other post employment benefits are included in the above amounts. Also, for the governmental activities, compensated absences and other post employment benefits are generally liquidated by the fund incurring the expense. The General Fund of the city includes a trust and agency fund that is used to levy taxes to pay for and liquidate benefit obligations.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

General obligation bonds payable at June 30, 2012, is comprised of the following individual issues:

		Outstanding Balance June 30, 2012 (in thousands of dollars)
A.	Matured bonds not presented for payment.	\$ 20
B.	\$2,755,000 2001 Refunding of 1994B Economic Development serial bonds due in annual installments of \$10,000 to \$365,000 through June 1, 2014; interest at 4.0 to 6.0 percent (\$2,179,940 and \$170,018 in principal and interest thereon are being serviced by the Tax Increment Financing District Debt Service Fund and the Levee Improvement Commission Special Revenue Fund, respectively).	315
C.	\$12,160,000 2003 Stadium serial bonds due in annual installments of \$390,000 to \$1,140,000 through June 1, 2018; interest at 2.0 to 5.2 percent.	3,335
D.	\$9,390,000 2003 Streets, Sewers, Golf, and Equipment serial bonds due in annual installments of \$235,000 to \$1,315,000 through June 1, 2018; interest at 2.5 to 4.1 percent (\$735,000 and \$330,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund and the Golf Courses Enterprise Fund, respectively).	6,320
E.	\$9,685,000 2003 advance refunding of 1996 Building, Streets, Sewers and Equipment serial bonds due in annual installments of \$40,000 to \$1,015,000 through June 1, 2016; interest at 2.0 to 4.0 percent (\$130,000 and \$138,250 in principal and interest thereon are being serviced by the Tax Increment Financing District Debt Service Fund and the Sewer Enterprise Fund, respectively).	3,095
F.	\$3,150,000 2004 Economic Development serial bonds due in annual installments of \$130,000 to \$265,000 through June 1, 2023; interest at 4.5 to 5.1 percent (\$3,150,000 in principal and interest thereon are being serviced by the Tax Increment Financing District Debt Service Fund).	2,295
G.	\$4,535,000 2004 Streets, Sewers and River Renaissance serial bonds due in annual installments of \$195,000 to \$400,000 through June 1, 2019; interest at 2.0 to 4.0 percent (\$695,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund).	1,830
H.	\$11,690,000 2004 Streets, Buildings, Sewers, Airport and Equipment serial bonds due in annual installments of \$680,000 to \$900,000 through June 1, 2019; interest at 3.2 to 4.25 percent (\$1,130,000, \$255,000 and \$205,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund, Tax Increment Financing District Debt Service Fund and the Airport Enterprise Fund, respectively).	5,665
I.	\$36,115,000 2005 Buildings, Streets, Sewers and Equipment serial bonds due in annual installments of \$1,160,000 to \$2,490,000 through June 1, 2025; interest at 4.0 to 4.5 percent (\$455,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund.)	22,240
J.	\$3,615,000 2006A Refunding of 1997A Streets, Sewers, Building and Parks serial bonds due in annual installments of \$115,000 to \$530,000 through June 1, 2017; interest at 3.6 to 3.7 percent (\$119,800 in principal and interest thereon are being serviced by the Sewer Enterprise Fund.)	620

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

K.	\$1,330,000 2006B Refunding of 1997 Economic Development serial bonds due in annual installments of \$95,000 to \$150,000 through June 1, 2017; interest at 5.0 percent (\$60,000 in principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund.)	675
L.	\$14,400,000 2007A Streets, Equipment and Parks serial bonds due in annual installments of \$810,000 to \$1,280,000 through June 1, 2021; interest at 4.0 to 4.125 percent (\$460,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund.)	8,510
M.	\$6,400,000 2007B Refunding of 1998A Streets, Sewers, Buildings and Equipment serial bonds and refunding of 1998 Streets, Sewers, Buildings, Parks and Equipment serial bonds due in annual installments of \$495,000 to \$1,285,000 through June 1, 2013; interest at 4.0 to 4.25 percent (\$669,300 and \$265,575 in principal and interest thereon are being serviced by the Tax Increment Districts Debt Service Fund and Sewer Enterprise Fund, respectively.)	495
N.	\$2,915,000 2008A Refunding of 1999 Streets, Sewers, Buildings, Housing and Equipment serial bonds due in annual installments of \$460,000 to \$520,000 through June 1, 2014; interest at 2.25 to 3.0 percent (\$795,000, \$540,000 and \$55,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund, Public Housing Enterprise Fund and Tax Increment Financing Districts Debt Service Fund, respectively).	1,020
O.	\$3,690,000 2008B Refunding of 2001 Taxable Economic Development, Sewers, Buildings, Equipment and Public Improvements serial bonds due in annual installments of \$570,000 to \$660,000 through June 1, 2015; interest at 3.0 to 3.5 percent (\$890,000 and \$60,000 in principal and interest thereon are being serviced by the Sewer Enterprise Fund and Tax Increment Financing Districts Debt Service Fund, respectively.)	1,915
P.	\$11,230,000 2008C Streets, Sewer, Buildings, Equipment and Park serial bonds due in annual installments of \$595,000 to \$910,000 through June 1, 2023; interest at 4.0 to 4.5 percent \$1,320,000 in principal and interest thereon is being serviced by the Sewer Enterprise Fund.	7,915
Q.	\$3,530,000 2008 General Obligation Economic Development serial bonds due in annual installments of \$205,000 to \$400,000 through June 1, 2021; interest at 3.5 to 6.2 percent (\$3,530,000 principal and interest thereon is being serviced by the TIF increment Financing District Debt Service Fund.)	2,875
R.	\$16,530,000 2009 General Obligation Streets, Buildings, Sewer and Equipment serial bonds due in annual installments of \$695,000 to \$1,190,000 through June 1, 2024; interest at 3.0 to 4.0 percent (\$275,000 principal and interest thereon is being serviced by the Sewer Enterprise Fund.)	12,830

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

S.	\$7,035,000 2009 General Obligation Economic Development Serial bonds due in annual installments of \$865,000 to \$1,350,000 through June 1, 2028; interest at 4.0 to 6.0 percent (\$7,035,000 principal and interest thereon is being serviced by the TIF Increment Financing District Debt Service Fund.)	6,550
T.	\$10,125,000 2009C General Obligation Communication Building serial bonds, (Build America Bonds) due in annual installments of \$350,000 to \$795,000 through June 1, 2029; interest at 2.0 to 5.8 percent.	9,410
U.	\$20,650,000 2010A General Obligation Streets, Sewer, Equipment and Economic Development serial bonds (Build American Bonds) due in annual installments of \$1,110,000 to \$1,865,000 through June 1, 2024; interest at .50 to 5.0 percent (\$2,099,000 and \$1,012,000 principal and interest thereon is being serviced by the Sewer Enterprise Fund and Tax Increment Financing District Debt Service Fund, respectively.)	15,900
V.	\$10,845,000 2010B Refunding of 2001 Streets, Signals, Parks, Equipment, Golf and Parking serial bonds due in annual installments of \$645,000 to \$1,155,000 through June 1, 2021; interest at 2.0 to 3.37 percent (\$1,762,650, \$4,298,600 and \$666,600 principal and interest thereon is being serviced by the Tax Increment Financing District Debt Service Fund, Parking Enterprise Fund and Municipal Districts Special Revenue Fund, respectively.)	8,470
W.	\$3,870,000 2010C Refunding of 2001 Taxable Parking serial bonds due in annual installments of \$275,000 to \$435,000 through June 1, 2021; interest at 2.0 to 4.3 percent (\$3,870,000 principal and interest thereon is being serviced by the Parking Enterprise Fund.)	3,290
X.	\$33,745,000 2010D General Obligation Streets, Sewer, Cleanwater, Airport, Equipment and Economic Development serial bonds due in annual installments of \$1,815,000 to \$3,350,000 through June 1, 2025; interest at 2.0 to 4.0 percent (\$7,049,000, \$692,000, \$512,000 and \$1,010,000 principal and interest thereon is being serviced by the Sewer Enterprise Fund, Cleanwater Enterprise Fund, Airport Enterprise Fund and Tax Increment Financing District Debt Service Fund, respectively.)	27,920
Y.	\$6,005,000 2011A Refunding of 2002 Streets, Buildings, Parks, Equipment and Sewer serial bonds due in annual installments of \$875,000 to \$1,100,000 through June 1, 2017; interest at 2.0 to 4.0 percent (\$2,317,750 principal and interest thereon is being serviced by the Sewer Enterprise Fund.)	5,130
Z.	\$31,250,000 2012 General Obligation Streets, Sewers, Buildings, Solid Waste, Clean Water and Equipment serial bonds due in annual installments of \$565,000 to \$2,700,000 through June 1, 2031; interest at 2.0 to 4.0 percent (\$2,034,000, \$17,454,000, \$406,000 and \$1,473,000 in principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund, Sewer Enterprise Fund, Solid Waste Enterprise Fund and Clean Water Fund, respectively).	28,550

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

AA.	\$4,460,000 2012B Crossover Refunding of \$2,195,000 of 2003A Taxable General Obligation Stadium Bonds maturing June 1, 2014 through 2018 and \$2,135,000 of Taxable General Obligation Economic Development bonds, Series 2004A maturing June 1, 2014 through 2023 due in annual installments of \$245,000 to \$685,000 through June 1, 2023; interest at .7 to 3.1 percent (\$2,152,715 in principal and interest thereon are being serviced by the Tax Increment Financing Districts Debt Service Fund.)	4,460
BB.	\$11,720,000 2012C Crossover Refunding of \$6,050,000 of General Obligation Bonds, Series 2003 maturing June 1, 2014 through 2018, \$1,445,000 of General Obligation Bonds, Series 2004B, maturing June 1, 2014 through 2019, and \$4,915,000 of General Obligation Bonds, Series 2004C maturing June 1, 2014 through 2019 due in annual installments of \$1,060,000 to \$2,240,000 through June 1, 2019; interest at 3.0 to 4.0 percent (\$1,055,965 and \$90,240 in principal and interest thereon are being serviced by the Sewer Enterprise Fund and the Airport Enterprise Fund, respectively.)	11,720
CC.	\$18,745,000 Crossover Refunding of \$18,560,000 of General Obligation Bonds, Series 2005A maturing June 1, 2015 through 2025 due in annual installments of \$1,215,000 to \$2,220,000 through June 1, 2025; interest at 3.0 percent (\$140,905 in principal and interest thereon is being serviced by the Sewer Enterprise Fund.)	18,745
	Total general obligation bonds	222,115
	General obligation bonds serviced by Enterprise Funds	(41,206)
	Matured bonds	(20)
	General obligation bonds reported in Governmental Activities	<u>\$ 180,889</u>

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

The City of Davenport's Capital Improvement Program has been funded in part from general obligation bonds which are intended to be abated by user fees, special assessment collections, municipal improvement district taxes, and levee rents. The debt to be abated by user fees is accounted for in the Enterprise Funds in the amount of \$41,205,760. Debt abated by special assessment collections is accounted for in the governmental activities as Special Assessment Debt with Governmental Commitment in the amount of \$1,140,837. The debt to be abated by municipal improvement district taxes is accounted for in the governmental activities in the amount of \$563,900. These abated bonds, including interest thereon, are included in the above schedule and represent a contingent liability against the City's full faith and credit. The general credit of the City is obligated only to the extent that user fees, special assessment collections or liens foreclosed against properties involved in the special assessment projects, municipal improvement district taxes, and levee rents are insufficient to retire outstanding bonds.

In order to limit the liability of taxpayers, the State Constitution of Iowa imposes a limit on the amount of debt local governments may incur. Davenport's debt limitation is five (5) percent of its gross assessed valuation. This limitation applies to general obligation indebtedness and Tax Increment Financing agreements entered in to rebate taxes paid over time. At June 30, 2012, the statutory limit for the City was \$303,752,150 providing a debt margin of \$68,705,650.

The City has entered into an agreement with the Iowa Finance Authority to borrow ten million dollars in the form of the proceeds of the Iowa Finance Authority Taxable Sewer Revenue Build America Bonds Series 2010. The City draws funds from the Iowa Finance Authority as needed for construction of the Westside Diversion Sewer Tunnel project. The note bears interest at 3% with interest payments payable semi annually commencing December 1, 2010. Principal repayment is annually each June 1 commencing June 1, 2012. As of 6/30/11, the City had drawn \$10,000,000 and deposited the proceeds into an escrow account. The escrow account is structured to have varying maturities to match the city's requirements of the project. The note is payable solely from the net revenues of the sewer utility. Annual principal and interest payments on the note is expected to require less than 20% of net revenue of the Sewer Utility Fund. The note requires several covenants including maintaining net revenues of the sewer operating of at least 110% of the amount of principal and interest due in revenue bonds in the same year and the completion and issuance of the City's annual audit within 180 days of year end.

The note is expected to be paid as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 208,000	\$ 293,940
2014	215,000	287,700
2015	222,000	281,250
2016	229,000	274,590
2017	237,000	267,720
2018 – 2022	1,304,000	1,227,360
2023 – 2027	1,531,000	1,018,530
2028 – 2032	1,798,000	773,370
2033 – 2037	2,108,000	485,670
2038 – 2041	1,946,000	148,290
	<u>\$ 9,798,000</u>	<u>\$ 5,058,420</u>

The City has entered into an agreement with the Iowa Department of Transportation to borrow \$310,791 from the Railroad Revolving Loan Program. The City drew the funds from the Iowa Department of Transportation for construction of a new rail spur line to serve the Eastern Iowa Industrial Center. The loan bears interest at 3% with principal and interest payments payable semi annually commencing June 22, 2013.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

The note is expected to be paid as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 13,440	\$ 4,662
2014	27,489	8,716
2015	28,320	7,885
2016	29,175	7,209
2017	30,057	6,147
2018-2022	182,310	16,815
	<u>\$ 310,791</u>	<u>\$ 51,254</u>

On March 28, 2012 the City issued \$4,460,000 of its Taxable General Obligation Refunding Bonds with an average coupon rate of 1.95% to crossover refund \$2,195,000 of its Taxable General Obligation Stadium Bonds dated 2003 with an average coupon rate of 5.0% and \$2,134,000 of its Taxable General Obligation Economic Development Bonds dated 2004 with an average coupon of 5.0%. These proceeds are for the future debt service payments of the Series 2012B Bonds until the crossover date of June 1, 2014 for the Series 2003A Bonds and Series 2004A Bonds. The transactions, balances and liabilities of the escrow account are recorded by the City since the refunded debt Series 2003A and 2004A are not considered extinguished as of June 30, 2012. The City refunded these bonds to reduce its total debt service payments through 2023 by \$457,383 and obtain a net economic gain (difference between the present values of the debt service payments on the old and new debt) of \$418,395.

On March 28, 2012 the City issued \$11,720,000 of General Obligation Refunding Bonds with an average coupon rate of 3.79% to crossover refund \$6,050,000 of General Obligation Bonds dated 2003 with an average coupon 4.0% and \$1,445,000 of General Obligation Bonds dated 2004 with an average coupon of 3.75% and \$4,915,000 of General Obligation Bonds dated 2004 with an average coupon of 4.1%. These proceeds are for the future debt service payments of the Series 2012C Bonds until the crossover date of June 1, 2014 for the Series 2003B Bonds, 2004B Bonds and 2004C Bonds. The transactions, balances and liabilities of the escrow account are recorded by the City since the refunded debt Series 2003B, 2004B and 2004C are not considered extinguished as of June 30, 2012. The City refunded these bonds to reduce its total debt service payments through 2019 by \$866,479 and obtain a net economic gain (difference between the present values of the debt service payments on the old and new debt) of \$826,994.

On March 28, 2012 the City issued \$18,745,000 of General Obligation Refunding Bonds with an average coupon rate of 3.0% to crossover refund \$18,560,000 of General Obligation Bonds dated 2005 with an average coupon of 4.375%. These proceeds are for the future debt service payments of the Series 2012D Bonds until the crossover date of June 1, 2015 for the Series 2005A Bonds. The transactions, balances and liabilities of the escrow account are recorded by the City since the refunded debt Series 2005A is not considered extinguished as of June 30, 2012. The City refunded these bonds to reduce its total debt service payments through 2025 by \$1,218,402 and obtain a net economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,057,817.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

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

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	General Obligation Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 16,241	\$ 6,987	\$ 3,569	\$ 1,454
2014	18,565	6,373	3,840	1,356
2015	19,245	5,768	3,670	1,247
2016	18,245	5,110	3,600	1,134
2017	16,982	4,447	3,628	1,018
2018-2022	61,291	13,393	14,859	3,286
2023-2027	26,185	3,560	8,040	761
2028-2031	4,135	380	-	-
Totals	180,889	46,018	41,206	10,256
Matured	20	2	-	-
	<u>\$ 180,909</u>	<u>\$ 46,020</u>	<u>\$ 41,206</u>	<u>\$ 10,256</u>

10. RISK MANAGEMENT

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

Health Benefits – The City has established an Employee Insurance Fund for insurance benefits provided to City employees and covered dependents, which is included in the Internal Service Fund type. Health benefits were self-insured up to a specific annual stop loss amount of \$150,000 per member, and an aggregate annual stop loss amount of approximately \$12,893,662 for 2012. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by an independent claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims lag report provided by the third party administrator. No settlements exceeded insurance coverage for the past three fiscal years. There were no significant reductions in insurance coverage during the past year. Based on experience, the claims payable balance of \$1,187,852 as of June 30, 2012 is considered current and due within one year.

General and Auto Liability, Property, and Workers' Compensation – The City has established a Risk Management Fund for self-insurance related to general and automobile liability, property, and workers' compensation claims which is included in the Internal Service Fund type. Self-insurance was in effect up to individual stop loss amounts per occurrence of \$500,000 for general and auto liability, \$100,000 for property and \$2,000,000 for workers' compensation for 2012. Coverage from private insurers is maintained for losses in excess of the individual stop loss amounts. All claims handling procedures are performed by the risk management division of the finance department. Additionally, workers' compensation claims are sent to a Third Party Administrator (TPA) for review as part of the initial set up of the claim. A private attorney specializing in workers' compensation law is retained to defend workers' compensation claims filed with the state Workers' Compensation Commissioner by claimants. Incurred but not reported claims have been accrued as a liability based upon an independent actuarial study. No settlements exceeded insurance coverage for the past three fiscal years. There were no significant reductions in insurance coverage during the past year. Based on experience, \$2,530,138 of the claims payable as of June 30, 2012 is considered current and due within one year.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

Changes in reported liabilities for the fiscal years ended June 30, 2011 and 2012 are summarized as follows:

	<u>Employee Insurance Fund</u>	<u>Risk Management Fund</u>	<u>Total</u>
Liabilities at June 30, 2010	\$ 1,772,338	\$ 4,637,123	\$ 6,409,461
Claims and changes in estimates during fiscal year 2011	9,769,169	3,021,711	12,790,880
Claim payments	<u>(10,841,439)</u>	<u>(2,337,620)</u>	<u>(13,179,059)</u>
Liabilities at June 30, 2011	\$ 700,068	\$ 5,321,214	\$ 6,021,282
Claims and changes in estimates during fiscal year 2012	11,720,132	3,252,074	14,972,206
Claim payments	<u>(11,232,348)</u>	<u>(2,549,149)</u>	<u>(13,781,497)</u>
Liabilities at June 30, 2012	<u>\$ 1,187,852</u>	<u>\$ 6,024,139</u>	<u>\$ 7,211,991</u>

11. INDIVIDUAL FUND DISCLOSURES

The Risk Management internal service fund has a deficit unrestricted net asset balance of \$2,940,754 as of June 30, 2012. The Employee Insurance internal service fund has a deficit unrestricted net asset balance of \$651,766 as of June 30, 2012. The American Recovery and Reinvestment grant and Miscellaneous grant non-major governmental funds have deficit balances of \$37,536 and \$869,157 as of June 30, 2012, respectively, due to deferred revenue. Deficits in the internal service funds will be addressed through future premiums and charges for services. Deficits in the non-major governmental funds will be addressed through future grant revenue.

12. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan description: The City sponsors a single-employer health care plan that provides a continuation option to retirees to purchase health benefits under the City's group health plan. The plan does not issue a stand alone financial report. Employees who have attained age 55 and have fifteen or more years of service with the City, or qualify for normal retirement as defined by IPERS, or qualify for normal retirement as defined by MFPRSI or are granted retiree status pursuant to a separation agreement with the City are eligible for retiree benefits. Eligible retirees and their dependents may purchase medical, prescription drug and dental insurance through the City's self-insured plan.

Retirees pay 100% of the group rate calculated on the expected costs based on the entire group of actives, COBRA participants, and retirees.

Funding Policy: The current funding policy of the City is to pay health claims as they occur. This arrangement does not qualify as other post employment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting. The City establishes and amends contributions requirements annually.

The required contribution is based on projected pay-as-you-go financing. The source of payment is the fund that pays the benefits for the current employees; either the General Fund or a proprietary fund. For fiscal year 2012, the City contributed \$394,759. Retirees receiving benefits contributed \$484,565 through their required contribution of \$606.27 per month for single health coverage and \$1,356.83 per month for family health coverage.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

Annual OPEB Cost and Net OPEB obligation: The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the City's annual OPEB obligation.

Annual required contribution	\$ 1,591,343
Interest on net OPEB obligation	82,538
Adjustment to annual required contribution	<u>(113,622)</u>
Annual OPEB cost (expense)	1,560,259
Contributions made	<u>(394,759)</u>
Increase (decrease) in net OPEB obligation	1,165,500
Net OPEB obligation - July 1, 2011	<u>1,834,188</u>
Net OPEB obligation - June 30, 2012	<u>\$ 2,999,688</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2010 thru 2012 are presented in the following table:

Fiscal year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 1,846,562	48.57 %	\$ 586,221
6/30/2011	\$ 1,838,218	32.18 %	\$ 1,834,188
6/30/2012	\$ 1,560,259	25.30%	\$ 2,999,688

Funding status and funding progress: The funded status of the plan as of July 1, 2011, the most recent actuarial valuation date is as follows:

Actuarial accrued liability (AAL)	\$ 13,492,482
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 13,492,482</u>
Covered payroll (active employees)	47,559,240
UAAL as a percentage of covered payroll	28.37 %

Actuarial valuations reflect a long-term perspective that involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF DAVENPORT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012 (CONTINUED)

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The actuarial calculations were performed in accordance with the entry age normal cost method as of the July 1, 2011 valuation date. The actuarial assumptions included a 4.5 percent discount rate, a wage inflation component of 4.0%, an annual health care cost trend rate of 8.5 percent reduced by decrements of .50 percent annually to an ultimate rate of 4.5 percent. The UAAL is amortized over the maximum acceptable period of 30 years as a level percentage of projected payroll on an open basis.

13. FUND BALANCE

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. This new standard has not affected the total amount of reported fund balances but has substantially changed the categories and terminology used to describe their components. GASB Statement No. 54 requires that the fund balances be classified into categories based upon the type of constraints imposed on the use of funds. The City of Davenport evaluated each of its funds at June 30, 2012 and classified fund balances into the following five categories:

Nonspendable – items that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted – items that are restricted by external parties such as creditors or imposed by grants, laws or enabling legislation. The city has legal restrictions on amounts collected by property tax levies, on forfeiture/seizure collections and on unspent bond proceeds. The City has restrictions by grantors for the balance of program income.

Committed – items that have been committed by formal action by the entity’s “highest level of decision-making authority”, which are City Council resolutions. The commitment of fund balances took place on May 18, 2011.

Assigned – items the Chief Financial Officer assigns as specific projects or purposes have been identified, as the City’s fund balance policy states. This power was granted by the City Council on May 18, 2011.

Unassigned – any balances that have no restrictions on them. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

The City of Davenport spends restricted fund balance first, followed by committed, assigned and unassigned fund balance.

The City’s policy on fund balance of the general fund, excluding the other specific-use funds, is that the unassigned fund balance will be maintained at 10 to 15 percent of the operating requirements. The current fund balance is within policy guidelines.

Special Revenue Funds:

The City of Davenport has one major special revenue fund. The Local Option Sales Tax Fund accounts for the proceeds of a one-cent local option sales tax. In addition to the local option sales tax collections, a minimal amount of charges for services, use of monies and property, and miscellaneous revenue are reported. Loan repayments are reported in this fund as a result of an economic development loan made in early 2011.

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

Fund Balances:	General Fund	Major Special Revenue Local Option Sales Tax Fund	Major Debt Service Fund	Major Capital Projects Fund	Non Major Special Revenue Funds	Non Major Debt Service Fund	Total
Nonspendable:							
Prepays	\$ 23,179	-	-	-	-	-	\$ 23,179
Restricted for:							
Tort	1,547,832	-	-	-	-	-	1,547,832
Debt Service	-	-	33,641,088	-	-	\$3,856,417	37,497,505
Capital Projects	-	-	-	570,933	-	-	570,933
Police							
Non-recurring	497,267	-	-	-	-	-	497,267
Library	873,040	-	-	-	-	-	873,040
Employee Benefits	799,011	-	-	-	-	-	799,011
Community Development Block Grant							
Projects	-	-	-	-	16,342	-	16,342
HUD Section 8 Rents	-	-	-	-	323,902	-	323,902
Municipal Improvement Projects	-	-	-	-	533,236	-	533,236
Home Investment Partnership Projects	-	-	-	-	1,548	-	1,548
Road Use Tax project	-	-	-	-	659,437	-	659,437
Local Option Sales Tax	-	516,465	-	-	-	-	516,465
Committed for:							
Levee Improvement Commission							
Projects	-	-	-	-	83,667	-	83,667
Revolving Loans	-	-	-	-	760,794	-	760,794
Assigned for:							
Library projects	147,788	-	-	-	-	-	147,788
Police projects	18,597	-	-	-	-	-	18,597
Parks projects	15,134	-	-	-	-	-	15,134
Reforestation	106,275	-	-	-	-	-	106,275
RiverCenter projects	223,726	-	-	-	-	-	223,726
Parks Special Needs Program	33,968	-	-	-	-	-	33,968
Unassigned:	5,606,312	-	-	-	(906,693)	-	4,699,619
Total Fund Balances:	\$ 9,892,129	\$ 516,465	\$33,641,088	\$ 570,933	\$ 1,472,233	\$3,856,417	\$ 49,949,265

CITY OF DAVENPORT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

14. RECENTLY ISSUED PRONOUNCEMENTS

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

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net positions, rather than net assets.*

CITY OF DAVENPORT

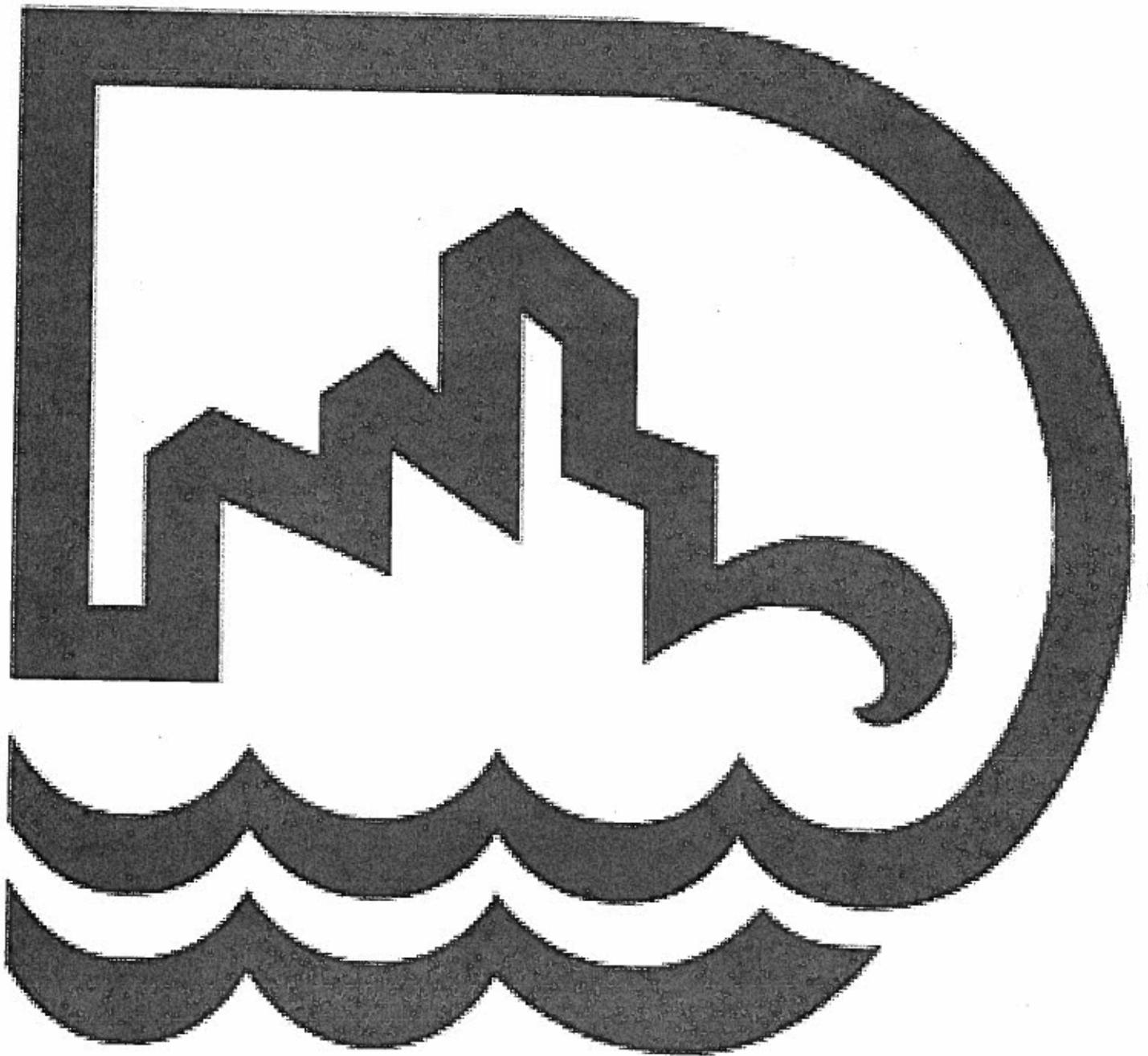
**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 (CONTINUED)**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the City beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.

GASB Statement No. 66, *Technical Corrections - 2012*, issued April 2012, will be effective for the City beginning with its year ending June 30, 2014. This Statement enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the City beginning with its year ending June 30, 2014. This Statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This Statement enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. This Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the City beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.



CITY OF DAVENPORT

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

Required Supplementary Information

For the Fiscal Year Ended June 30, 2012

	<u>GOVERNMENTAL FUNDS ACTUAL</u>	<u>PROPRIETARY FUNDS ACTUAL</u>	<u>TOTAL ACTUAL</u>
REVENUES:			
Taxes	\$ 80,884,683	\$ 3,493,152	\$ 84,377,835
Special assessments	58,964	-	58,964
Licenses and permits	1,317,804	-	1,317,804
Intergovernmental	35,240,010	1,828,869	37,068,879
Charges for services	4,479,467	46,869,311	51,348,778
Use of monies and property	1,218,684	717,386	1,936,070
Fines and forfeits	1,936,641	72,980	2,009,621
Loan repayments	723,850	-	723,850
Other	4,598,711	978,773	5,577,484
Total Revenues	<u>130,458,814</u>	<u>53,960,471</u>	<u>184,419,285</u>
EXPENDITURES:			
Current:			
Public safety	39,554,541	-	39,554,541
Public works	15,505,355	-	15,505,355
Culture and recreation	11,305,093	-	11,305,093
Community and economic development	15,234,614	-	15,234,614
General government	8,992,941	-	8,992,941
Capital outlay	38,425,489	-	38,425,489
Debt service:			
Principal retirement	17,234,350	-	17,234,350
Interest	6,200,955	-	6,200,955
Bond issuance costs	125,781	-	125,781
Business type activities	-	52,308,018	52,308,018
Total Expenditures	<u>152,579,119</u>	<u>52,308,018</u>	<u>204,887,137</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(22,120,305)</u>	<u>1,652,453</u>	<u>(20,467,852)</u>
OTHER FINANCING SOURCES (USES), NET	<u>47,934,851</u>	<u>923,449</u>	<u>48,858,300</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>25,814,546</u>	<u>2,575,902</u>	<u>28,390,448</u>
BALANCES BEGINNING OF YEAR,	<u>24,134,719</u>	<u>9,665,151</u>	<u>33,799,870</u>
BALANCES END OF YEAR	<u>\$ 49,949,265</u>	<u>\$ 12,241,053</u>	<u>\$ 62,190,318</u>

See note to Required Supplementary Information

<u>BUDGETED AMOUNTS</u>			FINAL TO ACTUAL VARIANCE OVER(UNDER)
<u>ORIGINAL</u>	<u>FINAL</u>		
\$ 85,168,298	\$ 85,373,477	\$ (995,642)	
53,500	53,500	5,464	
1,277,600	1,277,600	40,204	
40,347,426	106,313,403	(69,244,524)	
52,927,470	53,140,717	(1,791,939)	
1,700,600	1,023,594	912,476	
1,476,000	1,476,000	533,621	
1,159,360	1,109,360	(385,510)	
66,594,445	127,484,600	(121,907,116)	
<u>250,704,699</u>	<u>377,252,251</u>	<u>(192,832,966)</u>	
39,719,426	40,844,251	1,289,710	
17,332,012	18,885,087	3,379,732	
10,881,106	12,013,627	708,534	
13,321,522	21,646,883	6,412,269	
9,063,935	9,879,734	886,793	
56,086,738	131,166,014	92,740,525	
18,975,230	49,175,323	31,940,973	
1,269,670	6,200,955	-	
	125,781	-	
55,586,137	59,182,566	6,874,548	
<u>222,235,776</u>	<u>349,120,221</u>	<u>144,233,084</u>	
<u>28,468,923</u>	<u>28,132,030</u>	<u>(48,599,882)</u>	
<u>(40,231,755)</u>	<u>(52,830,986)</u>	<u>101,689,286</u>	
(11,762,832)	(24,698,956)	53,089,404	
<u>25,349,954</u>	<u>30,931,457</u>	<u>2,868,413</u>	
<u>\$ 13,587,122</u>	<u>\$ 6,232,501</u>	<u>\$ 55,957,817</u>	

CITY OF DAVENPORT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-BUDGETARY REPORTING
JUNE 30, 2012**

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

Formal and legal budgetary control is based upon 8 major classes of expenditures known as functions, not by fund or fund type. These 8 functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function expenditures required to be budgeted include expenditures for General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Internal Service and Enterprise Funds. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year a budget amendment increased budgeted expenditures by \$126,884,445. The budget amendment is reflected in the final budgeted amounts.

	Budgetary Basis	Adjustments	Adjusted Basis
Revenues	\$ 184,419,285	-	\$ 184,419,285
Expenses	<u>204,887,137</u>	<u>8,370,734</u>	<u>213,257,871</u>
Net	(20,467,852)	(8,370,734)	(28,838,586)
Other financing sources, net	48,858,300	12,903,942	61,762,242
Beginning net assets	<u>33,799,880</u>	<u>119,252,079</u>	<u>153,051,959</u>
Ending net assets	\$ <u>62,190,328</u>	\$ <u>123,785,287</u>	\$ <u>185,975,615</u>

CITY OF DAVENPORT

**OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS**

Required Supplementary Information

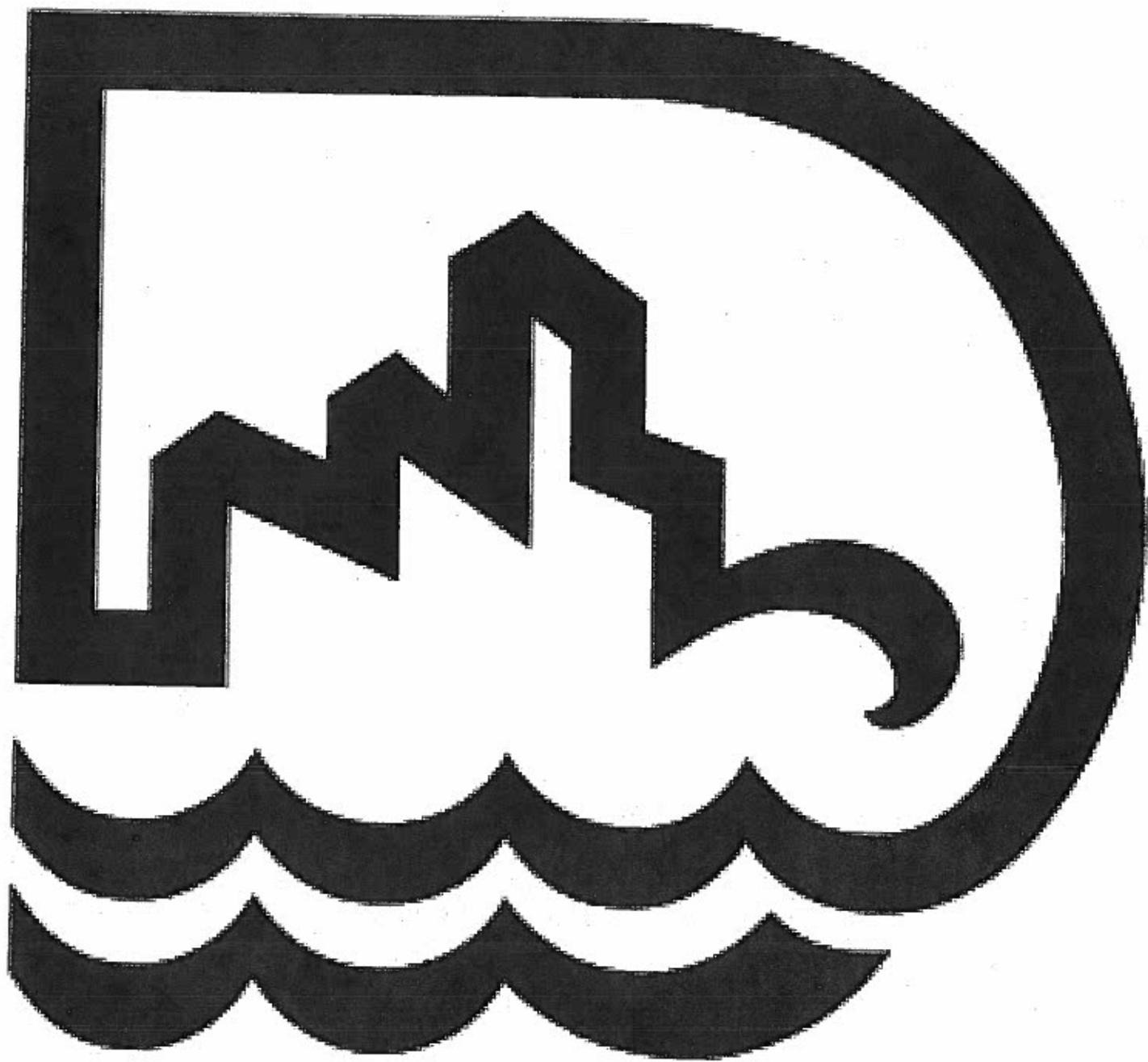
For the Fiscal Year Ended June 30, 2012

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (b)	Unfunded UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((B-a)/c)
2009	7/1/2007	\$ -	\$ 6,918,112	\$6,918,112	-	\$ 43,083,844	16.06%
2010	7/1/2009	-	16,953,953	16,953,953	-	42,686,340	39.72%
2011	7/1/2009	-	16,953,953	16,953,953	-	45,639,232	37.15%
2012	7/1/2011	-	13,492,482	13,492,482	-	47,559,240	28.37%

Note: Fiscal Year 2009 is the transition year for GASB Statement No. 45.

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of July 1, 2011. Additional information follows:

- a. The cost method used to determine the ARC is the entry age normal cost method.
- b. There are no plan assets.
- c. Economic assumptions are as follows: health care cost trend rates o 4.5-9.0 percent; discount rate 4.5 percent.
- d. The amortization method is open basis as a level percentage of projected payroll.



COMBINING STATEMENTS, AND SCHEDULES

Non-Major Governmental Funds

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

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

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

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

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

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

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

American Recovery and Reinvestment Act Fund – Accounts for expenditures related to the American Recovery and Reinvestment Act.

Miscellaneous Grants – Accounts for the expenditures of U.S. Department of Housing and Urban Development cooperative agreement awarded for the purpose of educating and promoting fair housing practices, a Neighborhood Stabilization grant, and lead based paint removal and education.

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

CITY OF DAVENPORT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2012**

<u>ASSETS</u>	<u>ROAD USE TAX</u>	<u>COMMUNITY DEVELOPMENT ACT</u>	<u>HUD SECTION 8</u>	<u>LEVEE IMPROVEMENT COMMISSION</u>	<u>MUNICIPAL IMPROVEMENT DISTRICTS</u>
Cash and investments	\$ 294,568	\$ -	\$ 328,409	\$ 102,442	\$ 896,449
Receivables:					
Property taxes:					
Delinquent	-	-	-	-	28,220
Succeeding year	-	-	-	-	849,294
Accounts	24,713	-	2,427	1,399	-
Loans	-	2,890,357	-	-	-
Due from other governments	697,385	324,719	-	-	-
Restricted assets-cash and investments	-	46,759	-	-	-
Cash - held in escrow	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,016,666</u>	<u>\$ 3,261,835</u>	<u>\$ 330,836</u>	<u>\$ 103,841</u>	<u>\$ 1,773,963</u>
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES:					
Wages payable	\$ 89,052	\$ 9,330	\$ 6,327	\$ -	\$ -
Accounts payable	268,177	104,774	607	10,416	385,038
Payable from restricted assets	-	46,759	-	-	-
Interfund loans payable	-	193,961	-	5,163	-
Due to other governments	-	312	-	-	-
Deferred/unearned revenue:					
Succeeding year property tax	-	-	-	-	849,294
Other	-	2,890,357	-	4,595	6,395
Total Liabilities	<u>357,229</u>	<u>3,245,493</u>	<u>6,934</u>	<u>20,174</u>	<u>1,240,727</u>
FUND BALANCES (DEFICITS):					
Restricted fund balance	659,437	16,342	323,902	-	533,236
Committed fund balance	-	-	-	83,667	-
Unassigned fund balance	-	-	-	-	-
Total Fund Balances (Deficits)	<u>659,437</u>	<u>16,342</u>	<u>323,902</u>	<u>83,667</u>	<u>533,236</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 1,016,666</u>	<u>\$ 3,261,835</u>	<u>\$ 330,836</u>	<u>\$ 103,841</u>	<u>\$ 1,773,963</u>

REVOLVING LOANS	HOME INVESTMENT PARTNERSHIP	AMERICAN RECOVERY AND REINVESTMENT ACT	MISCELLANEOUS GRANTS	TAX INCREMENT FINANCING DISTRICTS DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
\$ 763,294	\$ -	\$ -	\$ -	\$ 1,604,554	\$ 3,989,716
-	-	-	-	96,306	124,526
-	-	-	-	4,153,234	5,002,528
-	-	-	-	-	28,539
1,190,995	8,956,532	-	96,084	-	13,133,968
-	223,688	55,152	977,675	-	2,278,619
-	-	-	-	-	46,759
-	-	-	-	2,179,633	2,179,633
<u>\$ 1,954,289</u>	<u>\$ 9,180,220</u>	<u>\$ 55,152</u>	<u>\$ 1,073,759</u>	<u>\$ 8,033,727</u>	<u>\$ 26,784,288</u>
\$ -	\$ 997	\$ 6,079	\$ 3,165	\$ -	\$ 114,950
2,500	73,452	-	61,960	-	906,924
-	-	-	-	-	46,759
-	147,691	49,072	994,835	-	1,390,722
-	-	-	-	-	312
-	-	-	-	4,153,234	5,002,528
1,190,995	8,956,532	37,537	882,956	24,076	13,993,443
<u>1,193,495</u>	<u>9,178,672</u>	<u>92,688</u>	<u>1,942,916</u>	<u>4,177,310</u>	<u>21,455,638</u>
-	1,548	-	-	3,856,417	5,390,882
760,794	-	-	-	-	844,461
-	-	(37,536)	(869,157)	-	(906,693)
<u>760,794</u>	<u>1,548</u>	<u>(37,536)</u>	<u>(869,157)</u>	<u>3,856,417</u>	<u>5,328,650</u>
<u>\$ 1,954,289</u>	<u>\$ 9,180,220</u>	<u>\$ 55,152</u>	<u>\$ 1,073,759</u>	<u>\$ 8,033,727</u>	<u>\$ 26,784,288</u>

CITY OF DAVENPORT

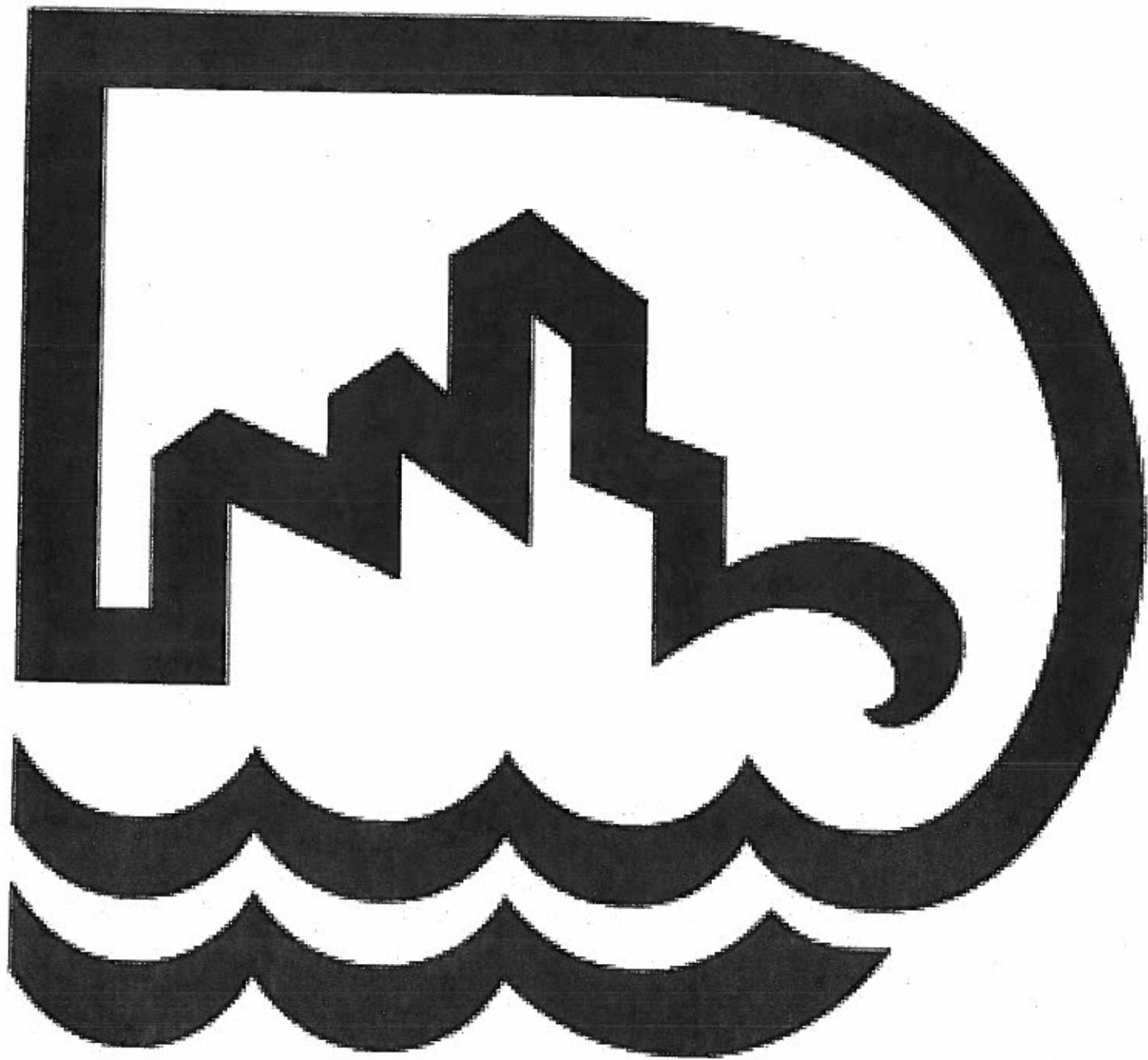
NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)

For the Fiscal Year Ended June 30, 2012

	<u>ROAD USE TAX</u>	<u>COMMUNITY DEVELOPMENT ACT</u>	<u>HUD SECTION 8</u>	<u>LEVEE IMPROVEMENT COMMISSION</u>	<u>MUNICIPAL IMPROVEMENT DISTRICTS</u>
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,276,099
Licenses and permits	46,270	-	-	-	-
Intergovernmental	9,377,973	2,523,594	3,137,935	-	-
Use of monies and property	-	70,692	869	135,553	2,758
Loan repayments	-	374,722	-	-	-
Other	996,874	-	2,973	9,017	-
Total Revenues	<u>10,421,117</u>	<u>2,969,008</u>	<u>3,141,777</u>	<u>144,570</u>	<u>1,278,857</u>
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Public works	9,414,247	-	-	-	-
Culture and recreation	-	-	-	65,573	-
Community and economic development	-	3,024,881	3,353,838	241,486	1,428,597
General government	-	5,000	-	-	-
Debt service:					
Principal retirement	-	-	-	-	52,750
Interest	-	-	-	-	16,399
Total Expenditures	<u>9,414,247</u>	<u>3,029,881</u>	<u>3,353,838</u>	<u>307,059</u>	<u>1,497,746</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,006,870</u>	<u>(60,873)</u>	<u>(212,061)</u>	<u>(162,489)</u>	<u>(218,889)</u>
OTHER FINANCING SOURCES (USES):					
Premium on debt issued	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	201,030	75,000	-
Transfers out	(158,069)	-	-	(323,772)	-
Refunding bond issuance	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(158,069)</u>	<u>-</u>	<u>201,030</u>	<u>(248,772)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	848,801	(60,873)	(11,031)	(411,261)	(218,889)
FUND BALANCES (DEFICITS) - BEGINNING	<u>(189,364)</u>	<u>77,215</u>	<u>334,933</u>	<u>494,928</u>	<u>752,125</u>
FUND BALANCES (DEFICITS) - ENDING	<u>\$ 659,437</u>	<u>\$ 16,342</u>	<u>\$ 323,902</u>	<u>\$ 83,667</u>	<u>\$ 533,236</u>

REVOLVING LOANS	HOME INVESTMENT PARTNERSHIP	AMERICAN RECOVERY AND REINVESTMENT ACT	MISCELLANEOUS GRANTS	TAX INCREMENT FINANCING DISTRICTS DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ -	\$ 3,562,756	\$ 4,838,855
-	-	-	-	-	46,270
135,299	1,567,166	2,411,751	1,286,672	-	20,440,390
6,654	84,255	-	1,476	5,510	307,767
56,208	206,680	-	-	-	637,610
100,008	-	-	1,333	9,226	1,119,431
<u>298,169</u>	<u>1,858,101</u>	<u>2,411,751</u>	<u>1,289,481</u>	<u>3,577,492</u>	<u>27,390,323</u>
-	-	425,121	22,558	-	447,679
-	-	168,864	-	-	9,583,111
-	-	-	-	-	65,573
204,344	1,860,875	-	1,261,388	696,225	12,071,634
-	-	-	93,555	9,041	107,596
-	-	-	-	1,468,300	1,521,050
-	-	-	-	777,485	793,884
<u>204,344</u>	<u>1,860,875</u>	<u>593,985</u>	<u>1,377,501</u>	<u>2,951,051</u>	<u>24,590,527</u>
93,825	(2,774)	1,817,766	(88,020)	626,441	2,799,796
-	-	-	-	186,349	186,349
105,000	-	-	-	-	105,000
-	-	-	-	565,000	841,030
(1,858)	-	(1,792,147)	1,858	(428,337)	(2,702,325)
-	-	-	-	2,187,715	2,187,715
<u>103,142</u>	<u>-</u>	<u>(1,792,147)</u>	<u>1,858</u>	<u>2,510,727</u>	<u>617,769</u>
196,967	(2,774)	25,619	(86,162)	3,137,168	3,417,565
563,827	4,322	(63,155)	(782,995)	719,249	1,911,085
<u>\$ 760,794</u>	<u>\$ 1,548</u>	<u>\$ (37,536)</u>	<u>\$ (869,157)</u>	<u>\$ 3,856,417</u>	<u>\$ 5,328,650</u>



Non-Major Enterprise Funds

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

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

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

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

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

River's Edge Fund – Accounts for revenue and expenses associated with operating an indoor sports facility that offers both an indoor ice rink and soccer field.

CITY OF DAVENPORT

**NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012**

ASSETS	BUSINESS-TYPE ACTIVITIES -		
	PUBLIC HOUSING	GOLF COURSES	AIRPORT
Current assets:			
Cash and cash equivalents	\$ 163,810	\$ -	\$ 85,609
Receivables:			
Property taxes:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	10,961	12,510	4,233
Due from other governments	22,893	-	-
Total current assets	<u>197,664</u>	<u>12,510</u>	<u>89,842</u>
Noncurrent assets:			
Deferred charges	754	-	4,984
Other post employment benefits receivable	-	-	-
Investment in joint venture	-	-	-
Restricted cash and cash equivalents	159,613	-	-
Restricted investments - held in escrow	-	-	99,892
Capital assets:			
Land	526,071	1,272,122	749,356
Buildings	8,340,628	423,165	2,533,964
Improvements other than buildings	183,111	2,858,488	8,835,891
Paving	131,163	-	-
Equipment and vehicles	262,225	1,481,315	185,320
Streets and roads	-	-	-
Storm sewers	-	-	-
Less accumulated depreciation	(5,409,005)	(3,364,908)	(6,263,103)
Construction in progress	-	48,140	161,439
Total noncurrent assets	<u>4,194,560</u>	<u>2,718,322</u>	<u>6,307,743</u>
Total assets	<u>4,392,224</u>	<u>2,730,832</u>	<u>6,397,585</u>
LIABILITIES			
LIABILITIES:			
Current liabilities:			
Wages payable	2,282	19,605	1,743
Accounts payable	23,778	47,905	1,377
Accrued interest payable	692	-	2,033
Compensated absences	5,986	25,110	2,949
Interfund loans payable	-	474,775	-
Deferred/unearned revenue:			
Succeeding year property tax	-	-	-
Other	10,067	-	-
General obligation bonds - current	119,500	-	45,000
Total current liabilities	<u>162,305</u>	<u>567,395</u>	<u>53,102</u>
Current liabilities payable from restricted assets:			
Deposits payable	34,613	-	-
Noncurrent liabilities:			
Compensated absences	1,016	4,262	501
Other postemployment benefits	4,757	39,516	2,430
General obligation bonds - long term	186,099	-	603,839
Total noncurrent liabilities	<u>191,872</u>	<u>43,778</u>	<u>606,770</u>
Total liabilities	<u>388,790</u>	<u>611,173</u>	<u>659,872</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,853,594	2,718,322	5,554,028
Unrestricted	149,840	(598,663)	183,685
Total net assets	<u>\$ 4,003,434</u>	<u>\$ 2,119,659</u>	<u>\$ 5,737,713</u>

ENTERPRISE FUNDS

<u>PUBLIC TRANSIT</u>	<u>SOLID WASTE</u>	<u>RIVER'S EDGE</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>
\$ -	\$ 156,228	\$ -	\$ 405,647
59,019	-	-	59,019
3,558,077	-	-	3,558,077
18,411	2,054,367	-	2,100,482
154,040	-	-	176,933
<u>3,789,547</u>	<u>2,210,595</u>	<u>-</u>	<u>6,300,158</u>
-	2,409	-	8,147
-	-	-	-
462,672	-	-	462,672
-	400,000	-	559,613
-	-	-	99,892
-	-	-	-
1,599,288	-	-	4,146,837
3,929,427	24,888	1,223,666	16,475,738
179,929	-	848,853	12,906,272
-	-	-	131,163
6,306,215	4,164,252	342,205	12,741,532
6,888	-	-	6,888
-	-	-	-
(6,019,359)	(2,327,825)	(229,584)	(23,613,784)
163,072	-	-	372,651
<u>6,628,132</u>	<u>2,263,724</u>	<u>2,185,140</u>	<u>24,297,621</u>
<u>10,417,679</u>	<u>4,474,319</u>	<u>2,185,140</u>	<u>30,597,779</u>
49,183	38,556	5,004	116,373
292,115	69,673	21,160	456,008
-	654	-	3,379
63,586	93,600	4,964	196,195
1,474,976	-	461,465	2,411,216
3,558,077	-	-	3,558,077
11,876	-	-	21,943
-	80,000	-	244,500
<u>5,449,813</u>	<u>282,483</u>	<u>492,593</u>	<u>7,007,691</u>
-	-	-	34,613
10,792	15,886	843	33,300
102,845	94,420	16,695	260,663
-	262,168	-	1,052,106
<u>113,637</u>	<u>372,474</u>	<u>17,538</u>	<u>1,346,069</u>
<u>5,563,450</u>	<u>654,957</u>	<u>510,131</u>	<u>8,388,373</u>
6,165,460	1,919,147	2,185,140	22,395,691
(1,311,231)	1,900,215	(510,131)	(186,285)
<u>\$4,854,229</u>	<u>\$ 3,819,362</u>	<u>\$ 1,675,009</u>	<u>\$ 22,209,406</u>

CITY OF DAVENPORT

**NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Fiscal Year Ended June 30, 2012**

	BUSINESS-TYPE ACTIVITIES -		
	PUBLIC HOUSING	GOLF COURSES	AIRPORT
OPERATING REVENUES:			
Charges for services	\$ 421,850	\$ 1,863,339	\$ 206,571
Other	89,553	21,467	14,032
Total Operating Revenues	<u>511,403</u>	<u>1,884,806</u>	<u>220,603</u>
OPERATING EXPENSES:			
Employee expenses	126,254	1,013,110	71,387
Supplies and services	766,948	818,037	156,545
Depreciation	285,394	208,984	353,472
Total Operating Expenses	<u>1,178,596</u>	<u>2,040,131</u>	<u>581,404</u>
OPERATING (LOSS)	<u>(667,193)</u>	<u>(155,325)</u>	<u>(360,801)</u>
NON-OPERATING REVENUES (EXPENSES):			
Taxes	-	-	-
Operating grants	579,483	-	4,800
Use of monies and property	440	36,022	76,538
Interest expense	(9,055)	-	(20,483)
Gain (loss) on disposition of capital assets	-	-	2,550
Joint venture adjustment	-	-	-
Total Non-operating Revenues	<u>570,868</u>	<u>36,022</u>	<u>63,405</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(96,325)</u>	<u>(119,303)</u>	<u>(297,396)</u>
Capital contributions	571,296	2,500	124,747
Transfers out	(201,030)	-	-
Change in net assets	<u>273,941</u>	<u>(116,803)</u>	<u>(172,649)</u>
Total net assets - beginning	<u>3,729,493</u>	<u>2,236,462</u>	<u>5,910,362</u>
Total net assets - ending	<u>\$ 4,003,434</u>	<u>\$ 2,119,659</u>	<u>\$ 5,737,713</u>

ENTERPRISE FUNDS

PUBLIC TRANSIT	SOLID WASTE	RIVER'S EDGE	TOTAL NON-MAJOR ENTERPRISE FUNDS
\$ 507,951	\$ 5,035,412	\$ 247,685	\$ 8,282,808
-	660	5,706	131,418
<u>507,951</u>	<u>5,036,072</u>	<u>253,391</u>	<u>8,414,226</u>
2,699,030	2,475,710	483,662	6,869,153
2,984,613	2,241,967	357,866	7,325,976
549,640	519,624	112,696	2,029,810
<u>6,233,283</u>	<u>5,237,301</u>	<u>954,224</u>	<u>16,224,939</u>
<u>(5,725,332)</u>	<u>(201,229)</u>	<u>(700,833)</u>	<u>(7,810,713)</u>
3,493,152	-	-	3,493,152
1,244,586	-	-	1,828,869
13,890	60,512	396,408	583,810
-	(3,761)	-	(33,299)
8,364	(11,504)	-	(590)
(11,238)	-	-	(11,238)
<u>4,748,754</u>	<u>45,247</u>	<u>396,408</u>	<u>5,860,704</u>
(976,578)	(155,982)	(304,425)	(1,950,009)
2,253,288	189,629	9,375	3,150,835
-	-	-	(201,030)
<u>1,276,710</u>	<u>33,647</u>	<u>(295,050)</u>	<u>999,796</u>
<u>3,577,519</u>	<u>3,785,715</u>	<u>1,970,059</u>	<u>21,209,610</u>
<u>\$ 4,854,229</u>	<u>\$ 3,819,362</u>	<u>\$ 1,675,009</u>	<u>\$ 22,209,406</u>

CITY OF DAVENPORT

**NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012**

	BUSINESS-TYPE ACTIVITIES -		
	PUBLIC HOUSING	GOLF COURSES	AIRPORT
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from users	\$ 452,999	\$ 1,862,653	\$ 206,960
Cash paid to suppliers for goods and services	(764,562)	(813,134)	(156,221)
Cash paid to employees for services	(127,319)	(1,063,054)	(72,745)
Other operating revenue	89,553	21,467	14,032
Net Cash Provided by (Used for) Operating Activities	<u>(349,329)</u>	<u>7,932</u>	<u>(7,974)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Repayments to other funds	-	(338,766)	-
Advances from other funds	-	474,775	-
Operating grants	579,483	-	4,800
Property tax	-	-	-
Transfers out	(201,030)	-	-
Net Cash Provided by Non-Capital Financing Activities	<u>378,453</u>	<u>136,009</u>	<u>4,800</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from general obligation bonds	127,000	-	90,240
Refunding discount/issue costs	4,375	-	7,539
Proceeds from the sale of capital assets	-	-	2,550
Acquisition and construction of capital assets	-	(179,963)	(5,266)
Principal paid on long-term debt	(107,500)	-	(55,000)
Interest paid on long-term debt	(9,048)	-	(20,913)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>14,827</u>	<u>(179,963)</u>	<u>19,150</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	-	-	(99,892)
Interest and other investment income	440	36,022	76,538
Net Cash provided by (used for) Investing Activities	<u>440</u>	<u>36,022</u>	<u>(23,354)</u>
Net increase (decrease) in Cash and Cash Equivalents	44,391	-	(7,378)
CASH AND CASH EQUIVALENTS-BEGINNING	<u>279,032</u>	<u>-</u>	<u>92,987</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 323,423</u>	<u>\$ -</u>	<u>\$ 85,609</u>

ENTERPRISE FUNDS

<u>PUBLIC TRANSIT</u>	<u>SOLID WASTE</u>	<u>RIVER'S EDGE</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>
\$ 479,434	\$ 4,860,262	\$ 247,685	\$ 8,109,993
(2,871,475)	(2,251,566)	(371,621)	(7,228,579)
(2,724,489)	(2,502,515)	(495,929)	(6,986,051)
-	660	5,706	131,418
<u>(5,116,530)</u>	<u>106,841</u>	<u>(614,159)</u>	<u>(5,973,219)</u>
(1,076,295)	-	(243,714)	(1,658,775)
1,474,976	-	461,465	2,411,216
1,244,586	-	-	1,828,869
3,493,152	-	-	3,493,152
-	-	-	(201,030)
<u>5,136,419</u>	<u>-</u>	<u>217,751</u>	<u>5,873,432</u>
-	406,000	-	623,240
-	9,759	-	21,673
11,556	-	-	14,106
(45,335)	-	-	(230,564)
-	(76,000)	-	(238,500)
-	(3,107)	-	(33,068)
<u>(33,779)</u>	<u>336,652</u>	<u>-</u>	<u>156,887</u>
-	-	-	(99,892)
<u>13,890</u>	<u>60,512</u>	<u>396,408</u>	<u>583,810</u>
<u>13,890</u>	<u>60,512</u>	<u>396,408</u>	<u>483,918</u>
-	504,005	-	541,018
-	52,223	-	424,242
<u>\$ -</u>	<u>\$ 556,228</u>	<u>\$ -</u>	<u>\$ 965,260</u>

(continued)

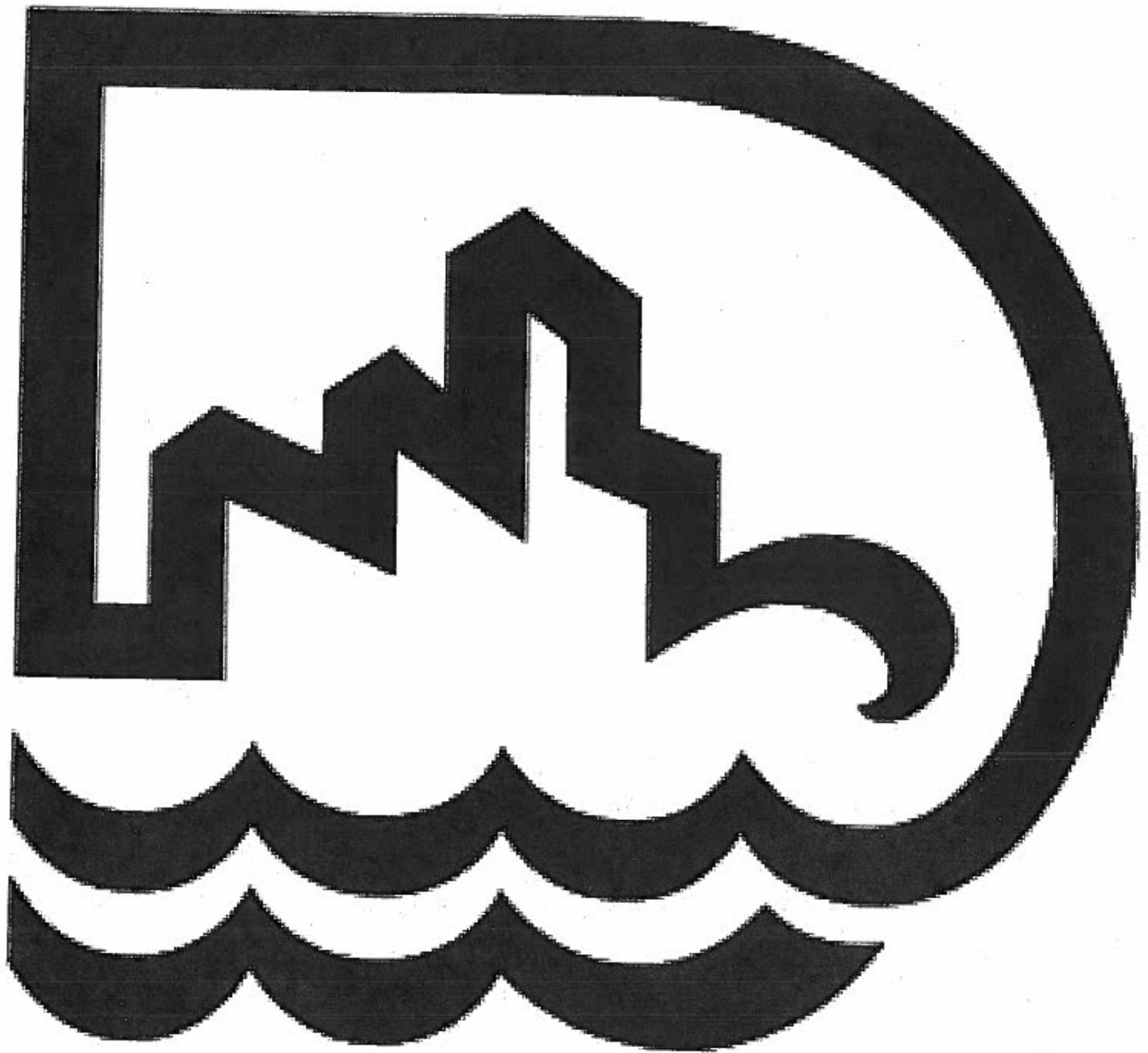
CITY OF DAVENPORT

**NON-MAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2012**

	<u>BUSINESS-TYPE ACTIVITIES -</u>		
	<u>PUBLIC HOUSING</u>	<u>GOLF COURSES</u>	<u>AIRPORT</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>			
Operating loss	<u>\$ (667,193)</u>	<u>\$ (155,325)</u>	<u>\$ (360,801)</u>
Adjustments to Reconcile Operating loss to Net Cash			
Provided by (Used for) Operating Activities:			
Depreciation	285,394	208,984	353,472
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	23,467	(686)	389
Increase (decrease) in accounts payable	2,386	4,903	324
Increase (decrease) in other accrued liabilities	(1,065)	(49,944)	(1,358)
Increase (decrease) in other deferred revenue	7,682	-	-
Total Adjustments	<u>317,864</u>	<u>163,257</u>	<u>352,827</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (349,329)</u>	<u>\$ 7,932</u>	<u>\$ (7,974)</u>
<u>SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</u>			
Acquisition of capital assets through capital contributions	\$ 571,296	\$ 2,500	\$ 124,747
Contribution of capital assets by municipality	(571,296)	(2,500)	(55,261)
Contribution of capital assets by state and federal governments	-	-	(69,486)

ENTERPRISE FUNDS

<u>PUBLIC TRANSIT</u>	<u>SOLID WASTE</u>	<u>RIVER'S EDGE</u>	<u>TOTAL NON-MAJOR ENTERPRISE FUNDS</u>
<u>\$ (5,725,332)</u>	<u>\$ (201,229)</u>	<u>\$ (700,833)</u>	<u>\$ (7,810,713)</u>
549,640	519,624	112,696	2,029,810
(40,393)	(175,150)	-	(192,373)
113,138	(9,599)	(13,755)	97,397
(25,459)	(26,805)	(12,267)	(116,898)
11,876	-	-	19,558
<u>608,802</u>	<u>308,070</u>	<u>86,674</u>	<u>1,837,494</u>
<u>\$ (5,116,530)</u>	<u>\$ 106,841</u>	<u>\$ (614,159)</u>	<u>\$ (5,973,219)</u>
\$ 2,253,288	\$ 189,629	\$ 9,375	\$ 3,150,835
(166,373)	(189,629)	(9,375)	(994,434)
(2,086,915)	-	-	(2,156,401)



Internal Service Funds

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

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

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

CITY OF DAVENPORT

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2012**

<u>ASSETS</u>	<u>EMPLOYEE INSURANCE</u>	<u>RISK MANAGEMENT</u>	<u>INFORMATION MANAGEMENT SERVICES</u>	<u>TOTAL INTERNAL SERVICE FUNDS</u>
Current assets:				
Cash and cash equivalents	\$ 474,588	\$ 3,292,516	\$ 132,377	\$ 3,899,481
Accounts receivable	-	2,106	-	2,106
Prepays	68,453	36,109	129,217	233,779
Total current assets	<u>543,041</u>	<u>3,330,731</u>	<u>261,594</u>	<u>4,135,366</u>
Noncurrent assets:				
Capital assets:				
Improvements other than buildings	-	-	2,513,263	2,513,263
Equipment and vehicles	-	-	3,722,983	3,722,983
Less accumulated depreciation	-	-	(2,523,727)	(2,523,727)
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>3,712,519</u>	<u>3,712,519</u>
Total assets	<u>543,041</u>	<u>3,330,731</u>	<u>3,974,113</u>	<u>7,847,885</u>
LIABILITIES				
LIABILITIES:				
Current liabilities:				
Wages payable	1,376	14,841	13,707	29,924
Accounts payable	2,796	125,096	18,946	146,838
Compensated absences	1,000	66,094	64,281	131,375
Claims and judgments	1,187,852	2,530,138	-	3,717,990
Total current liabilities	<u>1,193,024</u>	<u>2,736,169</u>	<u>96,934</u>	<u>4,026,127</u>
Noncurrent liabilities:				
Compensated absences	170	11,218	10,910	22,298
Claims and judgments	-	3,494,001	-	3,494,001
Other postemployment benefits	1,613	30,097	34,204	65,914
Total noncurrent liabilities	<u>1,783</u>	<u>3,535,316</u>	<u>45,114</u>	<u>3,582,213</u>
Total liabilities	<u>1,194,807</u>	<u>6,271,485</u>	<u>142,048</u>	<u>7,608,340</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	-	3,712,519	3,712,519
Unrestricted	(651,766)	(2,940,754)	119,546	(3,472,974)
Total net assets	<u>\$ (651,766)</u>	<u>\$ (2,940,754)</u>	<u>\$ 3,832,065</u>	<u>\$ 239,545</u>

CITY OF DAVENPORT**INTERNAL SERVICE FUNDS****COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (DEFICIT)****For the Fiscal Year Ended June 30, 2012**

	<u>EMPLOYEE INSURANCE</u>	<u>RISK MANAGEMENT</u>	<u>INFORMATION MANAGEMENT SERVICES</u>	<u>TOTAL INTERNAL SERVICE FUNDS</u>
OPERATING REVENUES:				
Charges for services	\$ 11,709,395	\$ 3,978,859	\$ 1,915,450	\$ 17,603,704
Other	178,074	481,911	9,000	668,985
Total Operating Revenues	<u>11,887,469</u>	<u>4,460,770</u>	<u>1,924,450</u>	<u>18,272,689</u>
OPERATING EXPENSES:				
Employee expenses	44,922	848,303	813,209	1,706,434
Supplies and services	13,096,774	4,210,220	1,060,007	18,367,001
Depreciation	-	-	452,421	452,421
Total Operating Expenses	<u>13,141,696</u>	<u>5,058,523</u>	<u>2,325,637</u>	<u>20,525,856</u>
OPERATING INCOME (LOSS)	(1,254,227)	(597,753)	(401,187)	(2,253,167)
NON-OPERATING REVENUES (EXPENSES):				
Use of monies and property	1,434	15,549	-	16,983
Gain (loss) on disposition of capital assets	-	-	(6,222)	(6,222)
Total Non-operating Revenues (Expenses)	<u>1,434</u>	<u>15,549</u>	<u>(6,222)</u>	<u>10,761</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(1,252,793)	(582,204)	(407,409)	(2,242,406)
Capital contributions	-	-	138,967	138,967
Transfers out	-	-	-	-
Change in net assets	<u>(1,252,793)</u>	<u>(582,204)</u>	<u>(268,442)</u>	<u>(2,103,439)</u>
Total net assets (deficit) - beginning	<u>601,027</u>	<u>(2,358,550)</u>	<u>4,100,507</u>	<u>2,342,984</u>
Total net assets (deficit) - ending	<u>\$ (651,766)</u>	<u>\$ (2,940,754)</u>	<u>\$ 3,832,065</u>	<u>\$ 239,545</u>

CITY OF DAVENPORT

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012**

	<u>EMPLOYEE INSURANCE</u>	<u>RISK MANAGEMENT</u>	<u>INFORMATION MANAGEMENT SERVICES</u>	<u>TOTAL INTERNAL SERVICE FUNDS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from users	\$ 12,271,084	\$ 4,591,048	\$ 1,915,450	\$ 18,777,582
Cash paid to suppliers for goods and services	(12,677,219)	(3,443,561)	(1,001,257)	(17,122,037)
Cash paid to employees for services	(44,147)	(833,625)	(821,291)	(1,699,063)
Other operating revenue	178,074	481,911	9,000	668,985
Net Cash used for Operating Activities	<u>(272,208)</u>	<u>795,773</u>	<u>101,902</u>	<u>625,467</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and investment income	<u>1,434</u>	<u>15,549</u>		<u>16,983</u>
Net decrease in Cash and Cash Equivalents	(270,774)	811,322	101,902	642,450
CASH AND CASH EQUIVALENTS- BEGINNING	<u>745,362</u>	<u>2,481,194</u>	<u>30,475</u>	<u>3,257,031</u>
CASH AND CASH EQUIVALENTS- ENDING	<u>\$ 474,588</u>	<u>\$ 3,292,516</u>	<u>\$ 132,377</u>	<u>\$ 3,899,481</u>

CITY OF DAVENPORT

**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2012**

	<u>EMPLOYEE INSURANCE</u>	<u>RISK MANAGEMENT</u>	<u>INFORMATION MANAGEMENT SERVICES</u>	<u>TOTAL INTERNAL SERVICE FUNDS</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating (Loss)	\$ (1,254,227)	\$ (597,753)	\$ (401,187)	\$ (2,253,167)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:				
Depreciation	-	-	452,421	452,421
Change in assets and liabilities:				
Decrease in accounts receivable	561,689	612,189	-	1,173,878
Decrease (increase) in prepaids	(68,453)	(1,576)	51,917	(18,112)
Increase in accounts payable	488,008	768,235	6,833	1,263,076
Increase (decrease) in other accrued liabilities	775	14,678	(8,082)	7,371
Total Adjustments	<u>982,019</u>	<u>1,393,526</u>	<u>503,089</u>	<u>2,878,634</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (272,208)</u>	<u>\$ 795,773</u>	<u>\$ 101,902</u>	<u>\$ 625,467</u>
SCHEDULE OF NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Acquisition of capital assets through capital contributions	\$ -	\$ -	\$ 138,967	\$ 138,967
Contribution of capital assets by municipality	-	-	(138,967)	(138,967)

Fiduciary Fund Types

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

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

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

CITY OF DAVENPORT

**ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012**

	BALANCE JUNE 30,2011	ADDITIONS	DELETIONS	BALANCE JUNE 30,2012
<u>RIVERFRONT TASK FORCE</u>				
ASSETS:				
Cash and investments	\$ 3,628	\$ 11	\$ -	\$ 3,639
Interest receivable	-	-	-	-
TOTAL ASSETS	\$ 3,628	\$ 11	\$ -	\$ 3,639
LIABILITIES:				
Due to other governments	\$ 3,628	\$ 11	\$ -	\$ 3,639
 <u>LIBRARY GIFT</u>				
ASSETS:				
Cash and investments	\$ 346,879	\$ 275,007	\$ 130,976	\$ 490,910
Interest receivable	-	-	-	-
TOTAL ASSETS	\$ 346,879	\$ 275,007	\$ 130,976	\$ 490,910
LIABILITIES:				
Accounts payable	\$ 4,868	\$ 108,752	\$ 96,038	\$ 17,582
Due to other governments	342,011	166,255	34,938	473,328
TOTAL LIABILITIES	\$ 346,879	\$ 275,007	\$ 130,976	\$ 490,910
 <u>M.D. PETERSEN MEMORIAL</u>				
ASSETS:				
Cash and investments	\$ 1,300	\$ 863	\$ -	\$ 2,163
Interest receivable	-	-	-	-
TOTAL ASSETS	\$ 1,300	\$ 863	\$ -	\$ 2,163
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	1,300	863	-	2,163
TOTAL LIABILITIES	\$ 1,300	\$ 863	\$ -	\$ 2,163
 <u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS:				
Cash and investments	\$ 351,807	\$ 275,881	\$ 130,976	\$ 496,712
Interest receivable	-	-	-	-
TOTAL ASSETS	\$ 351,807	\$ 275,881	\$ 130,976	\$ 496,712
LIABILITIES:				
Accounts payable	\$ 4,868	\$ 108,752	\$ 96,038	\$ 17,582
Due to other governments	346,939	167,129	34,938	479,130
TOTAL LIABILITIES	\$ 351,807	\$ 275,881	\$ 130,976	\$ 496,712

CITY OF DAVENPORT

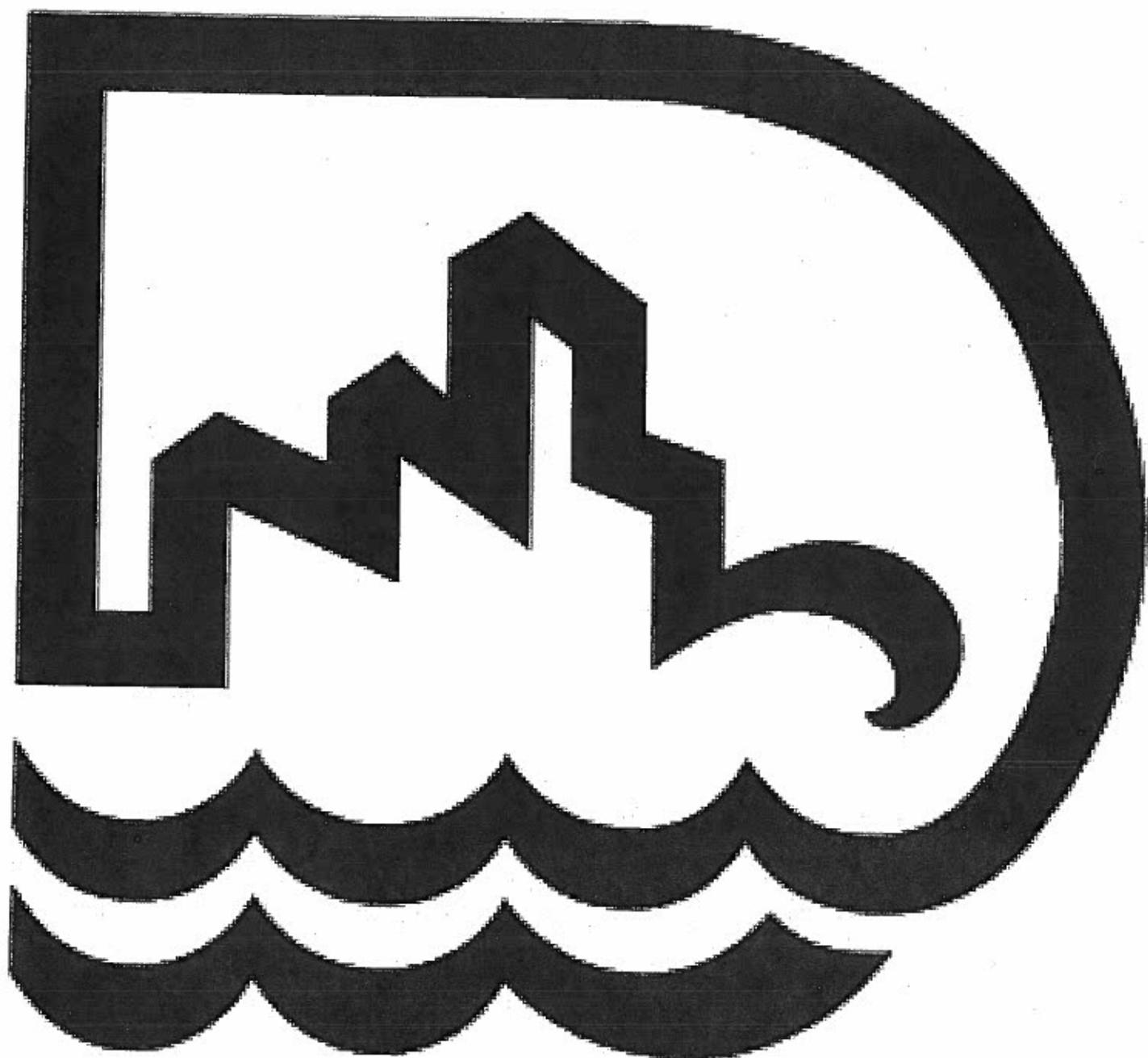
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
Direct:			
<u>Department of Housing and Urban Development (HUD)</u>			
N/C S/R Section 8 Programs	14.182	KC76237	\$ 376,749
Community Development Block Grants/Entitlement Grants	14.218	B 10 MC 19 0002	\$ 2,309,271
HERA - Neighborhood Stabilization Program	14.228		\$ 452,294
HOME Investment Partnerships Program	14.239	M 10 MC 190200	\$ 1,860,875
Fair Housing Assistance Program	14.401	FF 207 K0 77015	\$ 166,065
Public and Indian Housing	14.850	KC 914 8	\$ 55,237
Section 8 Housing Choice Vouchers	14.871	KC 902 7V	\$ 3,137,935
Public Housing - Capital Fund Program	14.872	KC 914 8	\$ 147,497
Lead Based Paint Grant	14.900	IA LHB 0349 07	\$ 165,122
Community Development Block Grant Housing Disaster Recovery	14.228	BGDRF 08-DRH-213	\$ 720,611
Community Development Block Grant Disaster Recovery	14.228	BGDRF- 08 DRHB-220	\$ 644,704
			<u>\$ 10,036,359</u>
<u>Equal Employment Opportunity Commission</u>			
Equal Employment Opportunity Commission	30.001	EE CCN 1001 14	<u>48,850</u>
<u>Department of Transportation</u>			
Davenport Municipal Airport	20.205	319 00 24 14	4,269
Credit Island Bridge	20.205	EDP 1827(002) 7Y 82	1,264,743
Division Street	20.205	STPU 1827 (648) 70 82	190,839
Paving Northwest Blvd. to Pine	20.205	STPU 1827 (643) 70 82	110,050
Harrison and River Drive	20.205	NHSN 461 -1-(1) -2R-82	436,943
Jackson School Signal and Sidewalk	20.205	SRTS-U-1827 U 647	37,453
Veteran's Memorial Parkway	20.205	67 ST HDP 1827 (649) 7482 2	11,722
Pier and Bank Stabilization	20.205	STPU 1827 (655) 8R 82	26,539
Fairmont Bridge Replacement	20.205	BRM 1827(640) 8N 82	805,199
49th Street Paving	20.205	STPU 1827(632) 70 83	77,531
Rail for Eastern Iowa	20.205	FE06 (01) 49 82	2,434,382
Federal Transit - Formula Grants	20.507	IA 90 X 362 00	255,868
Federal Transit - Formula Grants	20.507	IA 90 X 372 01	441,348
Federal Transit - Formula Grants	20.507	IA 90 X 007 00	1,451,075
			<u>7,547,961</u>
<u>Environmental Protection Agency</u>			
Surveys, Studies, Investigations and Special Purpose Grants	66.606	XP 98 7584 01	<u>454,986</u>
<u>Department of Energy</u>			
ARRA Energy and Efficiency Block Grant	81.128	SC 000 3271	441,964
ARRA Energy and Renewable Energy	81.122	OE0000416	79,755
			<u>521,719</u>
<u>Department of Homeland Security</u>			
Assistance to Firefighters	97.044	EMW-2010-FO-04002	<u>3,584</u>
<u>Department of Justice</u>			
Weed and Seed	16.595	2009 WS QX 0109	46,269
Bulletproof Vest Partnership Program	16.607	UG 06 2XG	9,258
Office of Community Oriented Policing Services	16.710	2009 RK WX 0305	425,121
ARRA Cops Hiring			8,169
Organized Crime Drug Enforcement Task Force	N/A		<u>488,817</u>
<u>National Recreation and Park Association</u>			
Parks Take Me Fishing	15.653	F 125 E 20	<u>10,000</u>

CITY OF DAVENPORT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
Total Direct			19,185,208
Indirect:			
<u>Department of Justice</u>			
Alcohol, Tobacco and Firearms Training Assistance	16.012		611
Enforcing Underage Drinking Laws (EUDL)	16.727	JUV 07 JD07 F08	6,930
ARRA Governor's Office of Drug Control Policy:	16.803	09 JAG ARRA 265	68,263
Project Safe Neighborhood	16.609		13,883
Interdiction Grant	N/A		6,875
Drug Enforcement	N/A		3,376
HIDTA	N/A	09 G09 MW 000 9A	2,896
US Marshalls	N/A		1,084
			103,918
<u>Iowa Department of Natural Resources</u>			
Aquatic Education	15.605		4,405
<u>Department of Transportation</u>			
<u>Iowa Department of Transportation</u>			
ARRA Front Porch Parkway	20.205	ESL 1827 (662) 7S 82	61,772
ARRA Resurfacing	20.205	ESL 1827 (659) 7S 82	6,200
New Buses	20.205		605,617
Federal Transit -5310 Funds	20.513		120,005
			793,594
<u>National Highway Traffic Safety Administration</u>			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 11-04 Task 10	50,315
<u>Iowa Department of Homeland Security</u>			
Hazard Mitigation Grant Program	97.039	DR-1763 0028 01	72,932
Centennial Park		LPDM- 2008 IA-82-01-01	44,080
			117,012
<u>US Department of the Interior, National Park Service</u>			
<u>State Historic Preservation of Iowa</u>			
Credit Island Geomorphological Archaeological Survey	15.904	2010-03	2,500
<u>Corporation For National And Community Service</u>			
<u>Iowa Commission on Volunteer Service</u>			
AmeriCorps	94.006	11 AF 02	73,353
Volunteer Generation Fund Grant Agreement	94.021	11 VGF N4	59,377
			132,730
Total Indirect			1,131,542
Total All Federal and Indirect			20,316,750



STATISTICAL SECTION

Statistical Section

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

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

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

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

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

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

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

CITY OF DAVENPORT

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

	Fiscal Year			
	2012	2011	2010	2009
Governmental activities				
Invested in capital assets, net of related debt	\$ 107,161,965	\$ 126,691,668	\$ 125,751,423	\$ 105,380,683
Restricted	44,110,046	12,739,452	26,268,566	37,923,794
Unrestricted	<u>(12,343,725)</u>	<u>(3,483,506)</u>	<u>(22,165,731)</u>	<u>2,694,253</u>
Total governmental activities net assets	<u>\$ 138,928,286</u>	<u>\$ 135,947,614</u>	<u>\$ 129,854,258</u>	<u>\$ 145,998,730</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 136,518,021	\$ 123,757,219	\$ 113,558,845	\$ 106,460,687
Restricted	4,049,687	3,849,157	4,414,849	-
Unrestricted	<u>(5,484,405)</u>	<u>(1,280,067)</u>	<u>4,336,900</u>	<u>13,226,200</u>
Total business-type activities net assets	<u>\$ 135,083,303</u>	<u>\$ 126,326,309</u>	<u>\$ 122,310,594</u>	<u>\$ 119,686,887</u>
Primary government				
Invested in capital assets, net of related debt	\$ 243,679,986	\$ 250,448,887	\$ 239,310,268	\$ 211,841,370
Restricted	48,159,733	16,588,609	30,683,415	37,923,794
Unrestricted	<u>(17,828,130)</u>	<u>(4,763,573)</u>	<u>(17,828,831)</u>	<u>15,920,453</u>
Total primary government net assets	<u>\$ 274,011,589</u>	<u>\$ 262,273,923</u>	<u>\$ 252,164,852</u>	<u>\$ 265,685,617</u>

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

CITY OF DAVENPORT

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

	2012	2011	2010	2009	2008	2007	Fiscal Year			
							2006	2005	2004	2003
Expenses										
Governmental activities:										
General government	\$ 10,097,216	\$ 9,914,196	\$ 9,385,078	\$ 10,026,526	\$ 8,523,359	\$ 8,710,088	\$ 6,413,439	\$ 10,445,510	\$ 8,480,484	\$ 6,685,470
Public safety	42,449,097	42,049,042	54,618,260	37,946,102	37,929,524	37,866,348	35,330,398	32,069,077	29,072,920	23,906,370
Public works	32,069,097	43,599,123	45,177,539	22,727,385	21,653,523	18,514,994	19,152,943	18,288,161	25,266,595	27,612,830
Culture and recreation	15,981,258	13,674,184	19,395,592	13,924,558	11,663,190	11,831,207	15,989,106	15,273,271	14,720,304	9,793,268
Community and economic development	20,382,079	14,880,835	24,923,932	17,884,887	10,083,864	10,485,046	10,892,810	12,540,036	14,016,808	20,548,796
Interest on long-term debt	5,598,997	6,489,039	6,232,307	5,159,660	5,352,084	5,437,269	4,977,495	4,697,555	4,088,608	4,307,208
Total governmental activities expenses	126,577,744	130,606,419	159,732,708	107,669,118	95,205,544	92,844,952	92,756,191	93,313,610	95,645,719	92,853,942
Business-type activities:										
Sewer operations	16,650,341	15,506,121	14,614,261	13,661,231	12,933,042	13,275,949	12,359,594	12,336,175	11,612,949	12,072,674
Parking system	2,046,877	2,080,257	2,293,309	2,130,548	2,214,256	2,297,589	2,223,058	1,987,325	2,089,879	1,625,843
Rivercenter	2,902,730	2,616,467	2,029,591	2,273,405	2,075,251	2,044,864	2,287,829	3,856,510	3,976,124	3,220,654
Public transit	6,324,871	5,866,989	5,555,580	5,243,812	5,108,767	5,200,408	4,781,823	4,464,738	4,343,827	4,443,687
Public housing	1,200,491	1,045,905	1,130,451	1,024,289	1,088,723	1,056,560	984,783	956,687	906,413	960,487
Golf courses	2,063,357	2,072,059	2,305,035	2,215,155	2,360,114	2,388,785	2,204,089	2,651,694	2,142,641	2,105,937
Airport	606,160	578,765	555,304	536,281	564,139	533,995	492,146	446,777	469,150	403,870
Solid waste	5,326,665	5,049,222	4,835,236	4,424,452	4,426,700	4,584,023	4,148,895	4,255,444	1,256,114	1,194,442
Clean water (1)	2,537,290	2,185,141	2,231,978	1,803,626	1,747,692	1,684,045	1,608,951	-	-	-
Riversolgc	960,907	1,087,614	166,168	-	-	-	-	-	-	-
Total business-type activities expenses	40,619,689	38,088,540	35,716,913	33,312,799	32,518,684	33,066,218	31,091,168	30,955,350	26,797,097	26,027,594
Total primary government expenses	\$ 167,197,433	\$ 168,694,959	\$ 195,449,621	\$ 140,981,917	\$ 127,724,228	\$ 125,911,170	\$ 123,847,359	\$ 124,268,960	\$ 122,442,816	\$ 118,881,536
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,331,628	\$ 3,401,763	\$ 3,802,966	\$ 1,906,531	\$ 2,492,146	\$ 2,185,830	\$ 1,807,942	\$ 1,677,053	\$ 1,547,685	\$ 1,599,974
Public safety	2,991,978	4,272,343	2,433,034	1,991,648	1,769,379	1,772,612	2,175,988	1,577,554	1,464,648	1,175,217
Public works	4,486,531	2,938,022	6,200,604	1,891,001	2,212,146	1,486,492	1,941,969	1,753,160	2,058,239	2,059,079
Culture and recreation	772,321	1,698,503	1,420,156	1,255,539	1,110,907	1,774,460	3,820,105	499,872	579,825	635,603
Community and economic development	749,931	630,293	2,134,740	762,264	842,579	872,306	955,624	1,066,391	1,028,891	951,787
Operating grants and contributions	19,132,333	19,069,548	22,362,460	17,583,390	14,562,005	14,410,329	15,244,322	18,165,499	18,263,763	17,819,204
Capital grant and contributions	16,534,680	20,033,057	27,041,539	5,315,374	3,851,299	4,409,902	6,043,958	8,099,263	15,163,936	13,963,733
Total governmental activities program revenues	47,999,402	52,043,529	65,395,499	30,705,747	26,840,461	26,911,931	31,989,908	32,838,792	40,106,987	38,204,597
Business-type activities:										
Charges for services:										
Sewer operations	15,993,320	14,177,170	11,693,354	11,769,322	10,863,016	10,151,322	10,348,088	10,207,702	10,455,763	10,662,507
Parking system	1,351,539	1,399,623	1,454,569	1,675,828	1,699,437	1,765,985	1,657,506	1,630,981	1,779,026	1,261,027
Rivercenter	1,725,151	1,327,314	863,707	1,151,073	988,216	918,739	1,153,477	2,693,539	2,464,777	1,792,285
Public transit	516,315	506,706	479,090	479,056	451,139	455,216	453,792	593,905	411,253	356,238
Public housing	421,850	415,874	369,711	388,302	388,640	344,286	334,919	327,173	330,757	327,964
Golf courses	1,863,339	1,875,575	2,125,590	2,237,644	2,236,252	2,310,782	2,358,403	2,404,051	2,246,411	2,221,928
Airport	209,121	179,002	188,984	181,104	185,644	175,622	173,624	154,581	147,081	142,965
Solid waste (1)	5,023,908	4,592,794	4,494,879	4,481,816	4,577,669	4,451,864	3,777,700	3,729,191	1,610,426	1,255,136
Clean water (2)	2,075,947	1,788,322	1,730,883	1,740,483	1,765,014	1,718,423	1,609,020	-	-	-
River's Edge (3)	247,685	255,061	36,618	-	-	-	-	-	-	-
Operating grants and contributions	1,828,869	1,654,119	1,752,126	1,557,994	1,792,100	1,463,558	1,669,214	1,363,461	1,655,812	1,442,654
Capital grant and contributions	12,704,352	10,663,923	8,979,787	1,603,113	2,169,889	4,192,000	7,466,146	4,340,112	4,158,826	9,392,192
Total business-type activities program revenues	43,961,396	38,835,483	34,169,298	27,265,735	27,117,016	27,947,797	31,001,889	27,444,696	25,260,132	28,854,896
Total primary government program revenues	\$ 91,960,798	\$ 90,879,012	\$ 99,564,797	\$ 57,971,482	\$ 53,957,477	\$ 54,859,728	\$ 62,991,797	\$ 60,283,488	\$ 65,367,119	\$ 67,059,493

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (Expense)/Revenue										
Governmental activities	\$ (78,578,342)	\$ (78,562,890)	\$ (94,337,209)	\$ (76,963,371)	\$ (68,365,083)	\$ (65,933,021)	\$ (60,766,283)	\$ (60,474,818)	\$ (55,538,732)	\$ (54,649,345)
Business-type activities	3,341,707	746,943	(1,547,615)	(6,047,064)	(5,401,668)	(5,118,421)	(89,279)	(3,510,654)	(1,536,965)	2,827,302
Total primary government net expense	\$ (75,236,635)	\$ (77,815,947)	\$ (95,884,824)	\$ (83,010,435)	\$ (73,766,751)	\$ (71,051,442)	\$ (60,855,562)	\$ (63,985,472)	\$ (57,075,697)	\$ (51,822,043)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 61,170,609	\$ 59,359,397	\$ 58,524,411	\$ 56,602,349	\$ 54,216,032	\$ 52,302,784	\$ 49,714,718	\$ 47,050,918	\$ 43,784,134	\$ 41,751,259
Local option sales tax	15,062,987	14,934,103	14,061,501	14,268,556	14,925,248	14,408,214	13,071,274	12,556,556	12,892,682	12,695,189
Hotel/motel tax	2,055,052	1,834,327	1,636,626	1,745,523	1,687,454	1,586,261	1,611,777	1,395,028	1,453,268	1,439,259
Franchise tax	2,782,635	2,878,172	3,264,313	3,213,249	3,337,590	3,355,323	3,212,235	3,293,130	3,082,228	2,680,182
Investment earnings	1,218,684	1,014,156	1,035,244	1,390,993	2,953,986	3,839,767	3,010,775	1,943,966	1,542,997	1,546,216
Gain on sale of capital assets	108,867	728,558	65,547	4,905	51,385	78,176	367,546	-	-	-
Miscellaneous	72,124	58,419	53,761	96,087	62,432	41,118	362,904	295,533	291,640	333,941
Transfers	(911,944)	1,128,264	(448,666)	(346,707)	(501,515)	(784,469)	(11,349,849)	(970,101)	(383,019)	(611,958)
Total governmental activities	81,559,014	81,935,396	78,192,737	76,974,955	76,732,612	74,827,174	60,001,380	65,565,030	62,663,930	59,834,088
Business-type activities:										
Property taxes (public transit)	3,493,152	3,376,227	3,323,301	3,248,353	3,097,575	3,017,365	2,905,895	2,769,893	2,628,096	2,552,247
Investment earnings	700,403	658,157	259,257	400,305	649,905	790,290	698,124	462,890	344,863	444,436
Loss on donation of capital assets	-	-	-	-	-	(5,894,826)	-	-	-	-
Miscellaneous	309,788	362,652	140,098	109,302	65,564	66,151	65,586	56,464	74,114	5,537
Transfers	911,944	(1,128,264)	448,666	346,707	501,515	784,469	11,349,849	970,101	383,019	611,958
Total business-type activities	5,415,287	3,268,772	4,171,322	4,104,667	4,314,559	(1,236,551)	15,019,454	4,259,348	3,430,092	3,614,178
Total primary government	\$ 86,974,301	\$ 85,204,168	\$ 82,364,059	\$ 81,079,622	\$ 81,047,171	\$ 73,590,623	\$ 75,020,834	\$ 69,824,378	\$ 66,094,022	\$ 63,448,266
Change in Net Assets										
Governmental activities	\$ 2,980,672	\$ 3,372,506	\$ (16,144,472)	\$ 11,584	\$ 8,367,529	\$ 8,894,153	\$ (764,903)	\$ 5,090,212	\$ 7,125,198	\$ 5,184,743
Business-type activities	8,756,994	4,015,715	2,623,707	(1,942,397)	(1,087,109)	(6,354,972)	14,930,175	748,694	1,893,127	6,441,480
Total primary government	\$ 11,737,666	\$ 7,388,221	\$ (13,520,765)	\$ (1,930,813)	\$ 7,280,420	\$ 2,539,181	\$ 14,165,272	\$ 5,838,906	\$ 9,018,325	\$ 11,626,223

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

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

(3) Newly acquired facility in fiscal year 2010

CITY OF DAVENPORT

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

	Fiscal Year			
	2012	2011	2010	2009
General Fund				
Nonspendable	\$ 23,179	\$ 17,069	\$ -	\$ -
Restricted	3,717,150	3,883,934	-	-
Committed	-	-	-	-
Assigned	545,488	551,836	-	-
Unassigned	5,606,312	5,392,141	-	-
Reserved	-	-	4,781,365	5,837,263
Unreserved	-	-	5,640,835	4,961,376
Total General Fund	<u>9,892,129</u>	<u>9,844,980</u>	<u>10,422,200</u>	<u>10,798,639</u>
All Other Governmental funds				
Nonspendable	-	-	-	-
Restricted	40,119,368	14,266,498	-	-
Committed	844,461	1,058,755	-	-
Assigned	-	-	-	-
Unassigned	(906,693)	(1,035,514)	-	-
Reserved	-	-	8,558,420	32,666,636
Unreserved, reported in special revenue funds	-	-	(1,956,132)	980,072
Capital project funds	-	-	(503,939)	-
Total All Other Governmental funds	<u>\$ 40,057,136</u>	<u>\$ 14,289,739</u>	<u>\$ 6,098,349</u>	<u>\$ 33,646,708</u>

The City implemented GASB Statement No. 54, (*Fund Balance Reporting and Governmental Fund Type Definitions*), in fiscal year 2011.

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,468,328	5,897,658	6,466,266	5,932,616	5,050,104	5,060,818
5,057,016	6,658,196	7,561,989	7,173,392	7,520,660	6,607,063
<u>10,525,344</u>	<u>12,555,854</u>	<u>14,028,255</u>	<u>13,106,008</u>	<u>12,570,764</u>	<u>11,667,881</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
27,199,618	32,790,103	41,987,883	33,277,257	33,305,150	35,191,771
3,754,094	6,527,897	6,116,563	5,554,019	6,186,458	5,269,271
-	-	(710,670)	(7,430,722)	(3,067,709)	(3,267,011)
<u>\$ 30,953,712</u>	<u>\$ 39,318,000</u>	<u>\$ 47,393,776</u>	<u>\$ 31,400,554</u>	<u>\$ 36,423,899</u>	<u>\$ 37,194,031</u>

CITY OF DAVENPORT

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

	Fiscal Year			
	2012	2011	2010	2009
Revenues				
Taxes	\$ 80,884,683	\$ 78,730,720	\$ 77,168,031	\$ 75,503,579
Special assessments	58,964	157,683	37,717	6,806
Licenses and permits	1,317,804	1,238,659	1,275,935	1,154,269
Intergovernmental	35,240,010	31,332,008	29,024,273	22,579,386
Charges for services	4,479,467	4,146,542	3,926,869	4,081,012
Use of monies and property	1,218,685	1,014,156	1,035,244	1,390,993
Fines and forfeits	1,936,641	1,967,004	1,314,564	938,544
Loan repayments	723,850	839,699	648,896	611,113
Other	4,598,710	4,519,410	4,362,836	1,257,734
Total revenues	130,458,814	123,945,881	118,794,365	107,523,436
Expenditures (1)				
General government	8,992,941	8,178,030	8,370,902	7,849,694
Public safety	39,554,541	39,137,701	38,211,590	37,719,742
Public works	15,505,355	17,073,051	17,169,622	15,838,441
Culture and recreation	11,305,093	11,485,665	12,738,612	11,113,692
Community and economic development	15,234,614	13,823,997	20,305,456	17,030,912
Capital outlay	38,425,489	35,710,271	56,227,626	25,959,860
Debt service				
Principal	17,234,350	17,071,575	14,912,225	12,125,079
Interest	6,200,955	6,233,849	6,078,034	5,030,293
Bond issuance expense	125,781	150,055	153,704	285,250
Total expenditures	152,579,119	148,864,194	174,167,771	132,952,963
Excess of revenues over (under) expenditures	(22,120,305)	(24,918,313)	(55,373,406)	(25,429,527)
Other Financing Sources (Uses)				
Bond issuance	11,790,000	25,299,250	28,676,000	26,820,000
Discount on debt issued	-	-	(66,902)	56,945
Premium on debt issued	3,321,543	1,377,130	30,668	-
Refunding bonds issued	33,637,890	3,687,250	6,546,400	-
Payment to refunded bond escrow agent	-	(3,880,000)	(6,555,500)	-
Sale of capital assets	108,867	728,558	66,608	4,905
Transfers in	20,129,136	17,023,775	16,951,068	17,244,760
Transfers out	(21,052,585)	(15,224,330)	(17,399,734)	(15,730,792)
Total other financing sources (uses)	47,934,851	29,011,633	28,248,608	28,395,818
Net change in fund balances	\$ 25,814,546	\$ 4,093,320	\$ (27,124,798)	\$ 2,966,291
Debt service as a percentage of noncapital expenditures	18.24%	17.28%	12.92%	15.26%

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

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 73,900,380	\$ 71,440,755	\$ 67,238,905	\$ 63,519,997	\$ 60,657,581	\$ 58,580,723
139,517	50,982	40,535	55,964	18,098	95,885
1,496,632	1,395,934	1,623,543	1,600,302	1,556,959	1,474,719
17,417,503	17,053,854	19,729,182	21,801,090	28,447,769	27,433,000
3,616,388	2,798,325	3,490,189	3,334,847	3,594,151	3,462,165
2,953,986	3,839,767	3,010,775	1,943,966	1,542,997	1,546,216
554,937	873,092	997,004	604,751	533,863	481,059
584,230	663,341	594,829	978,166	976,217	907,832
2,106,748	2,105,786	4,308,377	3,052,499	2,820,598	1,805,786
<u>102,770,321</u>	<u>100,221,836</u>	<u>101,033,339</u>	<u>96,891,582</u>	<u>100,148,233</u>	<u>95,787,385</u>
7,908,979	7,215,792	7,242,260	6,878,912	6,661,912	6,032,938
37,817,252	36,215,539	33,930,920	31,539,164	29,666,713	19,230,179
15,316,163	11,812,816	11,789,864	11,829,081	19,305,594	32,558,630
10,182,468	9,406,214	8,632,061	7,878,176	15,270,977	12,098,168
9,930,122	8,960,280	10,016,894	10,937,442	13,964,776	12,526,841
24,969,390	30,935,403	31,196,883	26,981,978	26,820,496	9,802,681
12,466,632	13,256,573	13,049,158	10,809,309	11,095,495	9,971,020
5,151,715	5,238,443	4,816,787	4,549,030	4,144,917	4,267,994
84,386	68,526	105,731	35,791	230,021	47,565
<u>123,827,107</u>	<u>123,109,586</u>	<u>120,780,558</u>	<u>111,438,883</u>	<u>127,160,901</u>	<u>106,536,016</u>
<u>(21,056,786)</u>	<u>(22,887,750)</u>	<u>(19,747,219)</u>	<u>(14,547,301)</u>	<u>(27,012,668)</u>	<u>(10,748,631)</u>
9,910,000	13,940,000	35,660,000	10,355,000	27,475,000	10,140,000
155,453	(51,222)	(148,544)	(18,161)	(154,069)	(51,468)
4,380,000	10,959,625	-	-	11,337,000	-
(4,354,806)	(11,005,000)	-	-	(11,199,276)	-
51,385	78,176	1,643,684	95,946	69,783	12,092
14,574,161	14,210,513	14,507,366	11,876,152	12,028,025	12,158,543
<u>(14,052,777)</u>	<u>(14,721,821)</u>	<u>(14,999,818)</u>	<u>(12,249,737)</u>	<u>(12,411,044)</u>	<u>(12,770,501)</u>
<u>10,663,416</u>	<u>13,410,271</u>	<u>36,662,688</u>	<u>10,059,200</u>	<u>27,145,419</u>	<u>9,488,666</u>
<u>\$ (10,393,370)</u>	<u>\$ (9,477,479)</u>	<u>\$ 16,915,469</u>	<u>\$ (4,488,101)</u>	<u>\$ 132,751</u>	<u>\$ (1,259,965)</u>
17.72%	19.48%	19.94%	18.18%	15.19%	14.72%

CITY OF DAVENPORT

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

ACTUAL VALUE							
<u>Levy Year</u>	<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Agricultural</u>	<u>Utilities</u>	<u>Other</u>
2001	2003	2,583,593	1,144,674	173,102	17,933	202,306	12,730
2002	2004	2,631,773	1,166,494	171,056	18,107	209,260	979
2003	2005	2,912,339	1,296,665	167,366	14,088	221,476	602
2004	2006	3,126,797	1,317,790	165,524	14,030	230,234	919
2005	2007	3,361,503	1,437,813	162,735	14,715	233,767	1,123
2006	2008	3,531,282	1,451,082	158,288	14,580	247,982	1,418
2007	2009	3,747,601	1,562,748	171,687	14,782	239,523	2,317
2008	2010	3,784,782	1,579,002	163,691	14,589	262,718	3,076
2009	2011	3,838,410	1,569,003	154,658	20,246	272,575	3,088
2010	2012	3,924,743	1,610,948	146,875	20,370	278,170	3,074

TAXABLE VALUE							
<u>Levy Year</u>	<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Agricultural</u>	<u>Utilities</u>	<u>Other</u>
2001	2003	1,334,571	1,118,462	173,102	17,933	202,135	12,720
2002	2004	1,351,999	1,166,494	171,056	18,107	208,836	979
2003	2005	1,410,066	1,286,675	167,366	14,088	225,060	598
2004	2006	1,498,414	1,317,790	165,524	14,030	215,864	919
2005	2007	1,545,096	1,425,136	162,735	14,715	206,783	1,113
2006	2008	1,607,643	1,451,082	158,288	14,580	203,541	1,418
2007	2009	1,650,821	1,558,379	171,687	13,319	208,017	2,311
2008	2010	1,721,872	1,579,002	163,691	13,693	209,530	3,077
2009	2011	1,797,306	1,569,003	154,658	13,417	205,383	3,088
2010	2012	1,902,023	1,610,948	146,875	14,058	213,792	3,074

Notes: By state law all property subject to taxation is valued every 2 years subject to an equalization action of the State Department of Revenue. The Assessor establishes actual valuation (100%) as of January 1 in a calendar year for taxes payable in the succeeding fiscal year. The actual value of property is provided by the assessor to the County Auditor who then determines the taxable value. The taxable value is computed by adjusting the actual value of various classes of property by percentages (roll back rates) determined by the State Department of Revenue. The roll back rates are applied to classes of property on a state-wide basis so that the increase in actual valuations of property in the State will not exceed 4% annually. For property values as of January 1, 2005, the roll back rate was 45.996% for residential property and .85% for commercial and other. For the remaining classes of property, the taxable value was equal to 100% of actual value.

Source: Levy rate sheet and valuation from Scott County.

<u>Gross valuation</u>	<u>Less Military exemption</u>	<u>Net valuation</u>	<u>Total direct tax rate</u>
4,134,338	(11,692)	4,122,646	14.63%
4,197,669	(11,356)	4,186,313	14.96%
4,612,536	(11,066)	4,601,470	15.24%
4,855,294	(10,756)	4,844,538	15.24%
5,211,656	(10,733)	5,200,923	15.58%
5,404,632	(10,496)	5,394,136	15.58%
5,738,658	(10,515)	5,728,143	15.58%
5,807,858	(10,350)	5,797,508	15.58%
5,857,980	(10,216)	5,847,764	15.53%
5,984,180	(9,957)	5,974,223	15.53%

<u>Gross valuation</u>	<u>Less Military exemption</u>	<u>Net valuation</u>
2,858,923	(11,692)	2,847,231
2,917,471	(11,356)	2,906,115
3,103,853	(11,066)	3,092,787
3,212,541	(10,756)	3,201,785
3,355,578	(10,735)	3,344,843
3,436,552	(10,496)	3,426,056
3,604,534	(10,515)	3,594,019
3,690,865	(10,350)	3,680,515
3,742,855	(10,216)	3,732,639
3,890,770	(9,956)	3,880,814

CITY OF DAVENPORT

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

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

City Direct Rates

<u>Fiscal Year</u>	<u>General</u>	<u>Tort Liability</u>	<u>Trust & Agency</u>	<u>Library (1)</u>	<u>Transit</u>	<u>Emergency</u>	<u>Debt Service</u>	<u>Total</u>
2003	8.10	0.00	4.36	-	0.91	0.27	0.99	14.63
2004	8.10	0.34	4.36	-	0.91	0.27	0.99	14.97
2005	8.10	0.34	4.36	0.27	0.91	0.27	0.99	15.24
2006	8.10	0.30	4.40	0.27	0.91	0.27	0.99	15.24
2007	8.10	0.30	3.97	0.27	0.91	0.27	1.76	15.58
2008	8.10	0.30	3.97	0.27	0.91	0.27	1.76	15.58
2009	8.10	0.30	3.97	0.27	0.91	0.27	1.76	15.58
2010	8.10	0.30	3.97	0.27	0.91	0.27	1.76	15.58
2011	8.10	0.25	3.97	0.27	0.91	0.27	1.76	15.53
2012	8.10	0.25	3.97	0.27	0.91	0.27	1.76	15.53

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

Source: City of Davenport Finance Department

Overlapping Rates

<u>Scott</u> <u>County</u>	<u>Davenport</u> <u>Schools</u>	<u>Area IX</u> <u>College</u>	<u>Other</u>	<u>Total</u>
4.48	16.96	0.62	0.44	37.13
4.81	17.08	0.62	0.38	37.86
4.76	17.10	0.59	0.34	38.03
5.57	17.10	0.59	0.33	38.83
5.51	17.11	0.61	0.36	39.17
5.54	17.11	0.61	0.37	39.21
5.34	17.08	0.61	0.35	38.96
5.47	17.09	0.88	0.33	39.35
6.38	17.11	0.92	0.31	40.25
6.38	17.05	1.02	0.32	40.30

CITY OF DAVENPORT

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal</u> <u>Year</u>	<u>Taxes</u> <u>Levied</u>	<u>Current</u> <u>Collections</u>	<u>Percentage</u> <u>of Levy</u>
2003	44,910,592	44,143,261	98.29%
2004	46,532,163	45,815,344	98.46%
2005	50,180,308	49,586,833	98.82%
2006	53,083,691	52,441,378	98.79%
2007	55,616,871	55,351,006	99.52%
2008	57,327,443	57,218,872	99.81%
2009	60,026,971	59,657,908	99.39%
2010	61,880,687	61,684,773	99.68%
2011	62,430,924	62,382,970	99.92%
2012	65,965,698	64,450,150	97.70%

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

CITY OF DAVENPORT

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Name of Property	Property type	2012		% of taxable value	2003		% of taxable value
		Taxable Valuation	Rank		Taxable Valuation	Rank	
Mid American Energy	Utility	\$ 215,018,250	1	5.54%	\$ 156,202,659	1	5.49%
SDG Macerich Properties	Shopping Center	58,460,300	2	1.51%	63,750,309	2	2.24%
Iowa-American Water Co.	Utility	44,896,781	3	1.16%	41,690,492	3	1.46%
Gulf Investments LLC	Utility	24,747,700	4	0.64%	-	-	-
Senior Star Investments I LLC	Retirement Home	23,717,322	5	0.61%	-	-	-
Deere & Company	Manufacturing	22,776,100	6	0.59%	25,997,081	5	0.91%
Davenport-Duhler Family Trust	Commercial	19,868,300	7	0.51%	-	-	-
MFR-XI Alexis LLC		19,374,430	8	0.50%	-	-	-
THF Davenport North Development	Realty	18,530,100	9	0.48%	-	-	-
Hotel Blackhawk LLC	Hotel	17,974,000	10	0.46%	-	-	-
Peterson Properties LC	Industrial Center	-	-	-	29,444,150	4	1.03%
Quanex	Manufacturing	-	-	-	19,169,991	6	0.67%
National Amusement Inc.	Theatre Complexes	-	-	-	18,605,259	7	0.65%
US West Communications	Utility	-	-	-	16,705,985	8	0.59%
Bradley Operation	Shopping Center	-	-	-	14,707,557	9	0.52%
Oscar Mayer & Co.	Meat Packing	-	-	-	15,789,314	10	0.55%
Total		<u>\$ 465,363,283</u>		<u>11.99%</u>	<u>\$ 402,062,797</u>		<u>14.12%</u>

Source: Scott County Auditor's Office.

CITY OF DAVENPORT

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(dollars in thousands, except per capita)

Fiscal Year	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Other General Obligation Debt	Other Long-term Debt	General Obligation Bonds	Total Primary Government		
2003	77,287	715	703	25,648	104,353	3.82%	1,066
2004	94,701	620	407	25,109	120,837	4.36%	1,237
2005	94,549	517	206	24,186	119,458	4.25%	1,226
2006	117,445	404	33	22,280	140,162	4.16%	1,439
2007	118,219	281	20	20,606	139,126	3.93%	1,424
2008	115,865	147	7	19,810	135,829	3.66%	1,372
2009	130,713	-	-	18,392	149,105	3.88%	1,479
2010	144,488	-	-	18,647	163,135	4.04%	1,610
2011	152,715	-	-	24,384	177,099	unavailable	1,777
2012	180,909	-	280	41,206	222,395	unavailable	2,231

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

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

The personal income and population data is not yet available.

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

CITY OF DAVENPORT

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

(dollars in thousands, except per capita)

Fiscal Year	General Obligation Debt	Percentage of Taxable Value of Property (1)	Per Capita
2003	103,650	3.64%	1,059
2004	120,430	4.14%	1,233
2005	119,252	3.86%	1,224
2006	140,129	4.38%	1,439
2007	139,106	4.16%	1,424
2008	135,822	3.96%	1,372
2009	149,105	4.15%	1,479
2010	163,135	4.43%	1,610
2011	177,099	4.76%	1,777
2012	222,395	5.73%	2,231

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

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

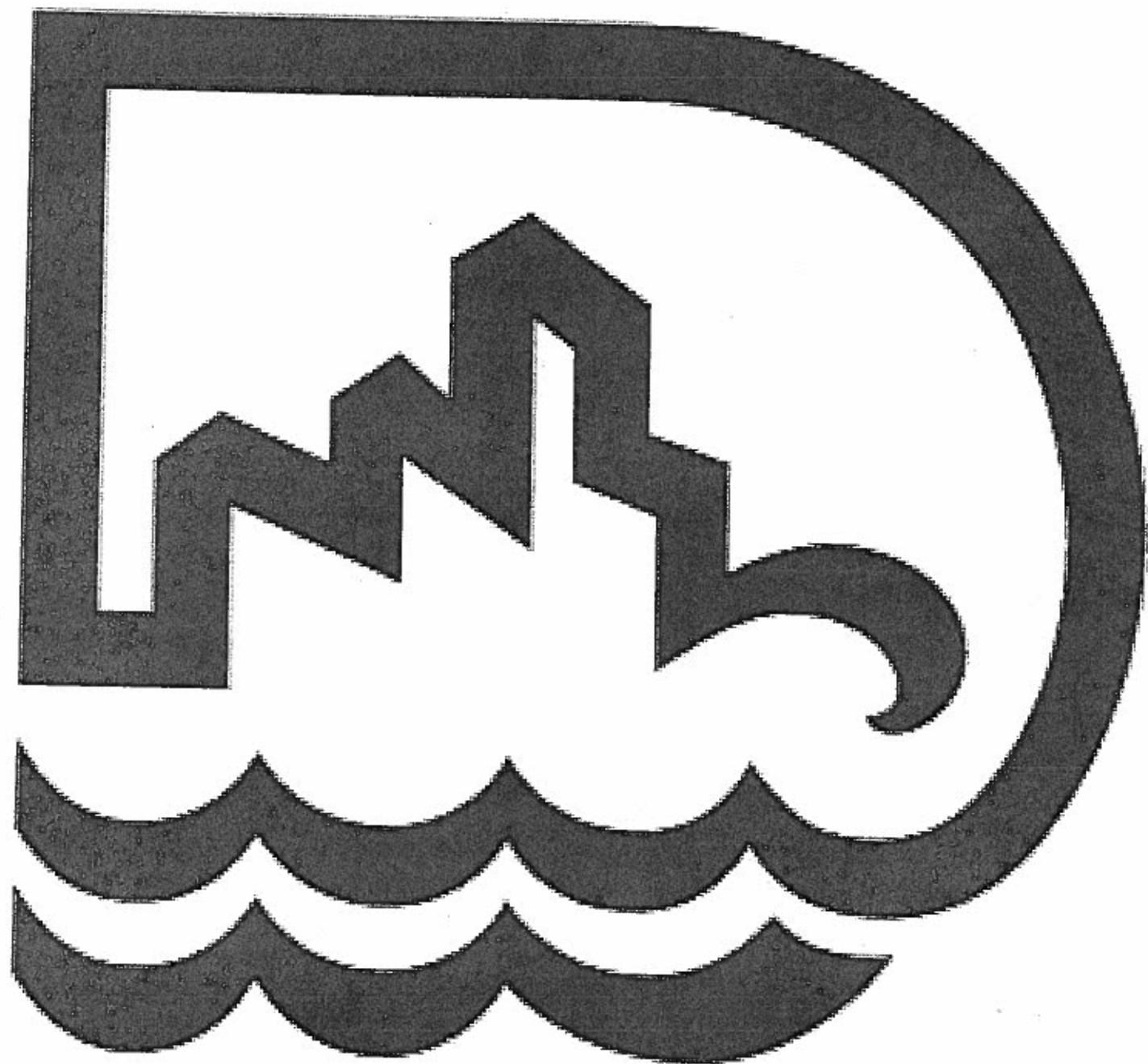
Source: City of Davenport Finance Department and Scott County Auditor's Office.

CITY OF DAVENPORT

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2012
(dollars in thousands)

Governmental Unit	Debt Outstanding	Percentage applicable to City	Share of Overlapping Debt
Scott County	14,080,000	53.54%	7,538,432
Eastern Iowa Community College	67,765,000	31.50%	<u>21,345,975</u>
Subtotal, overlapping debt			<u>30,382,952</u>
City direct debt			<u>180,889,240</u>
Total direct and overlapping debt			<u>\$ 211,272,192</u>

Sources: Debt outstanding data provided by each governmental unit. Percent applicable to city provided by Scott County. The City direct debt does not include business type activity debt. The percentage applicable to the City is based on shared tax base.



CITY OF DAVENPORT

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Fiscal year	2003	2004	2005	2006
Debt limit	\$ 208,925,388	\$ 211,734,034	\$ 232,991,693	\$ 246,426,202
Total net debt applicable to limit	<u>103,649,548</u>	<u>129,560,074</u>	<u>128,381,797</u>	<u>148,929,153</u>
Legal debt margin	\$ 105,275,840	\$ 82,173,960	\$ 104,609,896	\$ 97,497,049
Total net debt applicable to the limit as a percentage of debt limit	49.61%	61.19%	55.10%	60.44%

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

Source: City of Davenport Finance Department.

Legal debt margin calculation for Fiscal Year 2012

Assessed valuation		\$ 6,075,043,009	
Debt limit (5% of assessed value)			\$ 303,752,150
Debt applicable to limit:			
General Obligation Bonds		222,115,000	
Tax Increment Financing Rebate Agreements		12,931,500	
Total G.O. Indebtedness			<u>235,046,500</u>
Legal debt margin			<u><u>\$ 68,705,650</u></u>

2007	2008	2009	2010	2011	2012
\$ 263,977,950	\$ 274,332,381	\$ 290,703,247	\$ 295,219,101	297,663,843	303,752,150
148,364,852	148,501,164	159,957,382	176,092,605	\$ 189,966,525	235,046,500
\$ 115,613,098	\$ 125,831,217	\$ 130,745,865	\$ 119,126,496	\$ 107,697,318	\$ 68,705,650
56.20%	54.13%	55.02%	59.65%	63.82%	77.38%

CITY OF DAVENPORT

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS**

Year	Population (2)	Personal Income	Per Capita Personal Income (3)	School Enrollment (4)	Unemployment Rate (5)
2002	98,000	2,646,490,000	27,005	17,210	3.7%
2003	97,900	2,729,354,100	27,879	16,544	4.7%
2004	97,700	2,773,116,800	28,384	16,077	4.5%
2005	97,400	2,811,840,600	28,869	15,543	4.8%
2006	97,400	3,366,046,600	34,559	15,674	4.3%
2007	97,682	3,536,869,856	36,208	15,365	4.3%
2008	98,975	3,715,026,625	37,535	15,967	4.2%
2009	101,335	3,837,979,755	38,065	15,405	6.9%
2010	99,685	4,041,341,135	39,881	15,407	7.0%
2011	99,685	N/A	(1) N/A	(1) 16,154	7.3%

Sources:

- (1) Information not available at time of printing
 - (2) Sales and Marketing Management, Survey of Buying Power, September issues.
 - (3) BEA website-AMSA04-Advance Metropolitan Statistical Area Income Summary for Davenport, Rock Island, Moline SMSA as of calendar year end.
 - (4) Davenport Community School District based on census at start of school year.
 - (5) Iowa Workforce Development, for Davenport as of calendar year end
-

CITY OF DAVENPORT

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO (1)**

Employer	12/31/2002			12/31/2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Genesis Medical Centers	3,000	1	5.81%	4,900	1	7.70%
Northpark Mall	3,000	1	5.81%	-		
ALCOA	-			2,250	2	3.54%
Davenport Community Schools	2,606	3	5.05%	2,209	3	3.47%
Kraft Foods/Oscar Mayer	1,500	4	2.91%	1,650	4	2.59%
City of Davenport	980	7	1.90%	1,089	5	1.71%
Rhythm City Casino/Isle Capri	640	9	1.24%	1,050	6	1.65%
MidAmerican Energy Company	-		0.00%	1,025	7	1.61%
Eastern Iowa Community College	1,045	6	2.03%	979	8	1.54%
John Deere Davenport Works	950	8	1.84%	-		
APAC Teleservices	1,300	5	2.52%	900	9	1.41%
St. Ambrose University	550	11	1.07%	684	10	1.07%
AT&T	-			610	11	0.96%
Sears Manufacturing	500	13	0.97%	600	12	0.94%
United Parcel Service	600	10	1.16%	590	13	0.93%
Von Maur	550	12	1.07%	560	14	0.88%
Scott County	425	14	0.82%	504	15	0.79%
Quad City Times/Lee Enterprises	400	15	0.78%	450	16	0.71%
	<u>18,046</u>		<u>34.97%</u>	<u>20,050</u>		<u>31.51%</u>

Source: Quad City Development Group, Direct staff contact with Company

(1) Information not available as of 6/30/12, therefore information is presented as of calendar year.

CITY OF DAVENPORT

**FULL-TIME & PART-TIME EMPLOYEES BY FUNCTION
LAST TEN CALENDAR YEARS
June 30, 2012**

FUNCTION/PROGRAM	2011		2010		2009		2008	
	FULL TIME	PART TIME						
PUBLIC SAFETY								
Police	195	34	194	35	217	29	209	27
Fire	140	-	149	-	153	2	155	-
PUBLIC WORKS	289	46	281	31	284	34	278	30
CULTURE & RECREATION								
Leisure Facilities and Services	34	170	34	131	34	129	32	76
Library	41	40	43	44	41	37	39	35
Museum of Art	-	-	-	-	-	-	-	-
COMMUNITY & ECONOMIC DEVELOPMENT	27	0	32	12	39	13	37	12
GENERAL GOVERNMENT								
Mayor	2	-	2	-	2	-	2	-
Council	1	10	1	10	0	11	1	11
Finance	26	2	26	2	22	5	23	2
Information Technology	7	2	8	2	10	-	10	-
Administration	6	1	6	-	7	-	7	-
Legal	4	-	4	-	4	-	4	-
Human Resources	5	2	5	2	5	2	5	3
Civil Rights	4	1	4	1	4	2	4	1
Total	781	308	789	270	822	264	806	197

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

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

Source: City of Davenport Department of Human Resources.

2007		2006		2005		2004		2003		2002	
FULL TIME	PART TIME										
212	23	209	24	203	24	198	24	203	24	203	25
153	1	149	2	143	-	140	-	144	-	146	-
278	29	280	26	295	18	293	18	310	21	311	22
35	23	38	32	33	45	36	45	43	40	44	33
38	34	43	32	42	22	35	22	36	24	34	27
-	-	-	-	-	- (1)	-	-	9	4	10	3
37	11	33	11	46	6	46	6	43	-	40	1
2	-	2	-	2	-	2	-	2	-	2	-
1	10	1	10	1	10	1	10	1	10	1	10
23	-	22	2	23	-	28	-	28	-	31	-
11	-	9	1 (2)	7	1						
7	-	7	-	5	-	5	-	5	-	5	-
4	-	5	-	5	-	5	-	6	-	7	-
6	4	6	6	6	1	7	1	5	-	6	-
4	2	4	3	4	4	4	4	4	1	5	-
<u>811</u>	<u>137</u>	<u>808</u>	<u>149</u>	<u>815</u>	<u>131</u>	<u>800</u>	<u>130</u>	<u>839</u>	<u>124</u>	<u>845</u>	<u>121</u>

CITY OF DAVENPORT

**OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
June 30, 2012**

FUNCTION/PROGRAM	FISCAL YEAR				
	2012	2011	2010	2009	2008
PUBLIC SAFETY					
Fire calls answered	15,523	14,965	14,399	13,842	13,188
Police-arrests (1)	6,907	7,151	7,529	8,526	8,960
Construction permits issued	2,402	2,510	2,426	2,196	2135
PUBLIC WORKS					
Refuse collected (cu yds per year)	24,949	25,604	25,737 tons	26,789 tons	71,000
Gallons of wastewater processed (in millions) (1)	8,015	10,877	11,607	10,038	10,731
Yard waste composted (cu yds)	152,564	103,379	102,176	109,800	98,030
Citibus ridership	1,414,496	1,202,929	1,180,383	1,125,000	1,088,000
Utility service customers	38,000	40,000	40,000	40,000	40,000
CULTURE & RECREATION					
Rounds of golf played	77,519	71,243	80,113	101,813	136,386
Swimming pools attendance	32,590	40,874	30,830	27,708	28,000
Recreation programs available	1,272	910	549	636	1,061
Recreation program enrollment	6,235	57,600	42,500	38,844	30,396
Library - walk-in patrons served	503,778	578,957	511,259	449,218	395,498
COMMUNITY & ECONOMIC DEVELOPMENT					
Planning & zoning-final development review	13	5	2	5	8
Households assisted with rental assistance	783	768	750	716	701

(1) Amounts for FY 08 and prior have been changed to fiscal year amounts from calendar year amounts

Source: Various City of Davenport departments.

FISCAL YEAR				
2007	2006	2005	2004	2003
13,257	12,294	11,729	11,420	11,177
9,813	8,919	7,740	7,608	7,472
2,051	2,328	2,659	2,690	2,918
74,185	71,627	71,324	70,878	71,481
7,884	6,424	6,972	8,821	7,406
107,361	68,739	90,226	92,042	100,904
1,045,550	982,663	940,046	881,947	866,001
40,000	40,000	38,340	38,000	38,000
113,128	111,329	109,499	112,712	110,158
31,000	27,373	33,064	27,063	33,729
554	410	305	298	unavailable
48,301	53,517	37,097	4,433	unavailable
390,394	307,330	279,751	295,963	311,733
15	15	23	10	23
680	672	711	725	747

CITY OF DAVENPORT

**CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
June 30, 2012**

FUNCTION/PROGRAM	FISCAL YEAR				
	2012	2011	2010	2009	2008
PUBLIC SAFETY					
Police cars	82	83	74	64	67
Fire stations	7	7	7	7	7
Fire trucks	16	16	16	16	16
PUBLIC WORKS					
Streets (miles)	695	695	695	695	692
Traffic signals	161	156	153	153	152
Street lights	9691	9,691	9,680	9,632	9,558
Refuse collection trucks	29	31	31	34	30
Buses	23	21	21	21	20
CULTURE & RECREATION					
Golf courses	3	3	3	3	4
Acres of parks	1913	1,700	1,700	1,700	1,700
Swimming pools	3	3	3	3	4
Libraries	3	3	3	2	2

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

Source: City of Davenport Summary of Fixed Assets Report.

FISCAL YEAR

2007	2006	2005	2004	2003
94	77	68	62	72
7	7	7	7	7
14	13	13	13	14
692	690	684	684	581
151	150	146	144	138
9,456	9,237	9,263	9,174	8,947
36	48	40	42	37
20	20	20	25	30
4	4	4	4	3
1,700	1,700	1,700	1,700	1,700
4	4	4	4	4
2	2	1	1	1

City of Davenport, Iowa

Compliance Report
June 30, 2012

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Davenport, Iowa (City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 4, 2012. 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

Management of the City is responsible for establishing and maintaining effective 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 opinion 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.

A deficiency in internal controls 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 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.

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

However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs identified as item 12-II-A, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor and Members of the City Council, management, others within the City, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey LLP

Davenport, Iowa
December 4, 2012



**Independent Auditor's 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**

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

Compliance

We have audited the City of Davenport, Iowa's (City) compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2012, and have issued our report thereon dated December 4, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Mayor and Members of the City Council, management, others within the City, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey LLP

Davenport, Iowa
December 4, 2012

City of Davenport, Iowa

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Identifying Number	Federal Expenditures
Direct:			
U.S. Department of Housing and Urban Development (HUD)			
N/C S/R Section 8 Programs	14.182	KC76237	\$ 376,749
Community Development Block Grants/Entitlement Grants	14.218	B 10 MC 19 0002	2,309,271
HERA - Neighborhood Stabilization Program	14.228	N/A	452,294
Community Development Block Grant Housing Disaster Recovery	14.228	BGDRF 08-DRH-213	720,611
Community Development Block Grant Disaster Recovery	14.228	BGDRF-08 DRHB-220	644,704
HOME Investment Partnerships Program	14.239	M 10 MC 190200	1,860,875
Fair Housing Assistance Program	14.401	FF 207 K0 77015	166,065
Public and Indian Housing	14.850	KC 914 8	55,237
Section 8 Housing Choice Vouchers	14.871	KC 902 7V	3,137,935
Public Housing - Capital Fund Program	14.872	KC 914 8	147,497
Lead Based Paint Grant	14.900	IA LHB 0349 07	165,122
			10,036,360
Equal Employment Opportunity Commission			
Employment Discrimination Title VII of the City Rights Act of 1964	30.001	EE CCN 1001 14	48,850
U.S. Department of Transportation			
Credit Island Bridge	20.205	EDP 1827(002) 7Y 82	1,264,743
Davenport Municipal Airport	20.205	319 0024 14	4,269
Division Street	20.205	STPU 1827 (648) 70 82	190,839
Paving Northwest Blvd. to Pine	20.205	N/A	110,050
Jackson School Signal and Sidewalk	20.205	SRTS-U-1827 U 647	37,453
Veteran's Memorial Parkway	20.205	67 ST HDP 1827 (649) 74 82	11,722
Harrison and Riverdrive	20.205	NHSN 461-1-(1)-2R-82	436,943
Fairmont Bridge Replacement	20.205	BRM 1827(640) 8N 82	805,199
49th Street Paving	20.205	STP U 1827(632) 70 83	77,531
Rail for Eastern Iowa	20.205	FE06 (01) 49 82	2,434,382
Pier and Bank Stabilization	20.208	STPU 1827 (655) 8R 82	26,539
Federal Transit - Formula Grants	20.507	IA 90 X 362 00	255,868
Federal Transit - Formula Grants	20.507	IA 90 X 372 01	441,348
ARRA - Federal Transit - Formula Grants	20.507	IA 90 X 007 00	1,451,075
			7,547,961
U.S. Environmental Protection Agency			
Surveys, Studies, Investigations and Special Purpose Grants	66.606	XP 98 7584 01	454,986
U.S. Department of Energy			
ARRA - Energy & Efficiency Block Grant	81.128	SC 000 3271	441,964
ARRA - Energy & Renewable Energy	81.122	OE0000416	79,755
			521,719
U.S. Department of Homeland Security			
Assistance to Firefighters	97.044	EMW 2010 FO 04002	3,584
U.S. Department of Justice			
Weed & Seed	16.595	2009 WS QX0109	46,269
Bulletproof Vest Partnership	16.607	UG 06 2XG	9,258
ARRA - Office of Community Oriented Policing Services ARRA Cops Hiring	16.710	2009 RK WX 0305	425,121
Organized Crime Drug Enforcement Task Force	16.XXX	N/A	8,169
			488,817

(Continued)

City of Davenport, Iowa

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012**

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Identifying Number	Federal Expenditures
National Recreational and Park Association			
Parks Take Me Fishing	15.653	F 125 E 20	10,000
Total Direct			<u>19,112,277</u>
Indirect:			
U.S. Department of Justice			
Passed through Governor's Office of Drug Control Policy:			
Alcohol, Tobacco and Firearms Training Assistance	16.012	N/A	611
Enforcing Underage Drinking Laws (EUDL)	16.727	JUV 07 JD07 F08	6,930
ARRA Governor's Office of Drug Control Policy	16.803	09 JAG ARRA 265	68,263
Project Safe Neighborhood	16.609	N/A	13,883
Interdiction Grant	16.803	N/A	6,875
Drug Enforcement	16.XXX	N/A	3,376
HIDTA	16.XXX	09 G09 MW 000 9A	2,896
US Marshalls	16.XXX	N/A	1,084
			<u>103,918</u>
U.S. Department of Transportation			
Passed through Iowa Department of Transportation:			
ARRA - Front Porch Parkway	20.205	ESL 1827 (662) 7S 82	61,772
ARRA - Resurfacing	20.205	ESL 827 (659) 7S 82	6,200
Federal Transit - Capital Investment Grant	20.500	N/A	605,617
Federal Transit - Capital Assistance Program for Elderly Persons and Persons with Disabilities (5310 Funds)	20.513	N/A	120,005
			<u>793,594</u>
U.S. Department of Transportation			
National Highway Traffic Safety Administration			
Passed through Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 11-04 Task 10	50,315
U.S. Department of Natural Resources			
Passed through Iowa Department of Natural Resources:			
Aquatic Education	15.605	N/A	4,405
U.S. Department of Homeland Security			
Passed through Iowa Department of Homeland Security:			
Hazard Mitigation Grant Program	97.039	DR-1763 0028 01	72,932
Credit Island Geomorphologic Archaeological Survey	N/A	LPDM-2008 IA-82-01-01	44,080
			<u>117,012</u>
U.S. Department of the Interior, National Park Service			
Passed through State Historic Preservation of Iowa:			
Centennial Park	15.904	2010-03	2,500
Corporation For National and Community Service			
Passed Through Iowa Commission on Volunteer Service:			
AmeriCorps	94.003	11 AF 02	73,353
Volunteer Generation Fund Grant Agreement	94.021	11 VGF N4	59,377
			<u>132,730</u>
Total Indirect			<u>1,204,474</u>
Total expenditures of federal awards			<u>\$ 20,316,751</u>

See Notes to Schedule of Expenditures of Federal Awards.

City of Davenport, Iowa

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Davenport, Iowa for the year ended June 30, 2012. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies expended during the year is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue under the modified accrual basis for governmental funds and the accrual basis for proprietary funds. Expenditures of federal awards are recognized in the accounting period when the liability is incurred and approved for reimbursement.

Note 3. Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 556,416

City of Davenport, Iowa

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012**

Comment Number	Comment	Status	Corrective Action or Other Explanation
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Compliance Over Federal Awards:

11-III-A	The City did not submit quarterly reports by the required deadline.	Corrected	
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Statutory Reporting:

11-IV-I	The City did not file the "Unclaimed Property" report before November 1 for the fiscal year ending June 30, 2010.	Corrected	
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City of Davenport, Iowa

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies? Yes None Reported

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.205	ARRA - Highway Planning and Construction
66.606	Surveys, Studies, Investigations, and Special Purpose Grants
81.128	ARRA - Energy & Efficiency Block Grant

Federal Transit Program Cluster:

20.500	ARRA - Federal Transit
20.507	Federal Transit

Dollar threshold used to distinguish between type A and type B programs: \$609,502

Auditee qualified as low-risk auditee? Yes No

(Continued)

City of Davenport, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

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

A. Significant Deficiency in Internal Control

12-II-A

Finding: The City's schedule of expenditures of federal awards for the fiscal year ended June 30, 2011 was overstated by \$1,225,866 for state grant monies that were improperly included.

Condition: The City improperly determined that state grant awards were federal grants and reported as federal grants on the schedule of expenditures of federal awards for the fiscal year ended June 30, 2011.

Criteria: OMB Circular A-133 requires grant recipients to report all federal expenditures on the schedule of expenditures of federal awards.

Effect: Data Collection form for the year ended June 30, 2011 needed to be restated.

Recommendation: We recommend that the City establish a process to review grant awards to properly determine if the grant is a federal grant before inclusion on the schedule of expenditures of federal awards and data collection forms.

Response and corrective action plan: The City will expand the grant review process to include looking at the monthly activity to ensure it is properly recorded in the revenue accounts and compare it to the budgeted amounts.

B. Compliance

None reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control for Federal Awards

None reported

B. Compliance

None reported

IV. Other Findings Related to Required Statutory Reporting

12-IV-A

Certified budget: Disbursements during the year ended June 30, 2012 did not exceed the amount budgeted prior to budget being amended or at year-end.

12-IV-B

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

(Continued)

City of Davenport, Iowa

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012**

12-IV-C

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

12-IV-D

Business transactions: Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Matthew Flynn, Community Planning and Economic Development Employee, Brother and Sister-in-law own Advantage Advertising	Services	\$ 14,618
Jackie Holecek, Administrative Employee, Husband owns JEH Construction	Services	\$ 5,328
Brian Klinkenberg, Fire Employee, Owner of Computer Services for IT	Services	\$ 3,525
Karl Leslein, Fire Employee, Independent Contractor for Alex Air Apparatus	Services	\$ 36,432
Richard Davidson, Board Member, Owner of Lane & Waterman	Services	\$ 1,515,759
Ian Frink, Park Board Member, Minority Owner of Crawford Company	Services	\$ 10,887
John Gere, Planning and Zoning Committee, Part owner of SGGM Architects	Services	\$ 43,303
Willie Henderson, Affirmative Action, Son is part owner of Little Construction	Services	\$ 67,351
Trisha Townsend, Levee Commission, Husband owns Townsend Engineering	Services	\$ 9,580
Jonathan White, Board Member, Owner of Verbeke-Meyer	Services	\$ 15,310
Dana Wilkinson, Board Member, Owner/CEO of Paragon Comm Interiors Inc.	Services	\$ 6,023

12-IV-E

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 ensure the coverage is adequate for current operations.

12-IV-F

Council minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

(Continued)

City of Davenport, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012

12-IV-G

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.

12-IV-H

Revenue bonds: The City has established the sinking and reserve accounts required by the revenue bonds.

12-IV-I

Capital projects and other construction contracts: Iowa Code Chapters 26.3 through 26.13 requires the City to hold a public hearing and obtain competitive bids for public improvements with an estimated total cost in excess of the competitive bid threshold of \$67,000 for horizontal projects and \$125,000 for vertical projects. It was noted that a public hearing was not held as required for one of the seven contracts tested.

Recommendation: We recommend holding public hearings for horizontal and vertical projects with total estimated costs in excess of \$67,000 and \$125,000, respectively.

Response and corrective action plan: The City will continue to strive and hold public hearings for all applicable construction/contract projects in accordance with the Iowa Code. All construction projects are now administered by the Public Works department.

12-IV-J

Capital projects and other construction contracts: Iowa Code Chapter 26.3 requires the City to advertise for sealed bids and publish notice not less than 4 days but not more than 45 days before the date for filing bids. It was noted that proper documentation was not maintained regarding notice of publication to bidders for one of the seven contracts tested.

Recommendation: We recommend maintaining proper documentation regarding notice of publication to bidders.

Response and corrective action plan: The City will continue to strive and maintain proper documentation for notice of publication to bidders in accordance with the Iowa Code. All construction projects are now administered by the Public Works department.

City of Davenport, Iowa

Corrective Action Plan Year Ended June 30, 2012

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
Significant Deficiency in Internal Control:				
12-II-A	The City's schedule of expenditures of federal awards for the fiscal year ended June 30, 2011 was overstated by \$1,225,866 for state grant monies that were improperly included.	See corrective action plan at 12-II-A.	Linda Folland Assistant Finance Director	June 30, 2013
Statutory Reporting:				
12-IV-I	The City did not hold a public hearing for a construction project.	See corrective action plan at 12-IV-I.	Linda Folland Assistant Finance Director	June 30, 2013
12-IV-J	The City did not maintain proper documentation related to notice of publication to bidders.	See corrective action plan at 12-IV-J.	Linda Folland Assistant Finance Director	June 30, 2013