



City of Iowa City, Iowa

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

On the cover

Terry Trueblood, the City of Iowa City's former Parks and Recreation Director, had a dream: to turn a former sand and gravel quarry south of Iowa City into a recreational area that would become a destination point for people who love the outdoors. On August 24 and 25, 2013, his dream became a reality as the Iowa City Parks and Recreation Department and Parks and Recreation Foundation hosted a grand opening for the Terry Trueblood Recreation Area, located at 579 McCollister Boulevard.

Sadly, Trueblood, who worked for the City from 1986 to 2009, did not witness the dedication of the park that now bears his name. He died of pancreatic cancer in 2009, just three years after the quarry was acquired and plans for the recreation area were getting underway. But his vision has proved to be right on target, as the City's newest park has already gained an active following from outdoor enthusiasts who regularly visit to enjoy its 207 acres of riverfront, lake, prairie, and timber, and utilize numerous recreational amenities including picnic shelters, fishing piers and jetties, and a paved trail around the 95-acre lake.

The latest construction projects at the Terry Trueblood Recreation Area unveiled during the grand opening include The Park Lodge (pictured on the front cover), which is available for weddings and special event rental, and a small boat marina that provides canoes, kayaks and other outdoor equipment for short-term rental.

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF IOWA CITY, IOWA

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

PREPARED BY:

FINANCE DEPARTMENT
CITY OF IOWA CITY, IOWA



CITY OF IOWA CITY, IOWA

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December 19, 2013



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

The Comprehensive Annual Financial Report (CAFR) of the City of Iowa City, Iowa (the City) for the fiscal year ended June 30, 2013 is submitted herewith in accordance with the provisions of Chapter 11 of the Code of Iowa. The City's Finance Department prepared this report. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rest with the City. I believe the information, as presented, is accurate in all material respects and presented in a manner designed to fairly present the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

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

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

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective with the June 30, 2011 financial statements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent. The classifications include: nonspendable amounts that are not in spendable form or the City is legally or contractually required to be maintained intact; restricted amounts contain restraint on their use externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation; committed amounts can only be used for specific purposes imposed by formal action of the government's highest level of decision-making authority; assigned amounts

are intended to be used for specific purposes; and the unassigned fund balance is the residual classification for the General Fund.

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

While, the financial statements are the responsibility of the City, the responsibility of the auditor is to express an opinion on the City's financial statements based on their audit. The goal of the independent audit is to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2013 are free of material misstatement. The audit is conducted in accordance with generally accepted auditing standards and involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Iowa City's financial statements for the fiscal year ended, June 30, 2013, are fairly presented in conformity with GAAP. The independent auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

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

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

Profile of the Government

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

The City Council is the legislative body and makes all policy determinations for the City through the enactment of ordinances and resolutions. It also adopts a budget to determine how the City will

obtain and spend its funds. The Council appoints members of boards, commissions and committees.

The City Manager is the chief administrative officer for the City and is appointed by the City Council. The City Manager implements policy decisions of the City Council and enforces City ordinances. In addition, the City Manager appoints and directly supervises the directors of the City's operating departments and supervises the administration of the City's personnel system. The Manager supervises 543 full-time and 58 part-time permanent municipal employees and 524 temporary employees, including a police force of 82 sworn personnel and a fire department of 63 firefighters.

The City Clerk is appointed by the City Council and reports to the Council. The City Clerk's Office administers the City government's documentation, City licenses and permits, and provides information from the Municipal Code and City Ordinances to the public and other City departments. The City Clerk's Office is also responsible for distributing and maintaining accurate records of all City Council proceedings. The Clerk supervises 3 full-time employees and 1 temporary employee.

The City Attorney is also appointed by the City Council and works at the direction of the City Council. The City Attorney supervises the City Attorney's Office, including 4 Assistant City Attorneys and 2 other full-time employees. In addition, the City Attorney acts as Chief Legal Counsel to the City Council, City Manager, the various City departments and staff, and most City commissions, committees and boards.

The City provides a full range of services including police and fire protection, construction and maintenance of roads, streets and infrastructure, inspection and licensing functions, a municipal airport, library, recreational activities, and cultural events. The City owns and operates its water supply and distribution system and sewage collection and treatment system with secondary treatment also provided. Virtually the entire City has separate storm and sanitary sewer systems. The City operates a municipal off-street and on-street parking system in the downtown area. The City also operates a transit system.

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

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

Information Useful in Assessing the Government's Economic Condition

The City's economic strength is based on the educational sector, medical services, and diversified manufacturing. The University of Iowa and the University of Iowa Hospital and Clinics are the City's largest employers with over 30,800 employees. The University of Iowa had a record high enrollment in 2012 and fall semester 2013 enrollment remained steady with 21,970 undergraduate students. The academic and research missions of the University, along with the health care services provided at its hospitals and clinics, have a tremendously positive economic impact on the area.

The City also has a significant number of national and international businesses, including Fortune 500 companies. The City continues to see sustained production in our major local industries; ACT Inc., NCS Pearson, and Proctor & Gamble. While established firms continue to prosper and expand in Iowa City, opportunities are available for growth of new businesses. Continued economic development efforts with the Iowa City and Coralville Chambers of Commerce, private interests, the University of Iowa, other surrounding communities, and participation as a member of the Iowa City Area Development Group, have produced positive results with the retention and expansion of businesses.

In addition, Iowa's Creative Corridor is a seven-county alliance surrounding Iowa City and has been identified as one of the major growth areas for new business development in the State of Iowa. This Corridor gives employers workforce access to a region uniquely Iowan, founded with a manufacturing heritage, but actively seeking new frontiers and opportunities in information technology, biotechnology and bioprocessing, renewable energy, insurance and financial services, advanced manufacturing, and educational services. Continued developments within Iowa City and the region have a favorable impact upon the City's economy.

As a whole, the City's economy continues to grow, but at a slow pace. The major employers have been able to maintain steady employment during the national recession as evidence in the unemployment rate for Iowa City, which continues to remain low at 3.8% for the month of June 2013, as compared to 4.6% for the State of Iowa, and 7.6% for the national average.

The rate of new housing construction increased in comparison to the prior year based on the number of building permits issued. This consisted of 143 new single-family houses in 2012, as compared to 80 in 2011; multi-family dwelling units added to the tax rolls for the year ended December 31, 2012 was 144, compared to 76 in 2011; and mixed commercial and residential developments added in 2012 included 100 residential units. Altogether these additions totaled \$67,065,000 in 2012, an increase of \$21,479,000 from prior year.

Permits for commercial construction increased from \$12,113,000 in 2011 to \$25,758,000 in 2012. And remodeling permits for residential and commercial also increased by \$4,555,000 from 2011 to 2012.

According to the 2010 census, the population of Iowa City is 67,862. This is an increase of 5,672 or 9.1% as compared to the 2000 census. Current population is estimated to be 70,133.

There are many signs that the City remains healthy and vibrant with great promise for the future. The stability of the University of Iowa coupled with historically steady employment by the City's multi-sector base of manufacturing and service industries, helped insulate the City from any significant negative economic impacts of the national recession. The City's property valuations continue to rise and along with the low unemployment rate, this is indicative of the City's relative economic stability.

Major Initiatives

The City of Iowa City, with the assistance of the University of Iowa's Institute of Public Affairs, completed the City's Strategic Plan. The strategic planning process involved multiple steps, including gathering input from the general public, front-line City staff, department directors, and the City Council. The Strategic Plan established the prevailing organizational priorities as the following:

1. Neighborhood Stabilization
2. Economic and Community Development
3. Development of the Downtown and Near Downtown Areas
4. A Strong and Sustainable Financial Foundation
5. Coordinated Communication and Customer Service Orientation

The first priority from the City's Strategic Plan that will impact the City's economy is neighborhood stabilization. The Council has indicated a strong desire to stabilize the neighborhoods surrounding the city core. An effective stabilization strategy requires a review and analysis of the City's policies, programs, communications, and capital investment decisions that directly shape and influence a neighborhood's character and livelihood. Staff will be focusing on the central planning district neighborhoods; however many aspects of the neighborhood stabilization review will have implications throughout the community. In order to achieve the Council's goal, staff will focus on the land use regulations, public infrastructure and open space, private building stock, nuisance mitigation, open stakeholder communication, and updating planning documents. Projects to further neighborhood stabilization include the UniverCity Neighborhood Partnership, a joint project between the City and the University of Iowa to ensure the neighborhoods around the university remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners by acquiring and rehabilitating homes near the University of Iowa campus for resale as affordable owner-occupied housing. Staff will also be actively working with the Iowa City Community School district to promote increased coordination in school and neighborhood planning as neighborhood schools play a role in neighborhood stabilization efforts. The City also continues to invest in neighborhood parks, trails, and events.

The City Council has indicated a strong desire to promote private investment in established commercial areas and strategic green-field sites that have previously been targeted for new development. The areas that are currently being focused on include the Towncrest commercial area, Sycamore Mall and First Avenue, Highway 6/Highway 1 intersection, 420th Street Industrial Park, and Moss Office and Northgate Corporate Parks.

In the Towncrest commercial area, City staff is working to facilitate redevelopment of several key properties and a streetscape project that will improve the function and aesthetic appeal of the area. The Towncrest Urban Renewal Area was developed to revitalize the Towncrest commercial district in ways that would serve existing businesses while also drawing new retailers, service providers, and consumers to the area. The first catalyst project approved in the Towncrest Urban Renewal Area was a developer's agreement with MDK Development LLC for the redevelopment of a gas station and a building used for storage at the corner of Muscatine Avenue and William Street. MDK Development LLC purchased both properties, demolished the buildings and is currently constructing two new buildings with a combined square footage of 14,500. The two buildings will be primarily medical offices – home to Eye Associates and Towncrest Dental. A third commercial condo, approximately 2,000 SF is available for lease/purchase. Total project costs for this development are estimated at \$5,200,000. The City's cost for the Towncrest Renewal are estimated at \$2,693,000 and will be paid with tax receipts, transfers from TIF, and

GO bonds.

The departure of an anchor tenant at Sycamore Mall presented a great challenge, but also a unique opportunity to reinvent the commercial space. Mall ownership has plans for physical improvements to the property and the City is coordinating four significant capital projects in the area that are expected to last two or more construction seasons. These projects include improvements to Sycamore and Lower Muscatine Roads, a grade separation project on First Avenue, and repaving of Highway 6. These projects, which are underway in different phases, will each have a positive impact on the traffic flows and aesthetics in this commercial district. Total cost for these projects is \$17,921,000 and will be paid from a variety of sources including GO bonds, federal and state grants, road use tax, and utility operations.

The Highway 6/Highway 1 intersection is a viable commercial corridor, in large part because of high traffic counts. Staff has focused efforts on municipal public works and transit property in the area. As the City relocates municipal operations from this area, prime development space will become marketable. Staff is working on environmental reviews and preparing a request for proposal for potential development. Total costs for relocating facilities, abatement and land preparation, as well as, aesthetic improvements are estimated to be \$32,575,000 and will be paid with GO bonds and federal grants.

The City has invested considerable money in infrastructure development and achieved shovel ready status from the State of Iowa for the 420th Street Industrial Park. This project involved annexing and rezoning 180 acres of land and building the street, water, and sewer infrastructure needed to support industrial businesses. The Iowa City Area Development Group and City staff continue to market this property and respond to inquiries from business and site location consultants. This project costs were \$13,762,000 and were funded through bonds, state grants, road use tax, and wastewater operations.

The City has established an urban renewal area for the development of Moss Office Park, a 243-acre, 18-lot office research and mix use subdivision on the northeast edge of the city, just off Interstate 80. Significant infrastructure improvements are necessary to accommodate the planned growth and City staff is working with Moss Office Park owners and adjacent businesses on potential access arrangements to accommodate a phased development approach to this property. Northgate Corporate Park, adjacent to Moss Office Park, continues to experience build out. Project costs to build the infrastructure are \$3,500,000 and are being funded with state grants and GO bonds.

The third priority of the Strategic Plan is the development of the Downtown and Near Downtown Areas. Staff is focusing on two distinct geographic areas: Downtown Iowa City and Riverfront Crossings.

In 2012, the Iowa City Downtown District (ICDD), a self-supported municipal improvement district, was formed presenting a unique opportunity to bring together property owners, businesses, the University of Iowa, and the City of Iowa City. Staff, in partnership with stakeholders, is working to pursue policies and projects that will more fully realize the potential of the central business district and facilitate new private investment in the area. Some of the ICDD current initiatives include a downtown community gallery for public art and science programs, free Wi-Fi in the Pedestrian Mall, holiday lighting, improved snow removal, downtown ambassadors to assist visitors and maintain public spaces, alley beautification, and a downtown beat cop. The City has also instituted new a parking rate structure, including first hour free to make visiting downtown more convenient.

Capital projects that directly impact the Downtown region are the completion of the conversion of Washington Street from one-way to two-way traffic to improve vehicular and pedestrian traffic flow and the downtown maintenance project that will improve the physical condition of the infrastructure and streetscape. The cost of the CBD maintenance project is estimated \$1,917,000 and is being funded with GO bonds and transfers from TIF districts. The Library is also in the midst of a remodeling project of the public space at a cost of \$403,000. Other projects that will have a positive impact on downtown include is the University of Iowa's Voxman-Clapp Music Building at the corner of Clinton and Burlington Streets and the private development of a multi-use building on land that is currently owned by the City.

The Riverfront Crossing Development Plan is an initiative to revitalize the area south of Iowa City's downtown area. This area was hard hit by the flooding in 2008 and ideas for improving the district were initiated as part of a combined flood mitigation plan. Through a grant from the Partnership for Sustainable Communities the City, the City created a detailed plan for developing the area. The new neighborhood will feature a waterfront park with walking and biking trails, access to the Iowa River for boating and fishing, a variety of housing options near shopping, restaurants, a state-of-the-art recital hall and recreational facilities and just a short walk to downtown Iowa City and the University of Iowa campus.

Several capital projects are either underway or being considered that would directly impact the short- and long-term marketability of the Riverfront Crossing area. These projects include purchasing and rehabilitating the train depot, working with a private partner to develop a mix-use parking facility adjacent to downtown Iowa City which will include three components: parking facility consisting of approximately 600 parking spaces, commercial space of approximately 25,000 – 35,000 square feet, and 25 - 75 workforce housing units. And a third project is the decommissioning of the north wastewater plant by expanding the south wastewater plant. This relocation project has costs totaling \$61,217,000 and is being funded through federal and state grants, local option taxes, and wastewater revenues.

The City aims to create a strong and sustainable financial foundation that will provide needed stability and flexibility while utilizing taxpayer dollars in the most efficient and responsible manner. In order to achieve this goal, the City is focusing on two primary areas: new financial policies and strategies that will provide a greater level of financial stability and second, enhance the level of financial analysis presented to the public so elected officials will have a greater information foundation on which to base future decisions. Policies included in this analysis are economic development policies, purchasing policies and procedures, target fund balances, debt service coverage levels, general fund contingency level, and an annual review of rates, user charges and fines. The City has also examined operations where the City is providing subsidized service beyond our borders and developed plans to ensure the City is being equitably reimbursed for such services. In June 2013, Moody's conducted a review of the City as part of the bond rating process and reaffirmed the City's Aaa bond rating. In their report, Moody said the rating "reflects the City's stable tax base and economy anchored by the University of Iowa... history of favorable financial operations and expected maintenance of healthy reserves, and manageable debt profile."

The fifth and final priority of the City's Strategic Plan is coordinated communication and customer service orientation. The City strives to be a high-functioning, customer service orientated organization that actively supports and engages stakeholders through clear, open, and innovative communication methods. A reorganization of staff created a new communication team, which has assumed the responsibilities of the front desk at City Hall and offers front line customer service assistance to visitors and those contacting City Hall via phone or email. The City launched a redesigned homepage and introduced a City Facebook and Twitter page. These

communication improvements have allowed the City to reach broader audiences and better promote activities, community news, and service information. The City also introduced ICgovXpress; a convenient way for Iowa City residents to request services, ask questions, or submit citizens reports of everything from trash and debris in unkempt yards to abandoned cars, unshoveled walks, and graffiti either online or by downloading the ICgovXpress app to their smart phone.

The City has also completed the first phase of implementing enterprise resource planning software (ERP). On July 1, 2013 the financials modules of general ledger, accounts payable, purchasing, and budget went live. The human resources and payroll sections are scheduled to go live January 1, 2014. And the utility billing and revenues portions will be implemented in the fall of 2014. The ERP system will allow for improved internal workflows and internal and external communication. The cost of this project is \$1,876,000 and is being paid with GO bonds, water, wastewater, sanitation, and stormwater revenues.

On May 14, 2013, City Council adopted the Iowa City 2030 Comprehensive Plan (IC2030). The City's last comprehensive plan was completed in 1997 and IC2030 provided an opportunity for the Iowa City community to revisit the vision and goals of the prior plan and assess our progress. As part of the IC2030, goals and strategies were development in the following areas: land use, housing, economic development, transportation, environment and resources, parks and open space, and arts and culture. The IC2030 will influence major initiatives the City undertakes over the next several years.

Long-term Financial Planning

It is our intent to support the major initiatives through budget appropriations, departmental operations, and employee direction so that the organization as a whole is moving in the same direction.

A significant influence in the preparation of the three-year financial plan (FY15 – FY17) is the passage of property tax reform (SF295) by the state legislature. The property tax reform bill has multiple components including a property tax rollback for commercial and industrial property, steadily reducing the taxable value of these property types. The bill establishes a standing appropriation for the State to backfill lost revenues to the City due to the commercial and industrial rollback beginning in FY15 and then caps the amount at FY17 levels. The cumulative reduction in commercial and industrial property taxes due to this rollback is estimated to be \$15,418,000 over the next ten years. The maximum reimbursement from the State would be \$14,732,000 for a net loss in revenues of \$686,000.

This bill also limits the annual taxable valuation growth of residential and agricultural property to 3 percent, instead of the current 4 percent. Initially, the financial impact will be minimal but over time the consequences of this change will be significant. The effect will be that the taxable percentage of residential property will increase at a slower pace. Without this change, the estimated taxable percentage of residential property would be 60.85% in assessment year 2022. With this provision in place, the estimated taxable percentage in year 2022 will be 55.11%, a reduction of 5.74%. Based on the assessed value of residential property in Iowa City, the cumulative loss is estimated to be \$20,772,000 over the next ten years and the City will not receive any money from the State due to lost revenue from this provision.

SF295 also establishes a multi-residential property classification that will include mobile home parks, assisted living facilities, and property primarily intended for human habitation. A gradual rollback will be applied to these properties that will basically treat them as residential property,

rather than commercial, by the year 2022. The estimated cumulative loss over the next ten years is \$15,505,000 and will not be reimbursed by the State of Iowa.

With the implementation of SF295, the City estimates the tax revenue losses to be \$1,785,000 for FY15 – FY17. Since some of the effects of these reforms are gradual, the magnitude of the losses will not be felt till later years and the total cumulative ten-year loss is anticipated to be \$36,963,000, which will significantly affect the City's ability to finance services at current levels without finding other revenue sources.

On a more positive note, the City is seeing a small but steady growth in assessed property valuations when compared with prior years. And based on the increase in building permits in 2012, assessed valuations should increase at greater pace in the future.

In looking at expenses for the FY15 – FY17 financial plan, the City will experience increased expenditures, specifically an increase in bargaining unit contract costs exceeding 2%, additional federal and state regulations and mandates, and rising public safety retirement funding.

In balancing the budget for the three-year period, the City attempted to reduce costs where possible, while continuing to provide high quality services; identify and eliminate redundancies that may exist within the organization; examine existing and potential new revenue sources; promote and plan for economic development and redevelopment throughout the City to ensure strong property values; determine appropriate staffing levels; provide for necessary improvements to existing infrastructure and prioritize capital projects; and uphold fiscal integrity and maintain adequate cash reserves. The City also continues to strive to reduce the City's total property tax levy. For collection year 2012, the levy was \$17.842 per \$1,000 of assessed value. In 2013, the levy was \$17.269, a reduction of 3 percent. And for 2014, the levy is \$16.805, a reduction of 3 percent. The consequences of reduced revenues and increased expenses will require continued review of city operations, service delivery, and alternative revenue sources.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (the Certificate) to the City of Iowa City, Iowa for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. The Certificate is the highest form of recognition for excellence in state and local financial reporting.

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

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

In addition, the City received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget beginning July 1, 2013. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient or outstanding in several categories including policy documentation, financial planning, and organization. This is the second consecutive year the City has received this award.

Responsibility and Acknowledgments

The Department of Finance prepared the Comprehensive Annual Financial Report of the City of Iowa City, Iowa for the fiscal year ended June 30, 2013. The City Council, as required by law, is responsible for the complete and accurate preparation of the City's Comprehensive Annual Financial Report. I believe that the information presented is accurate in all material respects and that this report fairly presents the financial position and results of operations of the various funds of the City.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'D. Bockenstedt', with a large, stylized flourish at the end.

Dennis Bockenstedt
Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

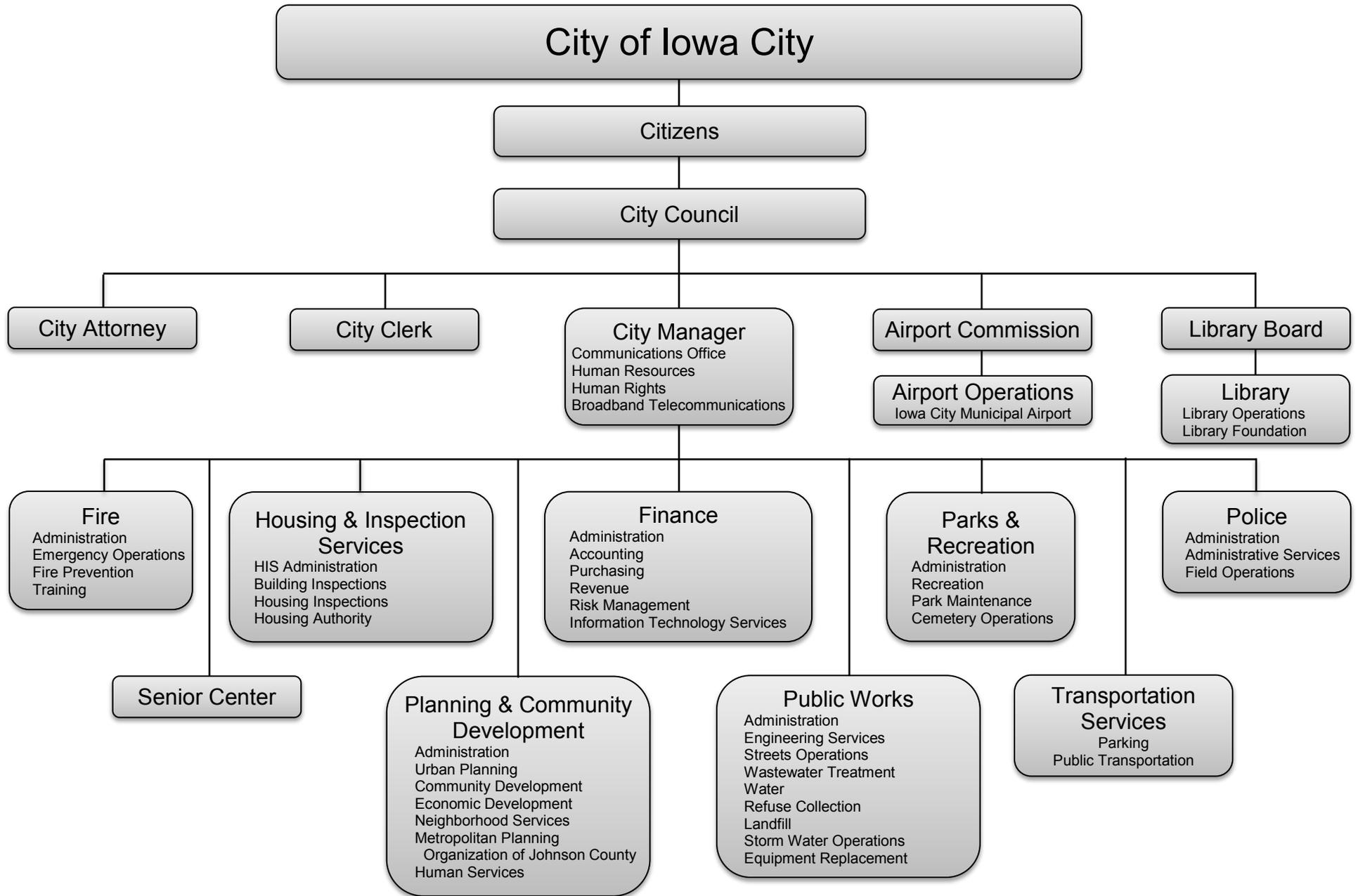
Presented to

**City of Iowa City
Iowa**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



CITY OF IOWA CITY, IOWA
LISTING OF CITY OFFICIALS

June 30, 2013

ELECTED OFFICIALS

		<u>Term Expires</u>
Mayor	Matt Hayek	January 2, 2016
Council Member and Mayor Pro Tem	Susan Mims	January 2, 2014
Council Member	Connie Champion	January 2, 2014
Council Member	Terry Dickens	January 2, 2014
Council Member	Rick Dobyns	January 2, 2016
Council Member	Michelle Payne	January 2, 2016
Council Member	Jim Throgmorton	January 2, 2016

APPOINTED OFFICIALS

		<u>Date of Hire</u>
City Manager	Thomas Markus	December 1, 2010
City Clerk	Marian K. Karr	May 21, 1979
City Attorney	Eleanor Dilkes	March 18, 1996

DEPARTMENT DIRECTORS

Assistant to City Manager	Geoff Fruin	November 28, 2011
Director of Housing and Inspection Services	Douglas W. Boothroy	September 22, 1975
Library Director	Susan Craig	July 28, 1975
Director of Planning & Community Development	Jeff Davidson	January 26, 1981
Director of Public Works	Rick Fosse	February 22, 1984
Director of Transportation Services	Chris O'Brien	December, 29, 1997
Senior Center Coordinator	Linda Kopping	March 20, 1995
Interim Fire Chief	Roger Jensen	June 15, 1987
Parks and Recreation Director	Mike Moran	September 26, 1983
Director of Finance	Dennis Bockenstedt	February 15, 2013
Chief of Police	Sam Hargadine	August 29, 2005



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of June 30, 2013, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement Due to Change in Reporting Entity

As discussed in Note 15 to the financial statements, the City changed the components of the reporting entity during the year, and accordingly, has restated the related fund balances and net position as of June 30, 2012.

Restatement Due to Correction of an Error

As discussed in Note 16 to the financial statements, the City changed its calculation of the Landfill Closure and Postclosure Care liability during the year, and accordingly, has restated the related net position as of June 30, 2012.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Iowa City, Iowa's financial statements. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2013, on our consideration of the City of Iowa City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the City's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Dubuque, Iowa
December 19, 2013

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Management's Discussion and Analysis

As management of the City of Iowa City, we present this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. This narrative is intended to be used in conjunction with additional information that is included in the letter of transmittal, which can be found on pages 3 – 12 of this report.

Financial Highlights

- The assets of the City of Iowa City exceeded its liabilities at the close of the fiscal year ending June 30, 2013 by \$554,620,000 (net position). Of this amount, \$125,114,000 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net position increased by \$64,129,000 during the fiscal year. Governmental activities increased by \$18,370,000 and business-type activities increased by \$45,759,000.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$66,879,000, a decrease of \$7,519,000 in comparison with the prior year. Of this total amount, approximately \$11,269,000 or 16.8% is unassigned and available for spending at the City's discretion.
- At the end of the current fiscal year, the City's unassigned fund balance for the General Fund was \$17,113,000 or 39.0% of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements may be found on pages 34 – 37 of this report.

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

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

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

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

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

The basic governmental funds financial statements can be found on pages 38 – 44 of this report.

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

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. Parking, Wastewater Treatment, Water, Sanitation, Housing Authority and Transit Funds are considered to be major funds and are reported individually throughout the report. The other three non-major enterprise funds are grouped together for reporting purposes and listed under a single heading “Other Enterprise Funds”. Detailed information for each of the non-major funds is provided in the combining statements on pages 108 – 110. Individual fund data for the Internal Service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 46 – 51 of this report.

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

The basic fiduciary funds financial statements can be found on page 52.

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53 – 97 of this report.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$554,620,000 at the close of the fiscal year ended June 30, 2013.

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

City of Iowa City's Net Position
June 30, 2013
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2013	2012 (as restated)	2013	2012 (as restated)	2013	2012
Current and other assets	\$ 162,144	\$ 167,913	\$ 110,907	\$ 102,449	\$ 273,051	\$ 270,362
Capital assets	182,263	171,096	317,564	282,954	499,827	454,050
Total Assets	344,407	339,009	428,471	385,403	772,878	724,412
Long-term liabilities outstanding	65,012	78,486	72,048	78,124	137,060	156,610
Current and other liabilities	71,795	71,293	9,403	6,018	81,198	77,311
Total Liabilities	136,807	149,779	81,451	84,142	218,258	233,921
Net position:						
Net investment in						
capital assets	133,989	118,603	253,617	212,468	387,606	331,071
Restricted	22,867	35,021	19,033	20,176	41,900	55,197
Unrestricted	50,744	35,606	74,370	68,617	125,114	104,223
Total Net Position	\$ 207,600	\$ 189,230	\$ 347,020	\$ 301,261	\$ 554,620	\$ 490,491

A portion of the City's net position, \$41,900,000 or 7.6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net position, \$125,114,000 or 22.6%, may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the fiscal year ended June 30, 2013, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities: Governmental activities increased the City's net position by \$18,370,000. The increase in net position of governmental activities is primarily due to receiving grants to fund expenditures in capital assets for flood recovery and mitigation and community development projects and collection of a local option sales tax to be used to fund future capital improvement projects.

The following is a more detailed review of FY13's operation.

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

	Governmental activities		Business-type activities		Total	
	2012		2012		2012	
	2013	(as restated)	2013	(as restated)	2013	(as restated)
Revenues:						
Program Revenues:						
Charges for services	\$ 7,688	\$ 7,067	\$ 39,065	\$ 37,183	\$ 46,753	\$ 44,250
Operating grants and contributions	4,731	6,808	9,224	8,656	13,955	15,464
Capital grants and contributions	6,876	6,078	34,251	6,218	41,127	12,296
General Revenues:						
Property taxes	51,017	50,516	-	-	51,017	50,516
Road use tax	6,589	6,394	-	-	6,589	6,394
Local option sales tax	8,858	8,644	-	-	8,858	8,644
Other taxes	2,609	2,491	-	-	2,609	2,491
Earnings on investments	841	1,096	671	1,540	1,512	2,636
Gain on disposal of capital assets	1,312	2,950	293	336	1,605	3,286
Other	4,390	4,147	918	565	5,308	4,712
Total revenues	<u>94,911</u>	<u>96,191</u>	<u>84,422</u>	<u>54,498</u>	<u>179,333</u>	<u>150,689</u>
Expenses:						
Public safety	20,989	21,186	-	-	20,989	21,186
Public works	10,240	10,369	-	-	10,240	10,369
Culture and recreation	14,481	13,107	-	-	14,481	13,107
Community and economic development	10,596	16,305	-	-	10,596	16,305
General government	7,513	7,591	-	-	7,513	7,591
Interest on long-term debt	2,237	2,400	-	-	2,237	2,400
Wastewater treatment	-	-	10,464	11,069	10,464	11,069
Water	-	-	9,074	8,781	9,074	8,781
Sanitation	-	-	7,279	1,848	7,279	1,848
Housing authority	-	-	7,658	7,911	7,658	7,911
Parking	-	-	4,579	4,167	4,579	4,167
Airport	-	-	1,086	1,127	1,086	1,127
Stormwater	-	-	1,318	1,304	1,318	1,304
Cable television	-	-	692	689	692	689
Transit	-	-	6,998	7,187	6,998	7,187
Total expenses	<u>66,056</u>	<u>70,958</u>	<u>49,148</u>	<u>44,083</u>	<u>115,204</u>	<u>115,041</u>
Change in net position before transfers and extraordinary items	28,855	25,233	35,274	10,415	64,129	35,648
Transfers	(10,485)	(4,606)	10,485	4,606	-	-
Extraordinary items	-	-	-	(5,000)	-	(5,000)
Change in net position	<u>18,370</u>	<u>20,627</u>	<u>45,759</u>	<u>10,021</u>	<u>64,129</u>	<u>30,648</u>
Net position beginning of year, as restated	<u>189,230</u>	<u>168,603</u>	<u>301,261</u>	<u>291,240</u>	<u>490,491</u>	<u>459,843</u>
Net position end of year	<u>\$ 207,600</u>	<u>\$ 189,230</u>	<u>\$ 347,020</u>	<u>\$ 301,261</u>	<u>\$ 554,620</u>	<u>\$ 490,491</u>

The total revenues for governmental activities for FY13 were \$94,911,000. Governmental activities are primarily funded through taxes, \$69,073,000 or 72.8%, and grants and contributions, \$11,607,000 or 12.2%. Grants and contributions decreased from prior year by \$1,279,000 as the City's expenditures for flood mitigation, which were covered by supplemental Community Development Block Grants, have decreased.

Expenses for governmental activities totaled \$66,056,000. Governmental activities are tracked by function including Public Safety, Public Works, Community and Economic Development, Culture and Recreation, and General Government. In FY13, Public Safety accounted for the highest portion of governmental expenses, \$20,989,000 or 31.8%, and decreased slightly over the prior year due to start-up cost for the addition of a fourth fire station during FY12 and a reduction in property condemnation. Culture and Recreation, \$14,481,000 or 21.9%, made up another large portion of the governmental expenses and increased over the prior year due to the addition of the Terry Trueblood Recreational Area. Community and Economic Development, \$10,596,000 or 16.0%, made up the third highest portion of governmental expenses and decreased from the prior year due to fewer flood recovery and mitigation projects.

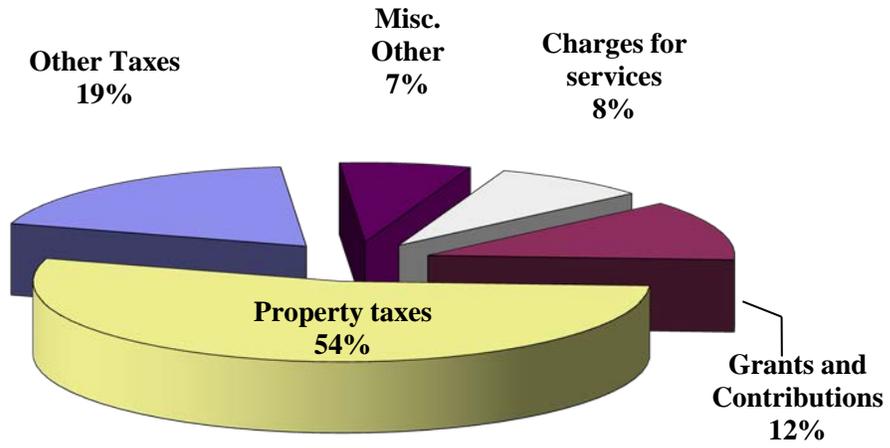
Business-type Activities: Business-type activities increased the City's total net position by \$45,759,000. The increase in net position was primarily in the Wastewater fund and is due to an increase in capital assets funded by grants, rather than debt. The City has been able to utilize federal and state grants to fund a flood recovery and mitigation project, decommission of the North Wastewater Plant through expansion of the South Wastewater Plant, rather than have to issue new debt to pay for this project. The Airport fund also saw an increase in net position due to a capital improvement projects funded through grants. For all business-type activities, revenues exceeded expenses by \$35,274,000.

Revenues for business-type activities totaled \$84,422,000. Usually, the primary revenue source for business-type activities is charges for services. For FY13, these revenues totaled \$39,065,000 or 46.3%. In addition for FY13, the City's business type-activities had a significant portion, \$43,475,000 or 51.5%, of their revenues from grants and contributions used to help fund capital and flood recovery projects for business-type activities. This is an increase of \$28,601,000 from the prior year due to additional grants to cover expenses for the Wastewater flood mitigation project.

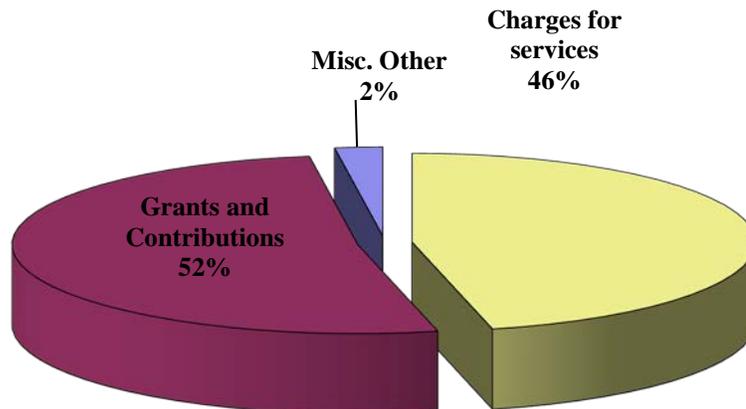
The total expenses for business-type activities in FY13 were \$49,148,000. Wastewater Treatment represented the highest portion of business-type activities, \$10,464,000 or 21.3%, with Water, \$9,074,000 or 18.5%, Housing Authority, \$7,658,000 or 15.6%, Sanitation, \$7,279,000 or 14.8%, and Transit, \$6,998,000 or 14.2%, making up the remainder of the majority of business-type activities expenses.

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

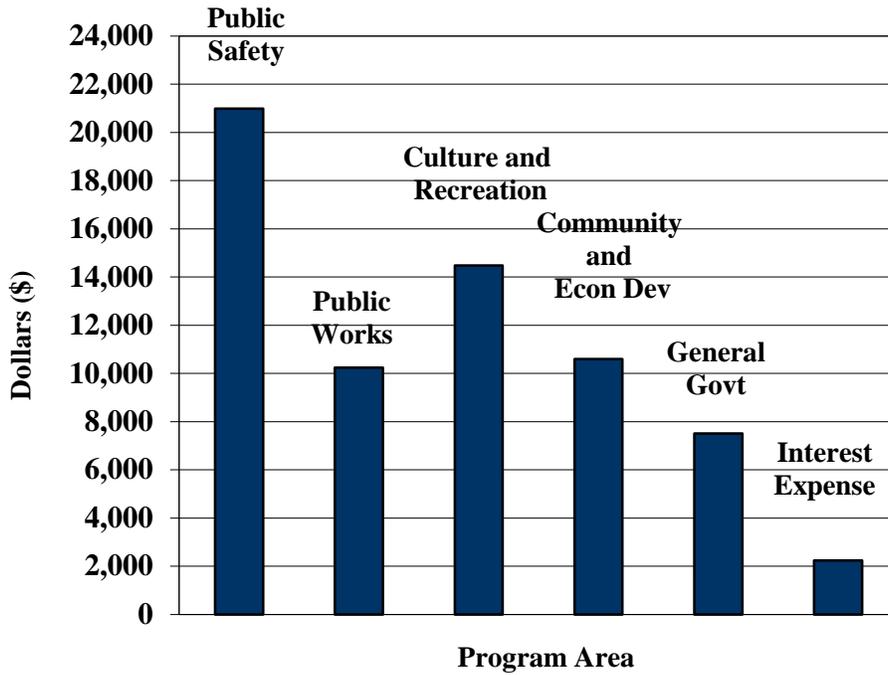
**Governmental Activities
FY2013 Revenue
by Source**



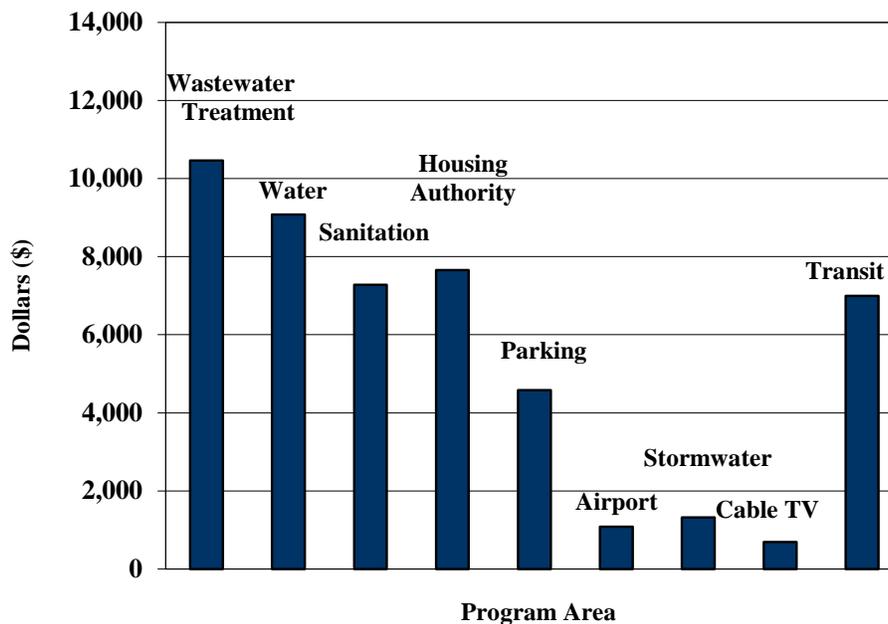
**Business-Type Activities
FY2013 Revenue
by Source**



**Governmental Activities
FY2013 Expenditures
by Program Area**
(amounts expressed in thousands)



**Business-Type Activities
FY2013 Expenditures
by Program Area**
(amounts expressed in thousands)



Financial Analysis of the Government's Funds

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

Governmental Funds: The financial reporting focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be/is useful in assessing the City's financing requirements. In particular, *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.

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective with the June 30, 2011 financial statements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

As of the fiscal year ended June 30, 2013, the City's governmental funds reported combined ending fund balances of \$66,879,000, a decrease of \$7,519,000 in comparison with the prior year. Of this total amount, \$11,269,000 constitutes unassigned fund balance, which is available to use as working capital for the General Fund since property tax revenues are received only twice a year and the remainder is available to meet the future needs of the City. The remainder of the fund balance is not available for new spending because of constraints imposed externally by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed internally on the specific purposes for which these amounts can be spent. The restricted fund balance of \$53,797,000 or 80.4% contains external restraints on its use. The assigned fund balance of \$1,744,000 or 2.6% has been identified by the City to be used for specific purposes. The nonspendable fund balance is \$69,000 or 0.1%, which the City is contractually required to maintain intact or cannot be spent because it is in a nonspendable format, such as inventories.

The General Fund is the chief operating fund of the City. As of the fiscal year ended June 30, 2013, the unassigned fund balance of the General Fund was \$17,113,000 while General Fund's total fund balance was \$44,615,000. 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 39.0% of total General Fund expenditures of \$43,886,000, while total fund balance represents 101.7% of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$4,667,000. This was due to collection of a local option sales tax that took effect in FY10 to be used to fund future capital improvement projects. This tax was collected through FY13.

The fund balance in the Bridge, Street, and Traffic Control Construction Fund was \$6,945,000, an increase of \$7,232,000. This fund accounts for transactions relating to the acquisition or construction of major streets, bridges, and traffic control facilities. The fund balance in the Other Construction Fund was \$4,242,000, a decrease of \$16,604,000. This fund accounts for the construction or replacement of other governmental general capital assets, such as administrative buildings, with various funding sources, including general obligation bonds, intergovernmental revenues, and contributions. The changes in these fund balances represent a policy change. Beginning in FY13, bond proceeds were deposited directly into the respective capital improvement projects. Whereas, in prior years, the funds had been deposited and held in the Other Construction Fund and then transferred to the capital improvement projects as expenditures were incurred. This should help prevent having a deficit fund balance in the Bridge, Street, and Traffic Control Construction Fund in future years. The remaining change in fund balance is due to timing of sale of GO bonds.

The fund balance for the Community Development Block Grant Fund was negative \$8,000, representing a \$395,000 decrease in FY13 and revealing that liabilities in this fund were higher than assets. In FY11, the City received program income that we were required to use prior to accessing new grant funding. This

program income has now all been utilized and this fund will normally carry a minimal or zero fund balance going forward.

The ending fund balance of the Other Shared Revenues and Grants fund was \$2,633,000, a \$2,034,000 increase. This increase is due to grant funds that were received in FY13 for reimbursement of prior period expenditures.

The ending fund balance of the Debt Service Fund was \$6,527,000, a decrease of \$4,482,000. The City utilized tax increment financing receipts from prior years to retire debt early. This resulted in a decrease in reserves in equity in pooled cash and investments at the end of the fiscal year. The ending balance of unrestricted equity in pooled cash and investments was \$5,487,000, representing 28.7% of the total principal and interest payments in FY13 for GO debt.

The fund balance in the Employee Benefits Fund was stable from prior year. The ending fund balance was \$1,791,000, a decrease of \$9,000 or 0.5% from FY12.

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

The ending net position of the enterprise funds was \$335,681,000, an increase in net position of \$44,226,000. This was primarily due to capital contributions of federal and state grants to fund capital improvement projects to help with flood recovery and mitigation and transfer of business-type capital assets from governmental capital project funds. Of the enterprise funds' net position, \$253,617,000 is net investment in capital assets. Unrestricted net position totaled \$63,031,000, an increase of \$4,220,000 compared to the previous year due to an increase in capital contributions for funding of capital improvement projects that otherwise would have had to be funded with cash from operating revenues.

The Internal Service funds showed net position totaling \$31,650,000 as of June 30, 2013, an increase of \$3,737,000 primarily due to an operating income in the Loss Reserve Fund as claims were less than anticipated and an operating income in the Equipment Reserve Fund to build up reserves for future capital outlay.

Budgetary Highlights

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

The City had two budget amendments during the fiscal year. These amendments increased budgeted revenues by \$36,354,000 or 24.5% to a total of \$184,741,000 and the expenditure budget by \$99,344,000 or 58.5% to a total of \$269,279,000. These increases were due primarily to capital projects in governmental and business-type funds because of timing of completion of projects and ongoing recovery from the flood of 2008 and the associated grants.

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$499,827,000, net of accumulated depreciation. This investment in capital assets, including land, buildings, improvements other than buildings, equipment, streets, bridges, trails, wastewater and water systems, and other infrastructure represents the value of resources utilized to provide services to its citizens. The City's investment in capital assets for the fiscal year ended June 30, 2013 increased by \$11,168,000 for governmental activities compared to the prior year and increased by \$34,609,000 for business-type activities over the prior year.

The following table reflects the \$499,827,000 investment in capital assets, net of accumulated depreciation.

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

	<u>Governmental</u> Activities		<u>Business-type</u> Activities		<u>Total</u>	
	<u>2013</u>	<u>2012</u> (as restated)	<u>2013</u>	<u>2012</u> (as restated)	<u>2013</u>	<u>2012</u> (as restated)
Land	\$ 22,782	\$ 22,334	\$ 28,496	\$ 28,516	\$ 51,278	\$ 50,850
Buildings	35,065	35,520	80,280	83,171	115,345	118,691
Improvements other than buildings	4,120	4,103	5,686	6,114	9,806	10,217
Machinery and equipment	14,203	13,678	11,545	10,743	25,748	24,421
Infrastructure	82,815	82,642	139,960	138,282	222,775	220,924
Construction in progress	<u>23,278</u>	<u>12,818</u>	<u>51,597</u>	<u>16,129</u>	<u>74,875</u>	<u>28,947</u>
Total	<u>\$ 182,263</u>	<u>\$ 171,095</u>	<u>\$ 317,564</u>	<u>\$ 282,955</u>	<u>\$ 499,827</u>	<u>\$ 454,050</u>

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

- Work continued on the South Wastewater Plant Expansion. This project will relocate the North Wastewater Treatment Plant and consolidate operations into the South Wastewater Treatment Plant through expansion of south plant facilities and demolition of the north plant facilities. Funding for the project includes \$22,003,000 in federal EDA grants, \$13,610,000 in local options sales tax, \$5,495,000 in I-JOBS grant monies, \$5,000,000 in CDBG Public Infrastructure grants, as well as, \$1,890,000 from Wastewater user fees and \$7,000,000 in revenue bonds. The beginning construction in progress balance was \$5,717,000 and an additional \$34,527,000 was moved into construction in progress at the end of FY13 for a total of \$40,244,000. This project is scheduled to be complete in FY14.
- Current construction projects at the municipal airport include rehabbing existing runways, adding a parallel runway to improve safety, and obstruction mitigation. The construction in progress balance at the end of FY13 was \$4,153,000. These costs are primarily funded through federal or state grants, with the remainder of funding from GO bonds.
- Completion of a water main replacement on Muscatine Avenue. Project costs were \$819,000 and were funded through Water Operations.
- Progress continues on the parking facility and enforcement automation project that includes upgrading parking meters on the streets to allow credit card payments and pay-by-cell options and add additional pay on foot and pay in lane equipment. Expenses capitalized in FY13 were \$804,000. The project is scheduled to be completed in FY14 with additional costs of \$1,531,000 funded through parking operations.
- Reconstruction of a landfill cell that was damaged by a fire in FY12 was started. \$993,000 was moved into construction in progress at the end of FY13. Total project costs are \$4,000,000 and will be funded through landfill operations.
- Expenses for a variety of street and bridge construction were moved into construction in progress at the end of FY13 for a total balance of \$12,427,000. This includes projects from the City's major initiative for economic development with balances of \$3,046,000 for Lower Muscatine from Kirkwood to First Avenue and \$4,455,000 for Sycamore Street from Highway 6 to City Limits. Additional construction in progress includes \$2,449,000 for the Iowa City Gateway Project, which will reconstruct and elevate Dubuque Street and Park Road Bridge to provide flood protection.

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

Debt Administration: At the end of the fiscal year, the City had total bonded debt outstanding of \$123,165,000. Of this amount, \$58,550,000 comprises debt backed by the full faith and credit of the City. However, \$1,190,000 or 2.0% of the general obligation bonds is debt that serves enterprise funds and is abated by their charges for services and \$3,449,000 or 5.9% of these bonds is debt that will be paid with Tax Increment Financing revenues. \$64,615,000 represents revenue bonds secured solely by specific revenue sources.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 57,360	\$ 73,825	\$ 1,190	\$ 1,495	\$ 58,550	\$ 75,320
Revenue bonds	2,655	-	61,960	68,185	64,615	68,185
Total	<u>\$ 60,015</u>	<u>\$ 73,825</u>	<u>\$ 63,150</u>	<u>\$ 69,680</u>	<u>\$ 123,165</u>	<u>\$ 143,505</u>

The City issued \$2,655,000 General Obligation bonds during FY13 and during the current fiscal year the City's total bonded debt still decreased by \$20,340,000 through retirement of debt.

The City continues to have the same excellent bond rating on its General Obligation bonds that it has had for the past several years. This rating is given to those bonds judged to be of the best quality and carrying the smallest degree of investment risks. The City's bond ratings by Moody's Investors Services, Inc. as of June 30, 2013 were as follows:

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

The City continues to operate well under the State debt capacity debt limitations. State statute limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in Iowa City. The current debt limitation for the City is \$230,776,000. With outstanding General Obligation Debt applicable to this limit of \$58,550,000 we are utilizing 25.4% of this limit.

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

Economic Factors and Next Year's Budget and Rates

In May 2009, the voters of Iowa City approved a one cent local option sales tax. Collection of this tax began July 1, 2009 and continued for four years ending as of June 30, 2013. In FY13, the City collected \$8,858,000 in local option sales tax. The City Council has indicated that the priorities for use of this sales tax will be capital projects for the elevation of Dubuque Street, including the reconstruction of Park Road Bridge, and the expansion of the South Wastewater Plant and demolition of the North Wastewater Plant. Sales tax proceeds are used to provide local match for available state and federal funding and to reduce our reliance on property tax and increased user fees that would otherwise be needed to fund such projects.

During the 2009 session, the Iowa State Legislature passed a law allowing cities to utilize franchise fee tax as a revenue alternative to property tax. The Iowa City Council passed a local franchise fee tax of 1% on natural gas and electricity that became effective April 1, 2010. This revenue is being utilized to support additional public safety initiatives, including operating a fourth fire station. In FY13, the City collected \$918,000 in local franchise fee.

The City expects continued constraints by the State’s property tax formula. During the last legislative session, the State passed property tax reform, which will negatively affect the City’s general operating funds. Without the potential for new revenue sources, like those mentioned above, the City’s opportunities for new initiatives are limited. The Council has established a balanced budget in the General Fund for FY14 that strives to maintain current service delivery levels. The tax levy rate per \$1,000 of assessed valuation for FY14 is provided below:

General Levy	\$	8.100
Debt Service Levy		4.030
Employee Benefits Levy		3.163
Transit Levy		0.950
Liability Insurance Levy		0.292
Library Levy		0.270
Emergency Levy		-
Total City Levy	\$	<u>16.805</u>

Requests for Information

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



CITY OF IOWA CITY, IOWA

STATEMENT OF NET POSITION

June 30, 2013

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 63,252	\$ 49,054	\$ 112,306
Receivables:			
Property tax	50,808	-	50,808
Accounts and unbilled usage	1,448	3,762	5,210
Interest	69	531	600
Notes	17,105	956	18,061
Internal balances	(11,321)	11,321	-
Due from other governments	9,796	8,466	18,262
Inventories	659	653	1,312
Assets held for resale	703	-	703
Restricted assets:			
Equity in pooled cash and investments	29,601	36,157	65,758
Other post employment benefits asset	24	7	31
Capital assets:			
Land and construction in progress	46,058	80,092	126,150
Other capital assets (net of accumulated depreciation)	136,205	237,472	373,677
Total assets	344,407	428,471	772,878
Liabilities			
Accounts payable	3,287	1,603	4,890
Contracts payable	2,689	4,840	7,529
Accrued liabilities	2,942	298	3,240
Interest payable	156	1,231	1,387
Deposits	1,021	760	1,781
Due to other governments	18	115	133
Notes payable	538	-	538
Unearned revenue	61,144	556	61,700
Noncurrent liabilities:			
Due within one year:			
Employee vested benefits	1,161	428	1,589
Bonds payable	10,347	5,492	15,839
Due in more than one year:			
Employee vested benefits	950	317	1,267
Other post employment benefits obligation	2,386	951	3,337
Notes payable	211	-	211
Bonds payable	49,957	58,455	108,412
Landfill closure/post-closure liability	-	6,405	6,405
Total liabilities	136,807	81,451	218,258

(continued)

CITY OF IOWA CITY, IOWA

STATEMENT OF NET POSITION (continued)

June 30, 2013

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Net position			
Net investment in capital assets	\$ 133,989	\$ 253,617	\$ 387,606
Restricted for or by:			
Employee benefits	2,073	-	2,073
Capital projects	13,319	-	13,319
Debt service	6,527	-	6,527
Other purposes	948	-	948
Bond ordinance	-	14,525	14,525
State statute	-	1,170	1,170
Future improvements	-	234	234
Grant agreement	-	3,104	3,104
Unrestricted	50,744	74,370	125,114
 Total net position	 \$ 207,600	 \$ 347,020	 \$ 554,620

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

CITY OF IOWA CITY, IOWA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013
(amounts expressed in thousands)

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety	\$ 20,989	\$ 4,098	\$ 365	\$ 30
Public works	10,240	52	297	5,056
Culture and recreation	14,481	775	-	1,441
Community and economic development	10,596	-	4,069	349
General government	7,513	2,763	-	-
Interest on long-term debt	2,237	-	-	-
Total governmental activities	66,056	7,688	4,731	6,876
Business-type activities:				
Wastewater treatment	10,464	12,832	-	30,181
Water	9,074	8,583	442	494
Sanitation	7,279	8,181	23	-
Housing authority	7,658	205	6,968	-
Parking	4,579	5,043	-	-
Airport	1,086	314	11	2,452
Stormwater	1,318	974	13	226
Cable television	692	816	-	-
Transit	6,998	2,117	1,767	898
Total business-type activities	49,148	39,065	9,224	34,251
Total	\$ 115,204	\$ 46,753	\$ 13,955	\$ 41,127

General revenues:

- Property taxes, levied for general purposes
- Road use tax
- Hotel/motel tax
- Gas and electric tax
- Local option sales tax
- Utility franchise tax
- Earnings on investments
- Gain on disposal of capital assets
- Miscellaneous

Transfers

Total general revenues, transfers, and extraordinary items

Changes in net position

Net position beginning of year, as restated

Net position end of year

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (16,496)	\$ -	\$ (16,496)
(4,835)	-	(4,835)
(12,265)	-	(12,265)
(6,178)	-	(6,178)
(4,750)	-	(4,750)
(2,237)	-	(2,237)
<u>(46,761)</u>	<u>-</u>	<u>(46,761)</u>
-	32,549	32,549
-	445	445
-	925	925
-	(485)	(485)
-	464	464
-	1,691	1,691
-	(105)	(105)
-	124	124
-	(2,216)	(2,216)
<u>-</u>	<u>33,392</u>	<u>33,392</u>
<u>(46,761)</u>	<u>33,392</u>	<u>(13,369)</u>
51,017	-	51,017
6,589	-	6,589
872	-	872
819	-	819
8,858	-	8,858
918	-	918
841	671	1,512
1,312	293	1,605
4,390	918	5,308
(10,485)	10,485	-
<u>65,131</u>	<u>12,367</u>	<u>77,498</u>
<u>18,370</u>	<u>45,759</u>	<u>64,129</u>
<u>189,230</u>	<u>301,261</u>	<u>490,491</u>
<u>\$ 207,600</u>	<u>\$ 347,020</u>	<u>\$ 554,620</u>

CITY OF IOWA CITY, IOWA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2013
(amounts expressed in thousands)

	General	Special Revenue			Capital Projects	Debt Service	Other Governmental Funds	Total
		Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Other Construction			
Assets								
Equity in pooled cash and investments	\$ 18,744	\$ 1,715	\$ -	\$ 2,021	\$ 2,213	\$ 5,487	\$ 8,126	\$ 38,306
Receivables:								
Property tax	28,869	9,499	-	-	-	12,163	277	50,808
Accounts and unbilled usage	248	-	-	10	-	-	-	258
Interest	44	-	-	-	1	1	-	46
Notes	1,139	-	14,745	200	-	1,021	-	17,105
Advances to other funds	148	-	18	-	-	175	-	341
Due from other governments	3,927	282	181	1,098	955	-	3,252	9,695
Assets held for resale	538	-	-	-	-	-	165	703
Restricted assets:								
Equity in pooled cash and investments	25,788	-	-	7	3,597	208	1	29,601
Total assets	\$ 79,445	\$ 11,496	\$ 14,944	\$ 3,336	\$ 6,766	\$ 19,055	\$ 11,821	\$ 146,863

(continued)

CITY OF IOWA CITY, IOWA

**BALANCE SHEET (continued)
GOVERNMENTAL FUNDS**

June 30, 2013
(amounts expressed in thousands)

	General	Special Revenue			Capital	Debt	Other	Total
		Employee	Community	Other	Projects			
	Benefits	Development	Shared	Other	Service	Governmental		
		Block	Revenue and	Construction		Funds		
		Grant	Grants					
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 1,219	\$ 16	\$ 28	\$ 174	\$ 561	\$ -	\$ 2,654	
Contracts payable	-	-	-	-	932	-	2,689	
Accrued liabilities	692	1	5	48	6	19	771	
Advances from other funds	-	-	148	175	-	-	323	
Due to other governments	15	-	-	3	-	-	18	
Interest payable	5	-	-	-	-	-	5	
Notes payable	538	-	-	-	-	-	538	
Deferred revenue	31,423	9,688	14,771	299	947	12,528	71,965	
Liabilities payable from restricted assets:								
Deposits	938	-	-	4	78	-	1,021	
Total liabilities	34,830	9,705	14,952	703	2,524	12,528	79,984	
Fund balances:								
Nonspendable	69	-	-	-	-	-	69	
Restricted	25,689	1,791	-	2,914	8,436	7,265	53,797	
Assigned	1,744	-	-	-	-	-	1,744	
Unassigned	17,113	-	(8)	(281)	(4,194)	(738)	11,269	
Total fund balances	44,615	1,791	(8)	2,633	4,242	6,527	66,879	
Total liabilities and fund balances	\$ 79,445	\$ 11,496	\$ 14,944	\$ 3,336	\$ 6,766	\$ 19,055	\$ 146,863	

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

CITY OF IOWA CITY

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

June 30, 2013
(amounts expressed in thousands)

Total governmental fund balances	\$ 66,879
Amounts reported for governmental activities in the statement of net position are different because:	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	31,650
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: Notes, grants and other receivables - Earned but unavailable	10,821
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	174,564
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(1,998)
Accrued post employment benefit obligations are not due and payable in the current period and therefore are not reported in the funds.	(2,311)
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(60,304)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.	(211)
Accrued interest on bonds	(151)
Internal balance due to integration of internal service funds	<u>(11,339)</u>
Total net position of governmental activities	<u>\$ 207,600</u>

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



CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	General	Special Revenue			Capital	Debt	Other	Total
		Employee	Community	Other	Projects			
	Benefits	Development	Shared	Construction	Service	Funds		
		Block	Revenue and					
		Grant	Grants					
Revenues								
Taxes	\$ 38,886	\$ 9,453	\$ -	\$ -	\$ -	\$ 13,200	\$ 944	\$ 62,483
Licenses and permits	1,784	-	-	-	-	-	-	1,784
Intergovernmental	2,871	-	1,838	10,162	2,957	-	2,113	19,941
Charges for services	1,462	256	-	25	-	-	57	1,800
Use of money and property	557	-	27	61	20	107	10	782
Miscellaneous	4,762	6	297	89	463	659	49	6,325
Total revenues	<u>50,322</u>	<u>9,715</u>	<u>2,162</u>	<u>10,337</u>	<u>3,440</u>	<u>13,966</u>	<u>3,173</u>	<u>93,115</u>
Expenditures								
Current:								
Public safety	19,685	240	-	-	723	-	-	20,648
Public works	1,159	-	-	4,986	849	-	1,509	8,503
Culture and recreation	12,299	-	-	-	701	-	-	13,000
Community and economic development	2,076	-	2,222	1,206	1,530	-	1,185	8,219
General government	6,751	353	-	-	176	6	-	7,286
Debt service:								
Principal	-	-	-	-	-	16,465	-	16,465
Interest	-	-	-	-	-	2,339	-	2,339
Capital outlay	1,916	-	-	2,253	8,255	-	5,437	17,861
Total expenditures	<u>43,886</u>	<u>593</u>	<u>2,222</u>	<u>8,445</u>	<u>12,234</u>	<u>18,810</u>	<u>8,131</u>	<u>94,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,436</u>	<u>9,122</u>	<u>(60)</u>	<u>1,892</u>	<u>(8,794)</u>	<u>(4,844)</u>	<u>(4,958)</u>	<u>(1,206)</u>

(continued)

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	Special Revenue			Capital Projects		Other Governmental Funds	Total	
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Other Construction			Debt Service
Other Financing Sources (Uses)								
Issuance of debt	-	-	-	-	2,579	76	-	2,655
Sale of capital assets	496	-	-	873	-	-	-	1,369
Discount on issuance of bonds	-	-	-	-	(42)	-	-	(42)
Transfers in	9,329	-	-	438	2,060	286	13,085	25,198
Transfers out	(11,594)	(9,131)	(335)	(1,169)	(12,407)	-	(857)	(35,493)
Total other financing sources and (uses)	<u>(1,769)</u>	<u>(9,131)</u>	<u>(335)</u>	<u>142</u>	<u>(7,810)</u>	<u>362</u>	<u>12,228</u>	<u>(6,313)</u>
Net change in fund balances	4,667	(9)	(395)	2,034	(16,604)	(4,482)	7,270	(7,519)
Fund Balances, Beginning, as restated	<u>39,948</u>	<u>1,800</u>	<u>387</u>	<u>599</u>	<u>20,846</u>	<u>11,009</u>	<u>(191)</u>	<u>74,398</u>
Fund Balances, Ending	<u>\$ 44,615</u>	<u>\$ 1,791</u>	<u>\$ (8)</u>	<u>\$ 2,633</u>	<u>\$ 4,242</u>	<u>\$ 6,527</u>	<u>\$ 7,079</u>	<u>\$ 66,879</u>

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

CITY OF IOWA CITY

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ (7,519)

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

Governmental funds report capital outlays as expenditures while governmental
activities report depreciation expense to allocate those expenditures over the
life of the asset. Capital outlays and contributed capital assets exceeded
depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 16,030	
Transfers of capital assets (to)\from enterprise funds - net	(660)	
Transfers of capital assets (to)\from internal service funds - net	(1)	
Capital assets contributed	498	
Depreciation expense	<u>(5,592)</u>	10,275

Bond proceeds are reported as other financing sources in governmental funds
and thus contribute to the change in fund balance. In the statement of net
position, however, issuing debt increases long-term liabilities and does not affect
the statement of activities. Similarly, repayment of principal is an expenditure in
the governmental funds but reduces the liability in the statement of net position.

Debt issued	(2,655)	
Discount / (premium) on bonds issued	42	
Repayments of debt	16,465	
Amortization of premium	<u>70</u>	13,922

Because some revenues will not be collected for several months after the
City's year end, they are not considered available revenues and are deferred
in the governmental funds. 52

Some expenses reported in the statement of activities do not require the
use of current financial resources and therefore are not reported as
expenditures in governmental funds:

Change in accrued compensated absences	(83)
Change in accrued post employment benefit obligations	(456)
Change in accrued interest on debt	32

In the statement of activities, only the gain on the sale of the capital assets is
recognized, whereas in the governmental funds, the proceeds from the sale
increased financial resources. Thus, the change in net position differs from the
change in fund balance by the cost of the capital asset sold. (57)

Internal service funds are used by management to charge the costs
of certain activities to individual funds. The net revenue of certain activities of
internal service funds is reported with governmental activities. 2,204

Change in net position of governmental activities \$ 18,370

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



CITY OF IOWA CITY, IOWA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2013
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds	
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Transit	Other Enterprise Funds		Total
Assets									
Current assets:									
Equity in pooled cash and investments	\$ 5,032	\$ 15,655	\$ 7,410	\$ 9,356	\$ 3,344	\$ 4,331	\$ 3,926	\$ 49,054	\$ 24,946
Receivables:									
Accounts and unbilled usage	175	1,350	885	1,059	2	10	281	3,762	1,190
Interest	13	418	28	21	45	3	3	531	23
Notes	-	-	-	-	956	-	-	956	-
Advances to other funds	-	-	-	1,001	-	-	-	1,001	-
Due from other governments	-	6,959	582	16	18	100	791	8,466	101
Inventories	-	-	411	-	-	242	-	653	659
Total current assets	5,220	24,382	9,316	11,453	4,365	4,686	5,001	64,423	26,919
Noncurrent assets:									
Restricted assets:									
Equity in pooled cash and investments	1,668	10,074	4,631	16,448	3,104	7	225	36,157	-
Other post employment benefits asset	-	-	-	-	-	-	7	7	24
Capital assets:									
Land	6,798	759	6,296	1,912	690	2,630	9,411	28,496	45
Buildings	26,249	59,701	24,019	5,495	5,350	15,399	5,661	141,874	821
Improvements other than buildings	328	7,371	2,351	160	9	-	357	10,576	50
Machinery and equipment	1,371	10,135	10,458	425	116	10,086	650	33,241	17,218
Infrastructure	-	94,036	54,685	11,298	-	955	50,839	211,813	1,608
Accumulated depreciation	(16,227)	(74,588)	(27,787)	(10,664)	(3,978)	(11,489)	(15,299)	(160,032)	(12,562)
Construction in progress	537	40,221	905	3,915	-	-	6,018	51,596	519
Total noncurrent assets	20,724	147,709	75,558	28,989	5,291	17,588	57,869	353,728	7,723
Total assets	25,944	172,091	84,874	40,442	9,656	22,274	62,870	418,151	34,642

(continued)

CITY OF IOWA CITY, IOWA

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

June 30, 2013
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds	
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Transit	Other Enterprise Funds		Total
Liabilities									
Current liabilities:									
Accounts payable	\$ 590	\$ 380	\$ 153	\$ 96	\$ 25	\$ 125	\$ 234	\$ 1,603	\$ 633
Contracts payable	-	3,411	55	549	-	-	825	4,840	-
Accrued liabilities	37	44	50	48	18	87	14	298	2,170
Employee vested benefits	50	60	77	80	27	115	19	428	63
Due to other governments	-	-	13	65	22	15	-	115	-
Deferred revenue	280	-	-	-	-	276	-	556	-
Interest payable	158	735	338	-	-	-	-	1,231	-
Bonded debt payable (net of unamortized premium and discounts)	532	3,332	1,628	-	-	-	-	5,492	-
Total current liabilities	<u>1,647</u>	<u>7,962</u>	<u>2,314</u>	<u>838</u>	<u>92</u>	<u>618</u>	<u>1,092</u>	<u>14,563</u>	<u>2,866</u>
Noncurrent liabilities:									
Liabilities payable from restricted assets:									
Deposits	1	-	434	17	292	7	9	760	-
Advances from other funds	-	-	-	-	18	141	860	1,019	-
Employee vested benefits	33	45	60	60	21	83	15	317	51
Bonded debt payable (net of unamortized premium and discounts)	7,173	32,660	18,622	-	-	-	-	58,455	-
Other post employment benefits obligation	130	146	170	214	51	224	16	951	75
Landfill closure/postclosure liability	-	-	-	6,405	-	-	-	6,405	-
Total noncurrent liabilities	<u>7,337</u>	<u>32,851</u>	<u>19,286</u>	<u>6,696</u>	<u>382</u>	<u>455</u>	<u>900</u>	<u>67,907</u>	<u>126</u>
Total liabilities	<u>8,984</u>	<u>40,813</u>	<u>21,600</u>	<u>7,534</u>	<u>474</u>	<u>1,073</u>	<u>1,992</u>	<u>82,470</u>	<u>2,992</u>
Net Position									
Net investment in capital assets	11,351	101,643	50,677	12,541	2,187	17,581	57,637	253,617	7,699
Restricted by bond ordinance	1,374	9,339	3,812	-	-	-	-	14,525	-
Restricted by state statute	-	-	-	1,170	-	-	-	1,170	-
Restricted for future improvements	134	-	-	-	-	-	100	234	-
Restricted by grant agreement	-	-	-	-	3,104	-	-	3,104	-
Unrestricted	4,101	20,296	8,785	19,197	3,891	3,620	3,141	63,031	23,951
Total net position	<u>\$ 16,960</u>	<u>\$ 131,278</u>	<u>\$ 63,274</u>	<u>\$ 32,908</u>	<u>\$ 9,182</u>	<u>\$ 21,201</u>	<u>\$ 60,878</u>	<u>335,681</u>	<u>\$ 31,650</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.								<u>11,339</u>	
Net position of business-type activities								<u>\$ 347,020</u>	

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

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds	
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Transit	Other Enterprise Funds		Total
Operating Revenues:									
Charges for services	\$ 5,043	\$ 12,832	\$ 8,583	\$ 8,181	\$ 205	\$ 2,117	\$ 2,104	\$ 39,065	\$ 18,024
Miscellaneous	37	102	174	51	46	2	1	413	14
Total operating revenues	<u>5,080</u>	<u>12,934</u>	<u>8,757</u>	<u>8,232</u>	<u>251</u>	<u>2,119</u>	<u>2,105</u>	<u>39,478</u>	<u>18,038</u>
Operating Expenses:									
Personal services	1,718	1,938	2,633	2,678	985	3,704	789	14,445	2,112
Commodities	630	854	1,609	208	45	965	211	4,522	2,729
Services and charges	1,201	2,548	2,106	4,478	6,534	1,485	586	18,938	9,027
	<u>3,549</u>	<u>5,340</u>	<u>6,348</u>	<u>7,364</u>	<u>7,564</u>	<u>6,154</u>	<u>1,586</u>	<u>37,905</u>	<u>13,868</u>
Depreciation	787	3,912	2,169	413	128	1,041	1,535	9,985	1,537
Total operating expenses	<u>4,336</u>	<u>9,252</u>	<u>8,517</u>	<u>7,777</u>	<u>7,692</u>	<u>7,195</u>	<u>3,121</u>	<u>47,890</u>	<u>15,405</u>
Operating income (loss)	<u>744</u>	<u>3,682</u>	<u>240</u>	<u>455</u>	<u>(7,441)</u>	<u>(5,076)</u>	<u>(1,016)</u>	<u>(8,412)</u>	<u>2,633</u>
Nonoperating Revenues (Expenses):									
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	293	293	215
Insurance recoveries	-	-	-	505	-	-	-	505	-
Operating grants	-	-	442	23	6,968	1,767	24	9,224	1
Interest income	42	367	143	69	34	12	4	671	59
Interest expense	(324)	(1,400)	(731)	-	-	-	-	(2,455)	-
Total nonoperating revenues (expenses)	<u>(282)</u>	<u>(1,033)</u>	<u>(146)</u>	<u>597</u>	<u>7,002</u>	<u>1,779</u>	<u>321</u>	<u>8,238</u>	<u>275</u>

(continued)

CITY OF IOWA CITY, IOWA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (continued)
PROPRIETARY FUNDS**

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds	
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Transit	Other Enterprise Funds		Total
Income (loss) before capital contributions, transfers and extraordinary items	462	2,649	94	1,052	(439)	(3,297)	(695)	(174)	2,908
Capital contributions	-	30,841	494	-	-	898	2,678	34,911	23
Transfers in	-	7,322	893	-	5	2,911	2,548	13,679	806
Transfers out	(224)	(1,566)	(1,481)	(156)	(47)	(6)	(710)	(4,190)	-
Change in net position	238	39,246	-	896	(481)	506	3,821	44,226	3,737
Net Position, Beginning, as restated	<u>16,722</u>	<u>92,032</u>	<u>63,274</u>	<u>32,012</u>	<u>9,663</u>	<u>20,695</u>	<u>57,057</u>		<u>27,913</u>
Net Position, Ending	<u>\$ 16,960</u>	<u>\$ 131,278</u>	<u>\$63,274</u>	<u>\$32,908</u>	<u>\$ 9,182</u>	<u>\$21,201</u>	<u>\$60,878</u>		<u>\$ 31,650</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.								1,533	
Change in net position of business-type activities								<u>\$ 45,759</u>	

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

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds	
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Transit	Other Enterprise Funds		Total
Cash Flows From Operating Activities									
Receipts from customers and users	\$ 4,913	\$ 12,992	\$ 8,986	\$ 7,659	\$ 213	\$ 2,107	\$ 2,108	\$ 38,978	\$ 16,841
Payments to suppliers	(1,278)	(3,071)	(3,697)	(4,563)	(6,570)	(2,472)	(694)	(22,345)	(12,262)
Payments to employees	(1,702)	(1,913)	(2,605)	(2,651)	(978)	(3,630)	(786)	(14,265)	(1,856)
Net cash flows from operating activities	1,933	8,008	2,684	445	(7,335)	(3,995)	628	2,368	2,723
Cash Flows From Noncapital Financing Activities									
Grants received	-	-	367	14	6,986	1,814	(3)	9,178	-
Transfers from other funds	-	7,322	893	-	5	2,911	2,548	13,679	809
Transfers to other funds	(224)	(1,566)	(1,481)	(156)	(47)	(6)	(710)	(4,190)	-
Repayment/(payment) of notes receivable	-	-	-	-	7	-	-	7	-
Repayment of advances from other funds	(507)	-	-	-	-	(55)	(279)	(841)	-
Repayment of advances to other funds	-	-	-	2,795	-	-	-	2,795	-
Net cash flows from noncapital financing activities	(731)	5,756	(221)	2,653	6,951	4,664	1,556	20,628	809
Cash Flows From Capital and Related Financing Activities									
Capital grants received	-	23,492	912	-	-	691	2,273	27,368	-
Acquisition and construction of property and equipment	(447)	(31,860)	(2,060)	(723)	-	(1,069)	(3,720)	(39,879)	(2,485)
Proceeds from sale of property	-	-	-	-	-	-	317	317	234
Proceeds from insurance recoveries	-	-	-	505	-	-	-	505	-
Principal paid on bonded debt	(515)	(4,865)	(1,150)	-	-	-	-	(6,530)	-
Interest paid on bonded debt	(334)	(1,548)	(813)	-	-	-	-	(2,695)	-
Net cash flows from capital and related financing activities	(1,296)	(14,781)	(3,111)	(218)	-	(378)	(1,130)	(20,914)	(2,251)
Cash Flows From Investing Activities									
Interest on investments	47	290	145	92	38	12	7	631	84
Net increase (decrease) in cash and cash equivalents	(47)	(727)	(503)	2,972	(346)	303	1,061	2,713	1,365
Cash and Cash Equivalents, Beginning, as restated	6,747	26,456	12,544	22,832	6,794	4,035	3,090	82,498	23,581
Cash and Cash Equivalents, Ending	\$ 6,700	\$ 25,729	\$ 12,041	\$ 25,804	\$ 6,448	\$ 4,338	\$ 4,151	\$ 85,211	\$ 24,946

(continued)

CITY OF IOWA CITY, IOWA

**STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS**

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds	
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Transit	Other Enterprise Funds		Total
Reconciliation of operating income (loss) to net cash flows from operating activities:									
Operating income (loss)	\$ 744	\$ 3,682	\$ 240	\$ 455	\$ (7,441)	\$ (5,076)	\$ (1,016)	\$ (8,412)	\$ 2,633
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:									
Depreciation expense	787	3,912	2,169	413	128	1,041	1,535	9,985	1,537
Changes in:									
Receivables:									
Accounts and unbilled usage	(167)	58	91	(575)	-	(6)	2	(597)	(1,190)
Due from other governments	-	-	117	1	(1)	(5)	-	112	(7)
Inventories	-	-	3	-	-	3	-	6	(169)
Accounts payable	553	331	20	59	4	(25)	103	1,045	(337)
Accrued liabilities	7	6	6	6	2	30	-	57	232
Employee vested benefits	(4)	8	(2)	(12)	(1)	(5)	(2)	(18)	1
Due to other governments	-	-	(5)	(224)	5	-	-	(224)	-
Deposits	-	-	21	1	(37)	(1)	1	(15)	-
Other post employment benefits asset/obligation	13	11	24	33	6	49	5	141	23
Landfill closure/postclosure liability	-	-	-	288	-	-	-	288	-
Total adjustments	1,189	4,326	2,444	(10)	106	1,081	1,644	10,780	90
Net cash flows from operating activities	<u>\$ 1,933</u>	<u>\$ 8,008</u>	<u>\$ 2,684</u>	<u>\$ 445</u>	<u>\$ (7,335)</u>	<u>\$ (3,995)</u>	<u>\$ 628</u>	<u>\$ 2,368</u>	<u>\$ 2,723</u>
Noncash Investing, Capital, and Financing Activities:									
Contributions of capital assets from government and others	\$ -	\$ 1,107	\$ 247	\$ -	\$ -	\$ 158	\$ 226	\$ 1,738	\$ 23
Contributions of capital assets to government and others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22

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

CITY OF IOWA CITY

**STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES**

June 30, 2013

(amounts expressed in thousands)

	<u>Agency Funds</u>
Assets	
Equity in pooled cash and investments	\$ 145
Total assets	<u>\$ 145</u>
Liabilities	
Accounts payable	\$ 6
Due to agency	139
Total liabilities	<u>\$ 145</u>

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

1. Accounting Policies

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

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

The Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

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

Description of Funds

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

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

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

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its “measurement focus.” The government-wide financial statements and proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Agency funds do not have a measurement focus and use the accrual basis of accounting. Under the accrual method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

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

The City reports the following major governmental funds:

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

The *Transit Fund* is used to account for the operation and maintenance of the public transportation system.

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Uses of Estimates

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

Cash and Investments

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Receivables and Revenue Recognition

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

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

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

Inventories

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. For the City, these are the Transit Fund, Water Fund, and the Equipment Maintenance Fund. Inventories of materials and supplies in the enterprise funds are determined by actual count and priced on the FIFO method.

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, water mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City follows the policy of not requiring capitalization of an asset with an initial, individual cost of less than \$50,000 for infrastructure, \$25,000 for buildings and improvements, and \$5,000 for equipment assets. Such assets are recorded at original purchase cost or at fair value at the date of donation when received as donated properties.

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Bond Premiums and Discounts

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

Compensated Absences

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

Pensions

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

Landfill Closing Costs

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

Budgetary and Legal Appropriation and Amendment Policies

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

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

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

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

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

A budget amendment must be prepared and adopted in the same manner as the original budget. The City's budget was amended as prescribed, and the effects of those amendments are shown in the accompanying budgetary comparison schedule. The original budget was increased by \$88,101,593 in revenues and other financing sources and by \$147,434,594 in expenditures and other financing uses. Appropriations, as adopted or amended, lapse at the end of the fiscal year.

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

Restricted Assets

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

Classification of Fund Balances

Fund balances for the governmental funds are reported in classifications based on the nature of any limitations requiring the use of resources for specific purposes (see Note 9).

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

2. Compliance and Accountability

At June 30, 2013 the Community Development Block Grant Fund reported a deficit balance of \$8,000. The deficit is due to deferred revenue from the Department of Housing and Urban Development (HUD). The City anticipates receiving these funds from HUD.

3. Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance, national credit union administration, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Investments are stated at fair value. In addition, the City had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$16,324,851 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

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

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

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

4. Interfund Balances and Transfers

Interfund balances for the year ended June 30, 2013, consisted of the following:

	Advances from				
General	Community Development Block Grant	Debt Service	Sanitation	Total	
<u>Advances to:</u>					
Community Development Block Grant	\$ 148,113	\$ -	\$ -	\$ -	\$ 148,113
Other Shared Revenue and Grants	-	-	174,769	-	174,769
Housing Authority	-	18,000	-	-	18,000
Transit	-	-	-	141,363	141,363
Nonmajor Enterprise	-	-	-	859,658	859,658
Total	\$ 148,113	\$ 18,000	\$ 174,769	\$ 1,001,021	\$ 1,341,903

Interfund balances at June 30, 2013, include advances due to/from other funds. Advances to/from other funds represent amounts for construction loans, land and negative cash balance funding. \$828,789 of the \$859,658 advances to the Nonmajor Enterprise Funds and \$86,039 of the \$141,362 advance to the Transit Fund are not expected to be repaid within the next year. The \$148,113 of the advance to the Community Development Block Grant Fund is expected to be repaid within the next year. \$162,888 of the \$174,769 advance to the Other Shared Revenue and Grants Fund is not expected to be repaid within the next year. None of the \$18,000 advance to Housing Authority is expected to be repaid within the next year.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Interfund transfers for the year ended June 30, 2013, consisted of the following:

	Transfer from						
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Capital Projects Other Construction	Nonmajor Governmental	Parking
<u>Transfer to:</u>							
General	\$ -	\$ 8,705,258	\$ -	\$ 122,242	\$ 317,623	\$ -	\$ -
Debt service	266,650	-	-	-	19,436	-	-
Other shared revenue and grants	12,758	425,659	-	-	-	-	-
Capital Projects							
Other Construction	1,054,258	-	330,000	2	-	-	45,484
Nonmajor governmental	209,729	-	-	1,008,182	9,169,280	130,762	-
Wastewater treatment	7,116,491	-	-	12,263	138,805	54,636	-
Water	1,983	-	-	-	169,708	232,026	-
Housing Authority	-	-	4,787	-	-	-	-
Transit	2,754,940	-	-	-	-	-	156,267
Nonmajor enterprise	98,813	-	-	-	2,008,203	440,170	-
Internal Service	78,090	-	-	26,800	583,744	-	22,060
Total Transfer to	<u>\$ 11,593,712</u>	<u>\$ 9,130,917</u>	<u>\$ 334,787</u>	<u>\$ 1,169,489</u>	<u>\$ 12,406,799</u>	<u>\$ 857,594</u>	<u>\$ 223,811</u>

(continued)

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

In the fund financial statements, total transfers in and transfers out of \$39,683,000 are less than total transfers of \$40,365,991 because of the treatment of transfers of capital assets to and from the governmental activities capital assets.

During the year, construction in process related to general government with a value of \$22,036 was transferred to governmental activities capital assets from Information Technology. No amounts were reported in the governmental funds, as the amounts did not involve the transfer of financial resources. However, Information Technology did report a disposal for the capital resources given.

Also during the year, a capital asset related to public safety with a value of \$3,160 was transferred from governmental activities capital assets to Equipment. No amounts were reported in the governmental funds, as the amounts did not involve the transfer of financial resources. However, Equipment did report capital contributions for the capital resources received.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Transfer from								
Wastewater Treatment	Water	Sanitation	Housing Authority	Transit	Nonmajor Enterprise	Total Transfer from		
\$ 23,784	\$ 49,812	\$ -	\$ 43,000	\$ -	\$ 66,892	\$ 9,328,611		
-	-	-	-	-	-	286,086		
-	-	-	-	-	-	438,417		
606,414	-	8,836	3,736	6,072	4,620	2,059,422		
711,346	1,406,165	20,020	-	-	429,428	13,084,912		
-	-	-	-	-	-	7,322,195		
224,000	-	56,000	-	-	209,632	893,349		
-	-	-	-	-	-	4,787		
-	-	-	-	-	-	2,911,207		
-	-	-	-	-	-	2,547,186		
-	25,000	70,755	-	-	-	806,449		
<u>\$ 1,565,544</u>	<u>\$ 1,480,977</u>	<u>\$ 155,611</u>	<u>\$ 46,736</u>	<u>\$ 6,072</u>	<u>\$ 710,572</u>	39,682,621		
Transfers from governmental activities capital assets to internal service funds							23,499	
Transfers to governmental activities capital assets from internal service funds							22,036	
Transfers from governmental activities capital assets to enterprise funds							<u>659,871</u>	
							<u>\$ 40,365,991</u>	

During the year, construction in progress related to the installation of citywide video surveillance systems with a value of \$20,338 was transferred from governmental activities capital asset to Information Technology. No amounts were reported in the governmental funds, as the amounts did not involve the transfer of financial resources. However, Information Technology did report capital contributions for the capital resources received.

Also during the year, construction in progress related to construction along 420th Street with a value of \$659,871 was transferred from governmental activities capital asset to Wastewater Treatment. No amounts were reported in the governmental funds, as the amounts did not involve the transfer of financial resources. However, Wastewater Treatment did report capital contributions for the capital resources received.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

5. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning July 1, 2012 (as Restated)	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 22,333,177	\$ 448,224	\$ -	\$ 22,781,401
Construction in progress	12,818,641	13,058,595	2,599,111	23,278,125
Total capital assets, not being depreciated	35,151,818	13,506,819	2,599,111	46,059,526
Capital assets, being depreciated:				
Buildings	51,829,704	1,992,086	40,000	53,781,790
Improvements other than buildings	6,346,047	267,227	-	6,613,274
Machinery and equipment	38,271,825	3,661,920	1,228,735	40,705,010
Infrastructure	111,719,873	2,621,448	-	114,341,321
Total capital assets being depreciated	208,167,449	8,542,681	1,268,735	215,441,395
Less accumulated depreciation for:				
Buildings	16,310,408	2,406,299	-	18,716,707
Improvements other than buildings	2,242,817	250,153	-	2,492,970
Machinery and equipment	24,593,789	3,160,645	1,252,285	26,502,149
Infrastructure	29,078,366	2,479,611	31,139	31,526,838
Total accumulated depreciation	72,225,379	8,296,708	1,283,424	79,238,664
Total capital assets, being depreciated, net	135,942,070	245,973	(14,689)	136,202,731
Governmental activities capital assets, net	\$ 171,093,888	\$ 13,752,792	\$ 2,584,422	\$ 182,262,257

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

	Beginning July 1, 2012 (as Restated)	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2013
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 28,516,095	\$ -	\$ 20,091	\$ 28,496,004
Construction in progress	16,128,436	39,286,700	3,818,292	51,596,844
Total capital assets, not being depreciated	<u>44,644,531</u>	<u>39,286,700</u>	<u>3,838,383</u>	<u>80,092,848</u>
Capital assets, being depreciated:				
Buildings	141,312,033	756,077	192,546	141,875,564
Improvements other than buildings	10,559,851	16,131	-	10,575,982
Machinery and equipment	31,027,767	2,241,488	27,322	33,241,933
Infrastructure	205,637,129	6,175,769	-	211,812,898
Total capital assets being depreciated	<u>388,536,780</u>	<u>9,189,465</u>	<u>219,868</u>	<u>397,506,377</u>
Less accumulated depreciation for:				
Buildings	58,140,040	3,606,058	150,964	61,595,134
Improvements other than buildings	4,445,983	444,267	-	4,890,250
Machinery and equipment	20,284,611	1,439,648	27,322	21,696,937
Infrastructure	67,355,271	4,497,448	-	71,852,719
Total accumulated depreciation	<u>150,225,905</u>	<u>9,987,421</u>	<u>178,286</u>	<u>160,035,040</u>
Total capital assets, being depreciated, net	<u>238,310,875</u>	<u>(797,956)</u>	<u>41,582</u>	<u>237,471,337</u>
Business-type activities capital assets, net	<u>\$ 282,955,406</u>	<u>\$ 38,488,744</u>	<u>\$ 3,879,965</u>	<u>\$ 317,564,185</u>
Depreciation expense was charged to functions as follows:				
Governmental activities:				
Public safety				\$ 951,071
Public works				2,299,439
Culture and recreation				2,039,376
Community and economic development				39,577
General government				262,541
Internal service funds				<u>1,537,172</u>
Total depreciation expense - governmental activities				<u>\$ 7,129,177</u>
Business-type activities:				
Parking				\$ 786,683
Transit				\$ 1,040,925
Wastewater treatment				3,912,369
Water				2,168,711
Sanitation				415,434
Housing authority				128,284
Nonmajor enterprise				<u>1,535,015</u>
Total depreciation expense - business-type activities				<u>\$ 9,987,421</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

6. Long Term Debt

Changes in Debt for Bonds

Bond debt activity for the year ended June 30, 2013, was as follows:

	<u>July 1, 2012</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2013</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 73,825,000	\$ -	\$ 16,465,000	\$ 57,360,000	\$ 10,275,000
Plus: Unamortized					
Premium	400,654	-	71,851	328,803	74,104
Total general obligation bonds	<u>74,225,654</u>	<u>-</u>	<u>16,536,851</u>	<u>57,688,803</u>	<u>10,349,104</u>
Revenue bonds	-	2,655,000	-	2,655,000	-
Less: Unamortized					
Discounts	-	42,480	2,124	40,356	2,124
Total revenue bonds	<u>-</u>	<u>2,612,520</u>	<u>(2,124)</u>	<u>2,614,644</u>	<u>(2,124)</u>
	<u>\$ 74,225,654</u>	<u>\$ 2,612,520</u>	<u>\$ 16,534,727</u>	<u>\$ 60,303,447</u>	<u>\$ 10,346,980</u>
Business-type activities:					
General obligation bonds	\$ 1,495,000	\$ -	\$ 305,000	\$ 1,190,000	\$ 300,000
Less: Unamortized					
Discounts	11,527	-	3,842	7,685	3,842
Total general obligation bonds	<u>1,483,473</u>	<u>-</u>	<u>301,158</u>	<u>1,182,315</u>	<u>296,158</u>
Revenue bonds	68,185,000	-	6,225,000	61,960,000	5,115,000
Plus: Unamortized					
Premium	874,307	-	69,569	804,738	81,221
Total revenue bonds	<u>69,059,307</u>	<u>-</u>	<u>6,294,569</u>	<u>62,764,738</u>	<u>5,196,221</u>
	<u>\$ 70,542,780</u>	<u>\$ -</u>	<u>\$ 6,595,727</u>	<u>\$ 63,947,053</u>	<u>\$ 5,492,379</u>

General Obligation Bonds

Various issues of general obligation bonds totaling \$58,550,000 are outstanding as of June 30, 2013. The bonds have interest rates ranging from 0.5% to 5.6% and mature in varying annual amounts ranging from \$105,000 to \$1,545,000 per issue, with the final maturities due in the year ending June 30, 2022. Interest and principal payments on all general obligation bonds, except tax abated portions recorded in the enterprise funds, are accounted for through the Debt Service Fund.

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

As of June 30, 2013, the City of Iowa City was authorized to issue general obligation bonds totaling \$7,750,000 that had not been issued.

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

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	10,275,000	1,733,030	300,000	44,325
2015	10,135,000	1,429,063	300,000	33,225
2016	9,575,000	1,119,055	295,000	22,125
2017	7,975,000	822,825	295,000	11,062
2018	7,120,000	586,544	-	-
2019-2023	12,280,000	708,356	-	-
Total	\$ 57,360,000	\$ 6,398,873	\$ 1,190,000	\$ 110,737

Revenue Bonds

As of June 30, 2013, the following unmatured revenue bond issues are outstanding:

	Parking	Wastewater Treatment	Water	Taxable Urban Renewal
Original issue amount	\$ 9,110,000	\$ 48,020,000	\$ 21,815,000	\$ 2,655,000
Interest rates	3.0% to 5.0%	3.0% to 5.0%	1.5% to 4.5%	1.0% to 3.9%
Annual maturities	\$ 530,000 to \$ 770,000	\$ 450,000 to \$ 2,205,000	\$ 385,000 to \$ 835,000	\$ 130,000 to \$ 200,000
Amount outstanding	\$ 7,675,000	\$ 35,205,000	\$ 19,080,000	\$ 2,655,000

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	-	75,335	5,115,000	2,376,928
2015	-	75,335	5,290,000	2,206,665
2016	130,000	75,335	5,500,000	2,015,284
2017	130,000	74,035	5,670,000	1,807,671
2018	135,000	72,345	5,900,000	1,588,927
2019-2023	710,000	321,385	27,255,000	4,342,583
2024-2028	800,000	223,125	7,230,000	457,366
2029-2033	750,000	72,740	-	-
Total	\$ 2,655,000	\$ 989,635	\$ 61,960,000	\$ 14,795,424

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

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

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

On November 29, 2012, the City of Iowa City issued taxable urban renewal revenue bonds in the amount of \$2,655,000. The bonds were issued to finance costs of aiding in the planning, undertaking and carrying out of an urban renewal project.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Summary of Bond Issues

General obligation and revenue bonds payable at June 30, 2013, are comprised of the following issues:

	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2013</u>
General Obligation Bonds:					
Multi-Purpose	Mar. 2005	7,020,000	3.0 - 4.0	6/15	\$ 1,610,000
Multi-Purpose	Jun. 2006	6,265,000	3.625 - 4.0	6/16	2,190,000
Multi-Purpose	Jun. 2006	1,000,000	5.5 - 5.6	6/16	365,000
Refunded Water					
Construction (1)	Sep. 2006	3,350,000	3.6 - 3.75	6/17	1,190,000
Multi-Purpose	May 2007	8,870,000	3.75	6/17	3,950,000
Multi-Purpose	June 2008	9,150,000	3.25 - 3.75	6/18	4,960,000
Refunded Multi-Purpose (2)	Oct. 2008	17,005,000	3.0 - 3.75	6/18	7,395,000
Multi-Purpose	June 2009	6,685,000	2.5 - 4.0	6/19	4,220,000
Taxable- Housing Improvements	June 2009	505,000	1.5 - 3.0	6/14	105,000
Refunded Multi-Purpose (3)	June 2009	5,840,000	2.0 - 4.0	6/16	2,640,000
Multi-Purpose	Aug. 2010	7,420,000	2.0 - 2.75	6/20	5,250,000
Multi-Purpose	June 2011	7,925,000	2.0 - 3.625	6/21	6,425,000
Refunded Multi-Purpose and					
Library Construction (4)	June 2011	10,930,000	2.0 - 3.625	6/21	9,635,000
Multi-Purpose	June 2012	9,070,000	2.0 - 2.25	6/22	8,305,000
Taxable-Urban Renewal	June 2012	620,000	0.5 - 0.6	6/14	310,000
Total General Obligation Bonds					<u>\$ 58,550,000</u>
	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2012</u>
Revenue Bonds:					
Refunded Parking Bonds (5)	Nov. 2009	\$ 9,110,000	3.0 - 5.0	7/24	\$ 7,675,000
Refunded Wastewater					
Treatment Bonds (6)	Oct. 2008	24,280,000	3.0 - 5.0	7/22	17,880,000
Refunded Wastewater					
Treatment Bonds (7)	May 2009	8,660,000	3.5 - 5.0	7/25	7,675,000
Refunded Wastewater					
Treatment Bonds (8)	Apr. 2010	15,080,000	3.0 - 4.0	7/20	9,650,000
Refunded Water Bonds (9)	Oct. 2008	7,115,000	3.0 - 4.375	7/24	5,700,000
Refunded Water Bonds (10)	May 2009	9,750,000	4.0 - 4.5	7/25	8,430,000
Refunded Water Bonds (11)	June 2012	4,950,000	1.5 - 2.1	7/22	4,950,000
Taxable Urban Renewal	Nov. 2012	2,655,000	1.0 - 3.9	6/32	2,655,000
Total Revenue Bonds					<u>\$ 64,615,000</u>
					<u>\$ 123,165,000</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

- (1) This bond issue has the general obligation bonds payable shown as a liability on the balance sheet of the Water Fund. Also, this bond issue refunded the November 1997 Water Construction General Obligation Bonds.
- (2) This bond issue refunded the April 1998, March 1999, and July 2000 General Obligation Bonds.
- (3) This bond issue refunded the June 2001 General Obligation Bonds.
- (4) This bond issue refunded the May 2002 General Obligation Bonds.
- (5) This bond issue refunded the December 1999 Parking Revenue Bonds.
- (6) This bond issue refunded the March 1996, May 1997, and January 1999 Wastewater Revenue Bonds.
- (7) This bond issue refunded the October 2000 Wastewater Revenue Bonds.
- (8) This bond issue refunded the December 2001 and April 2002 Wastewater Revenue Bonds.
- (9) This bond issue refunded the May 1999 Water Revenue Bonds.
- (10) This bond issue refunded the December 2000 Water Revenue Bonds.
- (11) This bond issue refunded the October 2002 Water Revenue Bonds.

Conduit Debt Obligations

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

As of June 30, 2013, there were four series of Industrial Development Revenue Bonds, Facility Refunding Revenue Bonds, and Midwest Disaster Area Revenue Bonds outstanding, with an aggregate principal amount payable of \$42,122,114.

Debt Legal Compliance

Legal Debt Margin:

As of June 30, 2013, the general obligation debt issued by the City did not exceed its legal debt limit computed as follows (amounts expressed in thousands):

Assessed valuation:	
Real property	\$ 4,531,989
Utilities	<u>83,538</u>
Total valuation	<u>\$ 4,615,527</u>
Debt limit, 5% of total assessed valuation	\$ 230,776
Debt applicable to debt limit:	
General obligation bonds	<u>58,550</u>
Legal debt margin	<u>\$ 172,226</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

7. Other Long-term Liabilities

Notes Payable

Note Payable activity for the year ended June 30, 2013, was as follows:

	<u>July 1, 2012</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2013</u>	<u>Due Within One Year</u>
Governmental activities:	<u>\$ 211,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,000</u>	<u>\$ -</u>

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

Employee Vested Benefits

Changes in Long-Term Liabilities - Employee Vested benefits

Employee Vested Benefits activity for the year ended June 30, 2013, was as follows:

	<u>July 1, 2012 (Restated)</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2013</u>	<u>Due Within One Year</u>
Governmental activities:	<u>\$ 2,027,799</u>	<u>\$ 1,190,536</u>	<u>\$ 1,107,721</u>	<u>\$ 2,110,614</u>	<u>\$ 1,160,900</u>
Business-type activities:	<u>\$ 763,444</u>	<u>\$ 414,166</u>	<u>\$ 434,910</u>	<u>\$ 742,700</u>	<u>\$ 427,285</u>

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Landfill Closure / Post-Closure Care Costs

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

Landfill Closure Post-closure care activity for the year ended June 30, 2013, was as follows:

	July 1, 2012 (as Restated)	Issues	Retirements	June 30, 2013	Due Within One Year
Business-type activities:	\$ 6,116,618	\$ 288,297	\$	\$ 6,404,915	\$ -

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

The estimated liability for landfill closure and post-closure care costs as of June 30, 2013, is \$6,404,915, which is based on 45.72% usage (filled) of the landfill and is included in accrued liabilities within the Sanitation Fund. It is estimated that an additional amount of approximately \$7,604,085 will be recognized as closure and post-closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity by the year ended June 30, 2025. The estimated total current cost of the landfill closure and post-closure care costs at June 30, 2013, was determined by a licensed professional engineer and approximated at \$14,009,000. It is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2013. These amounts are based on an estimated post-closure care and monitoring period of 30 years, consistent with current State Department of Natural Resources regulations. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City is required by federal and state laws and regulations to provide some form of financial assurance to finance closure and post-closure care. The City will meet its financial assurance obligations through the issuance of general obligation bonds. As of June 30, 2013, the Sanitation Fund had \$15,260,663 in related equity in pooled cash and investments, at fair value designated for satisfaction of closure and post-closure costs. The City estimates that these cash reserves will only provide a fraction of the dollars needed to close and monitor the landfill. The remaining portion of post-closure care costs, anticipated future inflation costs and additional costs that might arise from changes in post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users as well as City taxpayers.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Other Post Employment Benefits

Changes in Long-Term Liabilities - Other Post Employment Benefits

	July 1, 2012 (as Restated)	Net OPEB Obligation Current Year	June 30, 2013
Governmental activities:	\$ 1,883,268	\$ 478,989	\$ 2,362,257
Business-type activities:	\$ 803,530	\$ 139,839	\$ 943,369

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

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

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

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

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

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

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

The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plans, and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 643,988
Interest on net OPEB obligation	94,038
Adjustment to annual required contribution	<u>(89,560)</u>
Annual OPEB costs	648,466
Contributions made	<u>(29,638)</u>
Increase in net OPEB obligation	618,828
Net OPEB obligation beginning of year	<u>2,686,798</u>
Net OPEB obligation end of year	<u>\$3,305,626</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation as of June 30, 2013 are summarized as follows:

<u>Year Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed from City</u>	Net OPEB <u>Obligation</u>
June 30, 2011	\$ 598,776	14.7%	\$2,257,342
June 30, 2012	\$ 600,965	28.5%	\$2,686,798
June 30, 2013	\$ 648,466	4.6%	\$3,305,626

Funded Status and Funding Progress: As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$7,163,715, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,163,715. The covered payroll (annual payroll of active employees covered by the plans) was \$34,992,423 and the ratio of the UAAL to covered payroll was 20.5%. As of June 30, 2013, there were no trust fund assets.

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

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

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

As of the July 1, 2012 actuarial valuation date, the actuarial cost method used is the entry-age normal method. The actuarial assumption includes a 3.5% discount rate and an inflation rate of 3% per annum. The projected annual medical trend rate is 8.5%. The ultimate medical trend rate is 5.0%. The medical trend rate is decreased to 8.0% for year two and then reduced by 0.5% each year until reaching the 5.0% ultimate trend rate. The projected annual dental trend rate is 5.0%. The ultimate dental trend rate is 4%. The dental trend rate is decreased to 4.75% for year two and then reduced by 0.25% each year until reaching the 4% ultimate trend rate.

Mortality rates for active employees are from the RP-2000 Employee Table (Male and Female) Projected to 2013 (Projection Scall AA). For retirees, mortality rates are from the RP-2000 Healthy Annuitant Table (Male and Female) Projected to 2013 (Projection Scale AA). Annual retirement and termination probabilities were developed from the retirement probabilities from the MFPRSI and IPERS pension plan turnover tables, adjusted to be consistent with expected first fiscal year retirements.

Projected claim costs of the health and dental plans are \$821.13 per month. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expenses over 30 years on an open basis.

8. Short Term Debt

Notes Payable activity for the year ended June 30, 2013, was as follows:

	July 1, 2012	Issues	Retirements	June 30, 2013	Due Within One Year
Governmental activities:	\$ 805,000	\$ 976,826	\$ 1,243,826	\$ 538,000	\$ 538,000

During FY13, the City entered into additional multiple short term loans totaling \$976,826 and repaid multiple short term loans totaling \$1,243,826. The outstanding loans mature one year from the date of the loan and bear interest rates ranging from 2% to 3.25%. The loans were used to fund the acquisition and rehabilitation of single family homes as part of the UniverCity Neighborhood Partnership Program (UniverCity). UniverCity is a cooperative effort of the City of Iowa City and the University of Iowa dedicated to ensuring that the University of Iowa Campus and surrounding neighborhoods remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners. The short term loans have been repaid and will be repaid with the proceeds from the sale of the rehabilitated homes.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

The short term loans have been repaid and will be repaid with the proceeds from the sale of the rehabilitated homes.

9. Fund Equity

Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

- The Nonspendable classification contains amounts not in spendable form or legally or contractually required to be maintained intact.
- Restricted amounts contain restraint on their use externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed amounts can only be used for specific purposes imposed by formal action of the government's highest level of decision-making authority. The highest level of decision-making authority is the City Council and it takes a resolution to establish, modify or rescind a fund balance commitment.
- Amounts intended to be used for specific purposes are Assigned. Assignments should not cause deficits in the Unassigned fund balance. The Finance Director has been delegated authority by the City Council through a resolution to assign amounts to be used for specific purposes.
- Unassigned fund balance is the residual classification for the General Fund.

The City would use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Components of Fund Balance

	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Other Construction	Debt Service	Other Governmental Funds	Total
Nonspendable:								
Perpetual Care Principal	\$ 69,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,000
Total Nonspendable	<u>69,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,000</u>
Restricted for:								
Public Safety	630,118	-	-	-	-	-	-	630,118
Local Option Sales Tax	25,006,448	-	-	-	-	-	-	25,006,448
Debt Service	-	-	-	-	-	7,265,326	-	7,265,326
GO Bond Projects	-	-	-	-	8,436,272	-	7,542,654	15,978,926
State Funding	-	-	-	2,913,535	-	-	-	2,913,535
Grant Agreement	-	-	-	-	-	-	-	-
Public Safety Employee Benefits	-	1,791,164	-	-	-	-	-	1,791,164
Other Restricted	52,038	-	-	-	-	-	160,504	212,542
Total Restricted	<u>25,688,604</u>	<u>1,791,164</u>	<u>-</u>	<u>2,913,535</u>	<u>8,436,272</u>	<u>7,265,326</u>	<u>7,703,158</u>	<u>53,798,059</u>
Assigned to:								
Library Programs	647,681	-	-	-	-	-	-	647,681
Senior Center Programs	41,269	-	-	-	-	-	-	41,269
Replacement and Acquisition Reserves	1,021,162	-	-	-	-	-	-	1,021,162
Other Assigned	33,405	-	-	-	-	-	-	33,405
Total Assigned	<u>1,743,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,743,517</u>
Unassigned:								
	<u>17,113,181</u>	<u>-</u>	<u>(7,695)</u>	<u>(280,684)</u>	<u>(4,194,174)</u>	<u>(737,850)</u>	<u>(624,068)</u>	<u>11,268,710</u>
Total Fund Balances	<u>\$ 44,614,302</u>	<u>\$ 1,791,164</u>	<u>\$ (7,695)</u>	<u>\$ 2,632,851</u>	<u>\$ 4,242,098</u>	<u>\$ 6,527,476</u>	<u>\$ 7,079,090</u>	<u>\$ 66,879,286</u>

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; workplace accidents, errors and omissions; and natural disasters. During fiscal year 1988 the City established the Loss Reserve Fund, an internal service fund, to account for and finance its uninsured risks of loss. During the year ended June 30, 2013 the City purchased property, liability, and workers' compensation insurance under the program that provides for a \$100,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$500,000 self-insured retention on workers' compensation losses. The liability insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$21,000,000 annual aggregate of losses paid. Settled claims have not exceeded this commercial coverage in any of the past twenty five fiscal years. The operating funds pay annual premiums to the Loss Reserve Fund. Accumulated monies in the Loss Reserve Fund are available to cover the self-insured retention amounts and any uninsured losses.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

The Housing Authority Fund is insured under a separate policy with the Assisted Housing Risk Management Association. The remaining funds participate in the Loss Reserve Fund. The funds make payments to the Loss Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. The Fund's accrued liabilities balance includes a claims liability at June 30, 2013 based on the requirements of GASB Statement No. 10, as amended, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Loss Reserve

Fund's claims liability amount for property, liability, and workers' compensation for the years ended June 30, 2013 and 2012 are as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2011 – 2012	\$ 700,000	\$ 691,000	\$ 207,000	\$ 1,184,000
2012 – 2013	1,184,000	1,616,000	1,177,000	1,623,000

Also, the City is partially self-insured, through stop-loss insurance, for employee health care coverage, which is available to all of its permanent employees. This insurance provides stop-loss coverage for claims in excess of \$125,000 per employee with an aggregate stop-loss of \$8,406,094. The operating funds are charged premiums by the Loss Reserve Fund. The City reimburses a health insurance provider for actual medical costs incurred, plus a claims processing\administrative fee. Changes in the Loss Reserve Fund's claims liability amount for health care coverage for the years ended June 30, 2013 and 2012 are as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2011 – 2012	\$ 728,000	\$ 6,147,000	\$ 6,159,000	\$ 716,000
2012 – 2013	716,000	5,480,000	5,687,000	509,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

11. Commitments and Contingencies

The total outstanding contractual commitments as of June 30, 2013 are as follows:

<u>Fund</u>	<u>Project</u>	<u>Amount</u>
Bridge, street and traffic control construction	Paving and bridge construction, engineering design and consulting	\$ 7,657,330
Other construction	Public works, culture & recreation, Economic Dev, Fire & Police, construction	1,927,869
Wastewater	South wastewater plant expansion	10,488,259
Sanitation	Landfill cell reconstruction	923,725
Airport	Runway grading and paving	<u>626,171</u>
		<u>\$ 21,623,354</u>

The total significant encumbrances as of June 30, 2013 are as follows:

<u>Fund</u>	<u>Project</u>	<u>Amount</u>
Other Construction	Financial System, library equipment and police equipment	<u>\$ 587,636</u>
		<u>\$ 587,636</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

12. Contingent Liabilities

Litigation

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

13. Pension and Retirement Systems

Municipal Fire and Police Retirement System of Iowa

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

Member contribution rates are established by state statute. For the fiscal year ended June 30, 2013, members contributed 9.40%. The City's contribution rate is based upon an actuarially determined normal contribution rate. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, the total then being divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions. Legislatively appropriated contributions from the state to the plan may further reduce the City's contribution rate. However, the City's contribution rate may not be less than 17% of earnable compensation.

The City was required to contribute 26.12% of earnable compensation of each member in FY 2013, 24.76% of earnable compensation in FY 2012, and 19.9% of earnable compensation in FY 2011. The contributions paid by the City for the years ended June 30, 2011, 2012, and 2013, were \$1,826,791, \$2,232,637, and \$2,428,631.85 respectively, and was equal to the required contributions for each year.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Iowa Public Employees Retirement System

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

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

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

Plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2012, and 2013, were \$1,969,422, \$2,245,326, and \$2,423,438 respectively, and were equal to the required contributions for each year.

14. Additional Revenue Bond Disclosures

Water System

The Water Division is comprised of five parts: Administration, Treatment Plant, Customer Service, Distribution, and Public Information/Education. There are a total of 32.75 (FTE) employees who work in the Water Division. This division serves 70,133 people and has 26,150 customers. The average daily use for fiscal year 2013 was approximately 5.54 million gallons per day (MGD). A peak flow of over 8.6 MGD was experienced during the summer of 2012.

Water Sources: The primary source of water for the City is the alluvial aquifer collector wells along the Iowa River. Four collector wells can provide approximately 10.5 MGD. Additional sources include two Jordan aquifer wells which can provide 2.0 MGD; three Siluran aquifer wells which can provide 1.0 MGD; a sand pit that can provide 1.0 MGD; a river intake that can provide 3.0 MGD; for a total of approximately 17.5 MGD maximum capacity.

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Distribution System: The water flows through approximately 268 miles of water mains and includes over 25,000 service connections. The distribution piping consists of cast iron, ductile and PVC main that ranges in size from 2” to 30”. The treatment plant site has effective water storage capacity of 1.75 million gallons of water; in addition there are four remote ground storage reservoirs (with pumping stations) that add up to remote effective storage capacity of 6.0 million gallons of water. The water system also provides for fire protection with approximately 3,330 public and private hydrants located throughout the community.

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

Rates:

The following rates and charges were effective July 1, 2012.

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

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

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

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

Single Purpose Meter Charges

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

Changes in water rates over the last ten fiscal years:

2004	- 5%
2005	0%
2006	0%
2007	- 5%
2008	0%
2009	0%
2010	0%
2011	0%
2012	0%
2013	0%

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Financial Information: The following table summarizes the results of operations for the Water System for the fiscal years ended June 30, 2013, 2012, and 2011.

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

Last Three Fiscal Years
(amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues:			
Charges for services	\$ 8,583	\$ 8,419	\$ 8,054
Miscellaneous	174	26	42
Total operating revenues	<u>8,757</u>	<u>8,445</u>	<u>8,096</u>
Operating Expenses:			
Personal services	2,633	2,554	2,407
Commodities	1,609	967	929
Services and charges	2,106	2,132	2,128
	<u>6,348</u>	<u>5,653</u>	<u>5,464</u>
Depreciation	2,169	2,275	2,230
Total operating expenses	<u>8,517</u>	<u>7,928</u>	<u>7,694</u>
Operating income	<u>240</u>	<u>517</u>	<u>402</u>
Nonoperating Revenues (Expenses):			
Gain (Loss) on disposal of capital assets	-	(10)	-
Insurance Recoveries	-	-	2
Operating Grants	442	-	-
Interest income	143	204	256
Interest expense	(731)	(964)	(1,032)
Total nonoperating revenues (expenses)	<u>(146)</u>	<u>(770)</u>	<u>(774)</u>
Income before capital contributions and transfers	94	(253)	(372)
Capital contributions	494	1,057	973
Transfers in	893	478	795
Transfers out	<u>(1,481)</u>	<u>(110)</u>	<u>(336)</u>
Change in net assets	-	1,172	1,060
Net Assets, Beginning	<u>63,274</u>	<u>62,102</u>	<u>61,042</u>
Net Assets, Ending	<u>\$ 63,274</u>	<u>\$ 63,274</u>	<u>\$ 62,102</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

The following table summarizes the budget and actual figures for the Water System for the fiscal year ended June 30, 2013 and the budget for the fiscal year ended June 30, 2014 on a cash basis.

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Percentage</u>	<u>FY14 Budget</u>
Charges for services	\$ 8,673	\$ 8,185	105.96%	\$ 8,226
Interest income	144	141	102.13%	148
Miscellaneous	174	39	446.15%	12
Operating grants	1,395	2,284	61.08%	-
Transfers from other funds	355	336	105.65%	-
Bond sales	-	-	0.00%	-
Total Receipts	<u>\$ 10,741</u>	<u>\$ 10,985</u>	<u>97.78%</u>	<u>\$ 8,386</u>
Personal services	\$ 2,714	\$ 2,640	102.80%	\$ 2,690
Commodities	515	645	79.84%	603
Services and charges	2,162	2,096	103.15%	2,009
Capital outlay	2,408	4,448	54.14%	1,244
Transfer to capital project funds	1,406	1,908	73.69%	-
Transfers to other funds	43	-	4300.00%	-
Operating subsidy	24	24	100.00%	-
Debt service payments	7,411	8,216	90.20%	2,329
Total Disbursements	<u>\$ 16,683</u>	<u>\$ 19,977</u>	<u>83.51%</u>	<u>\$ 8,875</u>

The following table summarizes the Water System funds on hand for the fiscal years ended June 30, 2013, 2012, and 2011.

**WATER SYSTEM
FUNDS ON HAND (CASH AND INVESTMENTS)**

Last Three Fiscal Years
(amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Funds	\$ 7,410	\$ 8,284	\$ 9,607
Restricted and Designated Funds	4,631	4,260	4,665
Total Funds on Hand	<u>\$ 12,041</u>	<u>\$ 12,544</u>	<u>\$ 14,272</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Sewer System

The City of Iowa City operates a municipal Sewer Utility System consisting of approximately 295 miles of sanitary sewers, 15 sanitary sewer lift stations, 2 storm water pumping stations, and 2 treatment plants. There are a total of 25.40 (FTE) employees who work in the Wastewater Division. This division serves 70,133 people and has over 24,000 customers. The average daily combined treatment flow for 2013 was 9.84 million gallons per day (MGD).

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

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

Rates:

The following rates and charges were effective July 1, 2012.

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

Changes in sewer rates over the last ten fiscal years:

2004	0%
2005	0%
2006	0%
2007	8%
2008	0%
2009	5%
2010	0%
2011	0%
2012	0%
2013	0%

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Financial Information: The following table summarizes the results of operations for the Sewer System for the fiscal years ended June 30, 2013, 2012, and 2011.

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

Last Three Fiscal Years
(amounts expressed in thousands)

	2013	2012	2011
Operating Revenues:			
Charges for services	\$ 12,832	\$ 12,670	\$ 12,836
Miscellaneous	102	145	63
Total operating revenues	12,934	12,815	12,899
Operating Expenses:			
Personal services	1,938	1,993	1,961
Commodities	854	954	895
Services and charges	2,548	2,716	2,621
	5,340	5,663	5,477
Depreciation	3,912	3,952	4,017
Total operating expenses	9,252	9,615	9,494
Operating income	3,682	3,200	3,405
Nonoperating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	-	(12)	(40)
Operating grants	-	-	-
Interest income	367	360	382
Interest expense	(1,400)	(1,564)	(1,704)
Total nonoperating revenues (expenses)	(1,033)	(1,216)	(1,362)
Income before capital contributions and transfers	2,649	1,984	2,043
Capital contributions	30,841	3,223	2,394
Transfers in	7,322	2,454	1,716
Transfers out	(1,566)	(359)	(171)
Change in net assets	39,246	7,302	5,982
Net Assets, Beginning	92,032	84,730	78,748
Net Assets, Ending	\$ 131,278	\$ 92,032	\$ 84,730

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

The following table summarizes the budget and actual figures for the Sewer System for the fiscal year ended June 30, 2013 and the budget for the fiscal year ended June 30, 2014 on a cash basis.

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	Actual	Budget	Percentage	FY14 Budget
Charges for services	\$ 12,890	\$ 12,759	101.03%	\$ 12,549
Interest income	291	301	96.68%	276
Miscellaneous	103	57	180.70%	170
Capital grants	23,493	12,808	183.42%	15,051
Local option sales tax	7,116	12,116	58.73%	-
Bond sales	-	-	0.00%	7,000
Total Receipts	<u>\$ 43,893</u>	<u>\$ 38,041</u>	<u>115.38%</u>	<u>\$ 35,046</u>
Personal services	\$ 2,250	\$ 2,374	94.78%	\$ 2,295
Commodities	580	659	72.11%	683
Services and charges	3,146	4,363	88.01%	2,492
Capital outlay	30,665	26,576	115.39%	26,535
Transfer to capital project funds	1,542	1,573	98.03%	-
Operating subsidy	24	24	100.00%	-
Debt service payments	6,412	6,412	100.00%	4,724
Total Disbursements	<u>\$ 44,619</u>	<u>\$ 41,981</u>	<u>106.28%</u>	<u>\$ 36,729</u>

The following table summarizes the Sewer System funds on hand for the fiscal years ended June 30, 2013, 2012, and 2011.

**SEWER SYSTEM
FUNDS ON HAND (CASH AND INVESTMENTS)**

Last Three Fiscal Years
(amounts expressed in thousands)

	2013	2012	2011
Operating Funds	\$ 15,655	\$ 14,551	\$ 12,882
Restricted and Designated Funds	10,074	11,905	12,002
Total Funds on Hand	<u>\$ 25,729</u>	<u>\$ 26,456</u>	<u>\$ 24,884</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Parking System

The Parking System currently consists of approximately 4,084 parking spaces located at various parking facilities in the central business district of the City. The Parking Division of the Iowa City Transportation Services Department oversees the operation of parking garages, parking lots, and on-street (metered) parking. Parking Services enforces parking regulation in the central business district, while the Police Department enforces parking regulations in residential areas. Recognizing that there is a high demand for parking in downtown Iowa City, Parking Services promotes turnover of on-street metered parking spaces in the core of the downtown. Customers with longer-term needs are encouraged to use the garages or on streets in outlying areas. There are a total of 29.25 (FTE) employees who work in the Parking Division.

Parking System Utilization, Demand and Other Considerations: The City tracks Parking System utilization by the hour in each of the cashiered facilities. During peak hours, the occupancy rate regularly runs between 85% to 99% depending on the time of year and the time of day. Peak hours for the Parking System are 10:00 am through 3:00pm with high occupancy rates regularly maintained through 5:30 pm daily.

In addition to hourly parking, the Parking System offers monthly permit parking. The Parking System currently has 1,449 permit holders. The largest customer for the monthly permit parking is the University of Iowa with 615 permits. There are currently over 623 people on the Parking System's waiting lists for monthly permit parking.

In addition to monthly and permit parking, the Parking System has parking space contracts with the Sheraton Hotel in the amount of \$8,000.00 per month and with the Hotel Vetro in the amount of \$2,000.00 per month.

The City regularly evaluates parking demand. As development has continued to move south of Burlington Street and the central business district, the need for additional spaces in this area has increased. The Applied Real Estate Analysis ("AREA"), in conjunction with Desman Associates, estimates that there is demand for 600 additional parking spaces in downtown Iowa City. The underlying economic growth and employment base of the City continues to contribute to increased demand.

Parking System Rates and Charges: Rates for the Parking System are set by the City Council. Parking System rates are reviewed annually. The rates vary by facility and the hourly and monthly rates and charges as approved by the City Council are listed below by facility. These rates include the most recent hourly rate adjustments that were approved by the City Council on March 21, 2006 and became effective July 1, 2006 and the proposed monthly permit rate adjustments that were approved by the City Council on June 2, 2009 and became effective July 1, 2009.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Parking Facilities: The Parking System consists of 3 cashiered garages and 1 unattended garage, as well as, various parking lots and on-street metered parking in the Central Business District. The City completes regular visual inspections of the parking garages to evaluate their current appearance and general condition. The garages are visually inspected for the condition of the main structural elements (columns, girders, beams), parking decks, expansion and control joints, and their coating systems. Based on the most recent inspections, all of the Parking System's facilities are in excellent/good condition. All garages will continue to receive routine inspections and maintenance. A description of each parking facility, their locations, access, the number of spaces, monthly permits, and current rates are as follows:

Capitol Street Garage

Constructed	1980	
Address	220 S. Capitol Street	
Description	Located on a parcel confined by Burlington Street to the south, Capitol Street to the west, Clinton Street to the east and the Old Capitol Town Center to the north.	
Access	This is a cashiered facility with two entry lanes off of Clinton Street; two entry lanes off of Capitol Street; and four exit lanes onto Capitol Street.	
Spaces	875	
Monthly Permits	235	
Rates	Hourly	\$0.75 per hour
	Monthly	\$80.00 per month

Changes in Capitol Street Garage rates over the last ten fiscal years:

	Hourly	Monthly
2004	0%	17%
2005	0%	0%
2006	0%	0%
2007	25%	7%
2008	0%	0%
2009	0%	0%
2010	0%	7%
2011	0%	0%
2012	0%	0%
2013	0%	0%

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Dubuque Street Garage

Constructed	1980	
Address	220 S. Dubuque Street	
Description	Located on a parcel confined by Burlington Street to the south, Dubuque Street to the west, Linn Street to the east and the Sheraton Hotel to the north.	
Access	This is a cashiered facility with two entry lanes off of Dubuque Street; one entry lanes off of Linn Street; and two exit lanes onto Dubuque Street.	
Spaces	625	
Monthly Permits	325	
Rates	Hourly	\$0.75 per hour
	Monthly	\$80.00 per month

Changes in Dubuque Street Garage rates over the last ten fiscal years:

	Hourly	Monthly
2004	0%	20%
2005	0%	0%
2006	0%	0%
2007	25%	8%
2008	0%	0%
2009	0%	0%
2010	0%	23%
2011	0%	0%
2012	0%	0%
2013	0%	0%

Chauncey Swan Garage

Constructed	1993	
Address	415 E. Washington Street	
Description	Located on a parcel confined by College Street to the south, Van Buren Street to the east, Gilbert Street to the west and Washington Street to the north.	
Access	This is an automated facility with one entry/exit lane off of College Street; one entry/ exit lane off of Washington Street; and one entry/exit lane through the Recreation Center parking lot onto Burlington Street.	
Spaces	475	
Monthly Permits	400	
Rates	Hourly	\$0.60 per hour
	Monthly	\$80.00 per month

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Changes in Chauncey Swan Garage rates over the last ten fiscal years:

	Hourly	Monthly
2004	0%	22%
2005	0%	0%
2006	0%	0%
2007	20%	9%
2008	0%	0%
2009	0%	0%
2010	0%	17%
2011	0%	14%
2012	0%	0%
2013	0%	0%

Tower Place Garage

Constructed	2001	
Address	335 E. Iowa Avenue	
Description	Located on a parcel confined by Iowa City Senior Center to the south, Gilbert Street to the east, Linn Street to the west and Iowa Avenue to the north.	
Access	This is a cashiered facility with two entry lanes off of Iowa Avenue; three exit lanes onto Iowa Avenue; and secured permit-only entry and exit off of Gilbert Street.	
Spaces	510	
Monthly Permits	315	
Rates	Hourly	\$0.75 per hour
	Monthly	\$80.00 per month

Changes in Tower Place Garage rates over the last ten fiscal years:

	Hourly	Monthly
2004	0%	17%
2005	0%	0%
2006	0%	0%
2007	25%	7%
2008	0%	0%
2009	0%	0%
2010	0%	7%
2011	0%	0%
2012	0%	0%
2013	0%	0%

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

On-Street Parking Meters: The City operates short-term meters (1-2 hours) concentrated in the core of the downtown. These meters are intended for shopper's use. Each parking meter dial states the maximum time. Longer term meters become more common away from the core downtown area.

Meters	1,175	
Rates	Hourly	\$0.50 - \$0.75 per hour based on proximity to the central business district and usage.

Parking Lots: The City operates seven parking lots in the Central Business District. They consist of a mix of permit spaces and metered spaces.

Spaces	430	
Monthly Permits	204	
Rates	Hourly	\$0.50 - \$0.75 per hour based on proximity to the central business district and usage.
	Monthly	\$60.00 per month

Moped Parking: FY12 saw the implementation of a parking permit program for mopeds, scooters, and motorcycles. Spaces were designated throughout the Central Business District to accommodate the use of mopeds and scooters while also removing them from parking in bicycle racks.

Spaces	148	
Annual Permits	625	
Rates	Annual	\$45.00 per year

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Financial Information: The following table summarizes the results of operations for the Parking System for the fiscal years ended June 30, 2013, 2012, and 2011.

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

Last Three Fiscal Years
(amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating Revenues:			
Charges for services	\$ 5,043	\$ 4,743	\$ 5,234
Miscellaneous	37	162	104
Total operating revenues	<u>5,080</u>	<u>4,905</u>	<u>5,338</u>
Operating Expenses:			
Personal services	1,718	1,733	1,662
Commodities	630	107	75
Services and charges	<u>1,201</u>	<u>1,194</u>	<u>1,183</u>
	3,549	3,034	2,920
Depreciation	<u>787</u>	<u>815</u>	<u>908</u>
Total operating expenses	<u>4,336</u>	<u>3,849</u>	<u>3,828</u>
Operating income	<u>744</u>	<u>1,056</u>	<u>1,510</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	-	(10)	-
Operating grants	-	-	-
Interest income	42	40	51
Interest expense	<u>(324)</u>	<u>(366)</u>	<u>(408)</u>
Total nonoperating revenues (expenses)	<u>(282)</u>	<u>(336)</u>	<u>(357)</u>
Income before capital contributions and transfers	462	720	1,153
Capital contributions	-	4	269
Transfers in	-	-	-
Transfers out	<u>(224)</u>	<u>(16)</u>	<u>-</u>
Change in net assets	238	708	1,422
Net Assets, Beginning	<u>16,722</u>	<u>16,014</u>	<u>14,592</u>
Net Assets, Ending	<u>\$ 16,960</u>	<u>\$ 16,722</u>	<u>\$ 16,014</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

The following table summarizes the budget and actual figures for the Parking System for the fiscal year ended June 30, 2013 and the budget for the fiscal year ended June 30, 2014 on a cash basis.

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	Actual	Budget	Percentage	FY14 Budget
Charges for services	\$ 4,623	\$ 4,500	102.73%	\$ 4,632
Interest income	47	42	111.90%	39
Miscellaneous	290	322	90.06%	50
Operating grants	-	-	0.00%	-
Transfers from Other Funds	-	24	0.00%	-
Bond sales	-	-	0.00%	-
Total Receipts	<u>\$ 4,960</u>	<u>\$ 4,888</u>	<u>101.47%</u>	<u>\$ 4,721</u>
Personal services	\$ 1,697	\$ 1,881	90.22%	\$ 1,755
Commodities	62	134	101.09%	107
Services and charges	1,210	1,197	46.27%	1,270
Capital outlay	647	1,506	42.96%	900
Transfer to capital project funds	45	45	0.00%	-
Interfund Loan Repayment	507	589	86.08%	-
Debt service payments	839	839	100.00%	838
Total Disbursements	<u>\$ 5,007</u>	<u>\$ 6,191</u>	<u>80.88%</u>	<u>\$ 4,870</u>

The following table summarizes the Parking System funds on hand for the fiscal years ended June 30, 2013, 2012, and 2011.

**PARKING SYSTEM
FUNDS ON HAND (CASH AND INVESTMENTS)**

Last Three Fiscal Years
(amounts expressed in thousands)

	2013	2012	2011
Operating Funds	\$ 5,032	\$ 5,218	\$ 5,928
Restricted and Designated Funds	1,668	1,528	1,521
Total Funds on Hand	<u>\$ 6,700</u>	<u>\$ 6,746</u>	<u>\$ 7,449</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

15. Restatement of Beginning Balances

The restatement of fund balances and net assets/net position were due to the following:

The Mass Transportation Fund, which was previously recorded in the General Fund, was reclassified as an Enterprise Fund. This eliminated approximately \$966,000 from the Employee Benefits tax levy asking, annually. Prior to FY03 the Transit Enterprise Fund continually required funding assistance from the General Fund. In FY03, Transit Operations were transferred to the General Fund to allow the Transit employees benefits to be paid by the Employee Benefit Levy. The Employee Benefit Levy can only be utilized on General Fund and Road Use Tax Fund employee benefits per Iowa Code. In FY06, the Court Street Transportation Center was built and the operating revenues were assigned to Transit per federal grants. Since FY08, the Transit operations in the General Fund have provided surplus revenue for Transit.

Restatements of fund balances, net assets/net position previously reported are as follows:

(Amounts in thousands)

Fund	Fund Balances/Net Assets/Net Position, Ending June 30, 2012 as Previously Reported	Effect of Reclassification of Mass Transportation Fund	Fund Balances/Net Assets/Net Position, Ending June 30, 2012 as Restated
General	\$ 43,557	\$ (3,609)	\$ 39,948
Capital Projects - Other Construction	\$ 20,883	\$ (37)	\$ 20,846
Governmental Activities	\$ 209,925	\$ (20,695)	\$ 189,230
Transit	\$ -	\$ 20,695	\$ 20,695
Business-type Activities	\$ 274,099	\$ 20,695	\$ 294,794

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

16. Correction of an error

A prior period adjustment was required in the Sanitation fund. This adjustment was due to the capacity used in calculating the expense and related liability for future closure and post-closure care costs for the landfill. The figure that had been used in the calculation was the tonnage of the developed cells versus the total capacity tonnage of the landfill.

Restatement of net position/net assets previously reported are as follows:

(Amounts in thousands)

<u>Fund</u>	<u>Net Position/Net Assets, Ending June 30, 2012 as Previously Reported</u>	<u>Effect of Prior Period Adjustment</u>	<u>Net Position/Net Assets, Ending June 30, 2012 as Restated</u>
Sanitation	<u>\$ 25,545</u>	<u>\$ 6,467</u>	<u>\$ 32,012</u>
Business-type Activities After Effect of Reclassification of Mass Transportation Fund	<u>\$ 294,794</u>	<u>\$ 6,467</u>	<u>\$ 301,261</u>

17. Subsequent events

On July 16, 2013, the City of Iowa City issued General Obligation Bonds, Series 2013A & 2013B, in the amounts of \$7,230,000 and \$520,000 respectively. The bonds were issued to finance costs of acquisitions, construction, improvements and installation of capital improvement projects.

18. New Governmental Accounting Standards Board (GASB) Standards

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

Statement No. 65, Items Previously Reported as Assets and Liabilities, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2013

Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, issued March 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25, issued June 2012, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans.

Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, issued June 2012, will be effective for the fiscal year ending June 30, 2015. The objective of this Statement is to improve information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Statement No. 69, Government Combinations and Disposals of Government Operations, issued January 2013, will be effective for the fiscal year ending June 30, 2015. The objective of this statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this Statement to refer to a variety of arrangements including mergers and acquisitions.

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, issued April 2013, will be effective for the fiscal year ending June 30, 2014. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions.

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

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

For the Year Ended June 30, 2013
(dollar amounts expressed in thousands)

	Governmental Fund Types Actual Budgetary Basis	Enterprise Fund Types Actual Budgetary Basis	Total Actual Budgetary Basis
Revenues:			
Property taxes	\$ 50,416	\$ -	\$ 50,416
Delinquent property taxes	3	-	3
Tax increment financing taxes	376	-	376
Other city taxes	11,217	-	11,217
Licenses and permits	1,777	7	1,784
Intergovernmental	19,033	36,641	55,674
Charges for services	3,826	37,026	40,852
Use of money and property	827	1,178	2,005
Miscellaneous	4,058	1,649	5,707
Total revenues	91,533	76,501	168,034
Expenditures/Expenses:			
Public safety	20,256	-	20,256
Public works	6,732	-	6,732
Health and social services	293	-	293
Culture and recreation	12,171	-	12,171
Community and economic development	10,158	-	10,158
General government	7,078	-	7,078
Debt service	19,170	-	19,170
Capital outlay	21,665	-	21,665
Business-type	-	89,618	89,618
Total expenditures/expenses	97,523	89,618	187,141
Excess (deficiency) of revenues over (under) expenditures/expenses	(5,990)	(13,117)	(19,107)
Other financing sources and uses, net	(4,792)	10,426	5,634
Net change in fund balances	(10,782)	(2,691)	(13,473)
Balances, beginning of year	76,966	86,975	163,941
Balances, end of year	66,184	84,284	150,468

See Note to Required Supplementary Information.

Budgeted Amounts

Original	Final	Final to Actual Variance - Positive (Negative)
\$ 50,407	\$ 50,407	\$ 9
-	-	3
507	507	(131)
11,032	11,107	110
1,440	1,440	344
38,627	73,396	(17,722)
41,067	40,549	303
1,535	2,050	(45)
3,772	5,285	422
148,387	184,741	(16,707)
21,450	21,579	1,323
7,718	7,763	1,031
291	293	-
12,685	13,032	861
7,218	15,388	5,230
7,619	7,544	466
20,226	20,326	1,156
25,724	84,671	63,006
67,004	98,683	9,065
169,935	269,279	82,138
(21,548)	(84,538)	65,431
11,946	15,603	(9,969)
(9,602)	(68,935)	55,462
107,619	163,941	
98,017	95,006	

CITY OF IOWA CITY

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

For the Year Ended June 30, 2013
(dollar amounts expressed in thousands)

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 91,533	\$ 1,582	\$ 93,115
Expenditures	97,523	(3,202)	94,321
Net	(5,990)	4,784	(1,206)
Other financing sources (uses)	(4,792)	(1,521)	(6,313)
Beginning Fund Balances	\$ 76,966	\$ (2,568)	\$ 74,398
Ending Fund Balances	\$ 66,184	\$ 695	\$ 66,879

	Enterprise Fund Types		
	Budget Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 76,501	\$ (26,330)	\$ 50,171
Expenditures	89,618	(39,273)	50,345
Net	(13,117)	12,943	(174)
Other financing sources (uses)	10,426	33,974	44,400
Beginning Fund Balances	86,975	\$ 204,480	291,455
Ending Fund Balances	\$ 84,284	\$ 251,397	\$ 335,681

See Note to Required Supplementary Information.

City of Iowa City, Iowa
Note to Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2013

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

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

During the year, budget amendments increased budgeted revenues by \$36,354,000 and expenditures by \$99,344,000. The budget amendments were primarily due to changes in the breadth and timing of capital improvement projects, which the City budgets in full during the initial year of the projects and amends future year budgets for carryover. Additional amendments are related to flood recovery and mitigation costs and the associated grants from flooding in the summer of 2008.

City of Iowa City, Iowa
Note to Required Supplementary Information – Schedule of Funding Progress for Health and
Dental Plans
For the Year Ended June 30, 2013

Actuarial Valuation Date	Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
July 1, 2008	June 30, 2009	\$ -	\$ 15,235,196	\$ 15,235,196	0.00%	\$ 29,842,842	51.1%
July 1, 2010	June 30, 2011	\$ -	\$ 6,893,438	\$ 6,893,438	0.00%	\$ 31,505,702	21.9%
July 1, 2012	June 30, 2013	\$ -	\$ 7,163,715	\$ 7,163,715	0.00%	\$ 34,992,423	20.5%

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

Metropolitan Planning Organization of Johnson County (formerly Johnson County Council of Governments) Fund – accounts for the financial activities of the metropolitan/rural cooperative planning organization.

CAPITAL PROJECT FUND

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

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

CITY OF IOWA CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013
(amounts expressed in thousands)

	Special Revenue		Capital Projects	Total
	Economic Development	Metropolitan Planning Organization of Johnson County	Bridge, Street, and Traffic Control Construction	
Assets				
Equity in pooled cash and investments	\$ 267	\$ 142	\$ 7,717	\$ 8,126
Receivables:				
Property tax	277	-	-	277
Due from other governments	-	45	3,207	3,252
Assets held for resale	-	-	165	165
Restricted assets:				
Equity in pooled cash and investments	-	-	1	1
 Total assets	 \$ 544	 \$ 187	 \$ 11,090	 \$ 11,821
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 265	\$ 2	\$ 389	\$ 656
Contracts payable	-	-	1,757	1,757
Accrued liabilities	-	10	9	19
Deferred revenue	275	45	1,989	2,309
Liabilities payable from restricted assets:				
Deposits	-	-	1	1
 Total liabilities	 540	 57	 4,145	 4,742
Fund balances:				
Restricted	30	130	7,542	7,702
Unassigned	(26)	-	(597)	(623)
 Total fund balances	 4	 130	 6,945	 7,079
 Total liabilities and fund balances	 \$ 544	 \$ 187	 \$ 11,090	 \$ 11,821

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	Special Revenue		Capital Projects	
	Economic Development	Metropolitan Planning Organization of Johnson County	Bridge, Street, and Traffic Control Construction	Total
Revenues				
Property taxes	\$ 656	\$ -	\$ 288	\$ 944
Intergovernmental	-	252	1,861	2,113
Charges for services	-	-	57	57
Use of money and property	-	-	10	10
Miscellaneous	32	14	3	49
Total revenues	688	266	2,219	3,173
Expenditures				
Current:				
Public works	-	-	1,509	1,509
Community and economic development	547	638	-	1,185
Capital outlay	-	-	5,437	5,437
Total expenditures	547	638	6,946	8,131
Excess (deficiency) of revenues over (under) expenditures	141	(372)	(4,727)	(4,958)
Other Financing Sources (Uses)				
Transfers in	36	327	12,722	13,085
Transfers out	(94)	-	(763)	(857)
Total other financing sources and (uses)	(58)	327	11,959	12,228
Net change in fund balances	83	(45)	7,232	7,270
Fund Balances, Beginning	(79)	175	(287)	(191)
Fund Balances, Ending	\$ 4	\$ 130	\$ 6,945	\$ 7,079



NONMAJOR ENTERPRISE FUNDS

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

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

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

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

CITY OF IOWA CITY, IOWA

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

June 30, 2013

(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 570	\$ 1,763	\$ 1,593	\$ 3,926
Receivables:				
Accounts and unbilled usage	-	100	181	281
Interest	-	1	2	3
Due from other governments	777	14	-	791
Total current assets	<u>1,347</u>	<u>1,878</u>	<u>1,776</u>	<u>5,001</u>
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and investments	109	-	116	225
Other post employment benefits asset	7	-	-	7
Capital assets:				
Land	7,244	2,167	-	9,411
Buildings	4,930	-	731	5,661
Improvements other than buildings	357	-	-	357
Machinery and equipment	281	259	110	650
Infrastructure	12,460	38,379	-	50,839
Accumulated depreciation	(5,018)	(9,895)	(386)	(15,299)
Construction in progress	4,153	1,865	-	6,018
Total noncurrent assets	<u>24,523</u>	<u>32,775</u>	<u>571</u>	<u>57,869</u>
Total assets	<u>25,870</u>	<u>34,653</u>	<u>2,347</u>	<u>62,870</u>
Liabilities				
Current liabilities:				
Accounts payable	96	21	117	234
Contracts payable	778	47	-	825
Accrued liabilities	1	3	10	14
Employee vested benefits	2	-	17	19
Total current liabilities	<u>877</u>	<u>71</u>	<u>144</u>	<u>1,092</u>
Noncurrent liabilities:				
Liabilities payable from restricted assets:				
Deposits	9	-	-	9
Advances from other funds	860	-	-	860
Employee vested benefits	2	-	13	15
Other post employment benefits obligation	-	6	10	16
Total noncurrent liabilities	<u>871</u>	<u>6</u>	<u>23</u>	<u>900</u>
Total liabilities	<u>1,748</u>	<u>77</u>	<u>167</u>	<u>1,992</u>
Net Position				
Net investment in capital assets	24,407	32,775	455	57,637
Restricted for future improvements	100	-	-	100
Unrestricted	(385)	1,801	1,725	3,141
Total net position	<u>\$ 24,122</u>	<u>\$ 34,576</u>	<u>\$ 2,180</u>	<u>\$ 60,878</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
Operating Revenues:				
Charges for services	\$ 314	\$ 974	\$ 816	\$ 2,104
Miscellaneous	-	1	-	1
Total operating revenues	<u>314</u>	<u>975</u>	<u>816</u>	<u>2,105</u>
Operating Expenses:				
Personal services	67	200	522	789
Commodities	25	177	9	211
Services and charges	246	201	139	586
	<u>338</u>	<u>578</u>	<u>670</u>	<u>1,586</u>
Depreciation	757	744	34	1,535
Total operating expenses	<u>1,095</u>	<u>1,322</u>	<u>704</u>	<u>3,121</u>
Operating income (loss)	<u>(781)</u>	<u>(347)</u>	<u>112</u>	<u>(1,016)</u>
Nonoperating Revenues (Expenses):				
Gain (loss) on disposal of capital assets	293	-	-	293
Operating grants	11	13	-	24
Interest income	-	1	3	4
Total nonoperating revenues (expenses)	<u>304</u>	<u>14</u>	<u>3</u>	<u>321</u>
Income (loss) before capital contributions and transfers	(477)	(333)	115	(695)
Capital contributions	2,452	226	-	2,678
Transfers in	465	2,083	-	2,548
Transfers out	(57)	(598)	(55)	(710)
Change in net position	2,383	1,378	60	3,821
Net Position, Beginning, as restated	<u>21,739</u>	<u>33,198</u>	<u>2,120</u>	<u>57,057</u>
Net Position, Ending	<u>\$ 24,122</u>	<u>\$ 34,576</u>	<u>\$ 2,180</u>	<u>\$ 60,878</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	<u>Airport</u>	<u>Stormwater</u>	<u>Cable Television</u>	<u>Total</u>
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 315	\$ 971	\$ 822	\$ 2,108
Payments to suppliers	(180)	(369)	(145)	(694)
Payments to employees	(66)	(202)	(518)	(786)
Net cash flows from operating activities	<u>69</u>	<u>400</u>	<u>159</u>	<u>628</u>
Cash Flows From Noncapital Financing Activities				
Operating grants received	(2)	(1)	-	(3)
Transfers from other funds	465	2,083	-	2,548
Transfers to other funds	(57)	(598)	(55)	(710)
Repayment of advances from other funds	(279)	-	-	(279)
Net cash flows from noncapital financing activities	<u>127</u>	<u>1,484</u>	<u>(55)</u>	<u>1,556</u>
Cash Flows From Capital and Related Financing Activities				
Capital grants received	2,273	-	-	2,273
Acquisition and construction of property and equipment	(2,855)	(865)	-	(3,720)
Proceeds from sale of property	313	-	4	317
Net cash flows from capital and related financing activities	<u>(269)</u>	<u>(865)</u>	<u>4</u>	<u>(1,130)</u>
Cash Flows From Investing Activities				
Interest on investments	<u>2</u>	<u>1</u>	<u>4</u>	<u>7</u>
Net increase (decrease) in cash and cash equivalents	(71)	1,020	112	1,061
Cash and Cash Equivalents, Beginning	<u>750</u>	<u>743</u>	<u>1,597</u>	<u>3,090</u>
Cash and Cash Equivalents, Ending	<u>\$ 679</u>	<u>\$ 1,763</u>	<u>\$ 1,709</u>	<u>\$ 4,151</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ (781)	\$ (347)	\$ 112	\$ (1,016)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	757	744	34	1,535
Changes in:				
Receivables:				
Accounts and unbilled usage	-	(4)	6	2
Accounts payable	91	9	3	103
Accrued liabilities	-	(1)	1	-
Employee vested benefits	-	(2)	-	(2)
Deposits	1	-	-	1
Other post employment benefits asset/obligation	1	1	3	5
Total adjustments	<u>850</u>	<u>747</u>	<u>47</u>	<u>1,644</u>
Net cash flows from operating activities	<u>\$ 69</u>	<u>\$ 400</u>	<u>\$ 159</u>	<u>\$ 628</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets from government and others	\$ -	\$ 226	\$ -	\$ 226

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF IOWA CITY

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

June 30, 2013

(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 8,839	\$ 762	\$ 12,503	\$ 2,842	\$ 24,946
Receivables:					
Accounts and unbilled usage	-	-	1,190	-	1,190
Interest	8	1	11	3	23
Due from other governments	100	-	-	1	101
Inventories	659	-	-	-	659
Total current assets	<u>9,606</u>	<u>763</u>	<u>13,704</u>	<u>2,846</u>	<u>26,919</u>
Noncurrent assets:					
Other post employment benefits asset	-	-	24	-	24
Capital assets:					
Land	45	-	-	-	45
Buildings	578	-	-	243	821
Improvements other than buildings	50	-	-	-	50
Machinery and equipment	15,041	214	24	1,939	17,218
Infrastructure	-	31	-	1,577	1,608
Accumulated depreciation	(10,129)	(199)	(14)	(2,220)	(12,562)
Construction in progress	99	420	-	-	519
Total noncurrent assets	<u>5,684</u>	<u>466</u>	<u>34</u>	<u>1,539</u>	<u>7,723</u>
Total assets	<u>15,290</u>	<u>1,229</u>	<u>13,738</u>	<u>4,385</u>	<u>34,642</u>
Liabilities					
Current liabilities:					
Accounts payable	451	1	155	26	633
Accrued liabilities	15	1	2,135	19	2,170
Employee vested benefits	31	1	3	28	63
Total current liabilities	<u>497</u>	<u>3</u>	<u>2,293</u>	<u>73</u>	<u>2,866</u>
Noncurrent liabilities:					
Employee vested benefits	24	1	3	23	51
Other post employment benefits obligation	6	4	-	65	75
Total noncurrent liabilities	<u>30</u>	<u>5</u>	<u>3</u>	<u>88</u>	<u>126</u>
Total liabilities	<u>527</u>	<u>8</u>	<u>2,296</u>	<u>161</u>	<u>2,992</u>
Net Position					
Net investment in capital assets	5,684	466	10	1,539	7,699
Unrestricted	9,079	755	11,432	2,685	23,951
Total net position	<u>\$ 14,763</u>	<u>\$ 1,221</u>	<u>\$ 11,442</u>	<u>\$ 4,224</u>	<u>\$ 31,650</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Operating Revenues:					
Charges for services	\$ 5,563	\$ 232	\$ 10,390	\$ 1,839	\$ 18,024
Miscellaneous	7	-	3	4	14
Total operating revenues	<u>5,570</u>	<u>232</u>	<u>10,393</u>	<u>1,843</u>	<u>18,038</u>
Operating Expenses:					
Personal services	869	30	255	958	2,112
Commodities	2,392	2	188	147	2,729
Services and charges	361	172	7,978	516	9,027
	<u>3,622</u>	<u>204</u>	<u>8,421</u>	<u>1,621</u>	<u>13,868</u>
Depreciation	1,244	25	3	265	1,537
Total operating expenses	<u>4,866</u>	<u>229</u>	<u>8,424</u>	<u>1,886</u>	<u>15,405</u>
Operating income (loss)	<u>704</u>	<u>3</u>	<u>1,969</u>	<u>(43)</u>	<u>2,633</u>
Nonoperating Revenues (Expenses):					
Gain (loss) on disposal of capital assets	237	-	-	(22)	215
Operating grants	-	-	-	1	1
Interest income	21	2	28	8	59
Total nonoperating revenues (expenses)	<u>258</u>	<u>2</u>	<u>28</u>	<u>(13)</u>	<u>275</u>
Income (loss) before capital contributions and transfers	962	5	1,997	(56)	2,908
Capital contributions	3	-	-	20	23
Transfers in	223	420	-	163	806
Change in net position	1,188	425	1,997	127	3,737
Net Position, Beginning	<u>13,575</u>	<u>796</u>	<u>9,445</u>	<u>4,097</u>	<u>27,913</u>
Net Position, Ending	<u>\$ 14,763</u>	<u>\$ 1,221</u>	<u>\$ 11,442</u>	<u>\$ 4,224</u>	<u>\$ 31,650</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 5,563	\$ 232	\$ 9,203	\$ 1,843	\$ 16,841
Payments to suppliers	(2,711)	(173)	(8,698)	(680)	(12,262)
Payments to employees	(865)	(28)	(25)	(938)	(1,856)
Net cash flows from operating activities	<u>1,987</u>	<u>31</u>	<u>480</u>	<u>225</u>	<u>2,723</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	226	420	-	163	809
Net cash flows from noncapital financing activities	<u>226</u>	<u>420</u>	<u>-</u>	<u>163</u>	<u>809</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of property and equipment	(1,786)	(425)	(5)	(269)	(2,485)
Proceeds from sale of property	254	2	-	(22)	234
Net cash flows from capital and related financing activities	<u>(1,532)</u>	<u>(423)</u>	<u>(5)</u>	<u>(291)</u>	<u>(2,251)</u>
Cash Flows From Investing Activities					
Interest on investments	29	2	42	11	84
Net increase in cash and cash equivalents	710	30	517	108	1,365
Cash and Cash Equivalents, Beginning	<u>8,129</u>	<u>732</u>	<u>11,986</u>	<u>2,734</u>	<u>23,581</u>
Cash and Cash Equivalents, Ending	<u>\$ 8,839</u>	<u>\$ 762</u>	<u>\$ 12,503</u>	<u>\$ 2,842</u>	<u>\$ 24,946</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 704	\$ 3	\$ 1,969	\$ (43)	\$ 2,633
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation expense	1,244	25	3	265	1,537
Changes in:					
Receivables:					
Accounts and unbilled usage	-	-	(1,190)	-	(1,190)
Due from other governments	(7)	-	-	-	(7)
Inventories	(169)	-	-	-	(169)
Accounts payable	211	1	(532)	(17)	(337)
Accrued liabilities	1	1	229	1	232
Employee vested benefits	(6)	-	-	7	1
Other post employment benefits asset/obligation	9	1	1	12	23
Total adjustments	<u>1,283</u>	<u>28</u>	<u>(1,489)</u>	<u>268</u>	<u>90</u>
Net cash flows from operating activities	<u>\$ 1,987</u>	<u>\$ 31</u>	<u>\$ 480</u>	<u>\$ 225</u>	<u>\$ 2,723</u>
Noncash Investing, Capital, and Financing Activities:					
Contributions of capital assets from government and others	\$ 3	\$ -	\$ -	\$ 20	\$ 23
Contributions of capital assets to government and others	\$ -	\$ -	\$ -	\$ 22	\$ 22

AGENCY FUNDS

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

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

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

CITY OF IOWA CITY

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

For the Year Ended June 30, 2013
(amounts expressed in thousands)

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Project Green				
Assets				
Equity in pooled cash and investments	\$ 204	\$ 68	\$ 127	\$ 145
Interest receivable	1	-	1	-
Total assets	<u>\$ 205</u>	<u>\$ 68</u>	<u>\$ 128</u>	<u>\$ 145</u>
Liabilities				
Accounts payable	\$ -	\$ 6	\$ -	\$ 6
Due to agency	\$ 205	\$ 62	\$ 128	\$ 139
Total liabilities	<u>\$ 205</u>	<u>\$ 68</u>	<u>\$ 128</u>	<u>\$ 145</u>
Library Foundation				
Assets				
Equity in pooled cash and investments	\$ -	\$ 9	\$ 9	\$ -
Accounts receivable	9	-	9	-
	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ 18</u>	<u>\$ -</u>
Liabilities				
Accrued liabilities	\$ 9	\$ -	\$ 9	\$ -
Total liabilities	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ -</u>
Total Agency Funds				
Assets				
Equity in pooled cash and investments	\$ 204	\$ 77	\$ 136	\$ 145
Accounts receivable	9	-	9	-
Interest receivable	1	-	1	-
Total assets	<u>\$ 214</u>	<u>\$ 77</u>	<u>\$ 146</u>	<u>\$ 145</u>
Liabilities				
Accounts payable	\$ -	\$ 6	\$ -	\$ 6
Accrued liabilities	\$ 9	\$ -	\$ 9	\$ -
Due to agency	205	62	128	139
Total liabilities	<u>\$ 214</u>	<u>\$ 68</u>	<u>\$ 137</u>	<u>\$ 145</u>

Statistical Section

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	119
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	124
Debt Capacity These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	134
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	144
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	146

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



CITY OF IOWA CITY, IOWA

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ¹
Governmental activities										
Net investment in capital assets	\$ 67,090	\$ 84,768	\$ 95,227	\$ 101,027	\$ 104,833	\$ 100,741	\$ 111,703	\$ 123,935	\$ 135,998	\$ 133,989
Restricted	17,705	16,973	6,852	8,181	23,741	26,586	25,588	31,179	35,021	22,867
Unrestricted	11,700	3,793	10,827	11,043	1,119	17,938	32,478	36,862	38,906	50,744
Total governmental activities net position	<u>\$ 96,495</u>	<u>\$ 105,534</u>	<u>\$ 112,906</u>	<u>\$ 120,251</u>	<u>\$ 129,693</u>	<u>\$ 145,265</u>	<u>\$ 169,769</u>	<u>\$ 191,976</u>	<u>\$ 209,925</u>	<u>\$ 207,600</u>
Business-type activities										
Net investment in capital assets	\$ 150,817	\$ 150,797	\$ 155,346	\$ 172,518	\$ 156,075	\$ 162,211	\$ 172,601	\$ 186,177	\$ 195,073	\$ 253,617
Restricted	14,932	15,038	15,682	23,893	21,320	19,159	17,588	20,658	20,176	19,033
Unrestricted	36,246	40,780	42,988	33,695	60,225	63,842	65,725	61,032	58,850	74,370
Total business-type activities net position	<u>\$ 201,995</u>	<u>\$ 206,615</u>	<u>\$ 214,016</u>	<u>\$ 230,106</u>	<u>\$ 237,620</u>	<u>\$ 245,212</u>	<u>\$ 255,914</u>	<u>\$ 267,867</u>	<u>\$ 274,099</u>	<u>\$ 347,020</u>
Primary government										
Net investment in capital assets	\$ 217,907	\$ 235,565	\$ 250,573	\$ 273,545	\$ 260,908	\$ 262,952	\$ 284,304	\$ 310,112	\$ 331,071	\$ 387,606
Restricted	32,637	32,011	22,534	32,074	45,061	45,025	43,176	51,837	55,197	41,900
Unrestricted	47,946	44,573	53,815	44,738	61,344	82,500	98,203	97,894	97,756	125,114
Total primary government net position	<u>\$ 298,490</u>	<u>\$ 312,149</u>	<u>\$ 326,922</u>	<u>\$ 350,357</u>	<u>\$ 367,313</u>	<u>\$ 390,477</u>	<u>\$ 425,683</u>	<u>\$ 459,843</u>	<u>\$ 484,024</u>	<u>\$ 554,620</u>

¹ The City of Iowa City reclassified the Mass Transportation Fund from the General fund to an Enterprise Fund effective the fiscal year ending June 30, 2013.

CITY OF IOWA CITY, IOWA

CHANGES IN NET POSITION

Last Ten Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ¹
Expenses										
Governmental activities:										
Public safety	\$ 15,015	\$ 15,286	\$ 16,690	\$ 16,694	\$ 20,504	\$ 20,730	\$ 19,955	\$ 18,867	\$ 21,186	\$ 20,989
Public works	10,423	11,521	12,723	13,560	13,727	15,177	16,806	19,145	17,556	10,240
Culture and recreation	12,051	11,341	11,458	11,970	13,460	9,574	12,238	10,811	13,107	14,481
Community and economic development	2,580	6,960	6,264	4,680	1,850	8,726	16,913	16,501	16,305	10,596
General government	6,527	6,500	6,892	7,258	7,433	7,600	7,549	7,356	7,591	7,513
Debt service	3,440	3,602	3,404	3,459	3,517	3,264	2,970	2,841	2,400	2,237
Total governmental activities expenses	50,036	55,210	57,431	57,621	60,491	65,071	76,431	75,521	78,145	66,056
Business-type activities:										
Wastewater	12,344	12,214	11,710	11,537	11,757	11,925	11,274	10,971	11,069	10,464
Water	8,011	8,313	9,324	8,823	8,804	9,185	8,309	8,523	8,781	9,074
Sanitation	6,103	6,031	6,101	6,684	6,868	7,296	7,705	7,461	8,315	7,279
Housing authority	7,219	7,466	7,026	6,884	7,374	7,238	7,838	7,448	7,911	7,658
Parking	3,898	3,989	3,884	4,403	3,913	4,489	4,536	4,135	4,167	4,579
Airport	515	520	512	418	560	693	724	1,049	1,127	1,086
Stormwater	652	1,452	817	932	1,072	1,223	1,187	1,418	1,304	1,318
Cable television	549	607	576	525	598	633	645	638	689	692
Transit	-	-	-	-	-	-	-	-	-	6,998
Total business-type activities expenses	39,291	40,592	39,950	40,206	40,946	42,682	42,218	41,643	43,363	49,148
Total primary government expenses	\$ 89,327	\$ 95,802	\$ 97,381	\$ 97,827	\$ 101,437	\$ 107,753	\$ 118,649	\$ 117,164	\$ 121,508	\$ 115,204
Program Revenues										
Governmental activities:										
Charges for services										
Public safety	\$ 3,038	\$ 2,928	\$ 2,971	\$ 3,088	\$ 3,019	\$ 2,968	\$ 2,980	\$ 3,279	\$ 3,401	\$ 4,098
Public works	1,006	1,076	1,062	1,229	1,047	1,392	1,061	1,117	1,112	52
Culture and recreation	630	653	707	712	680	715	773	872	825	775
Community and economic development	-	-	-	-	-	-	-	-	-	-
General government	1,428	1,482	1,556	1,569	1,633	1,626	2,574	2,931	2,817	2,763
Operating grants and contributions	2,150	2,592	2,937	3,215	3,611	8,185	15,554	13,517	8,682	4,731
Capital grants and contributions	6,198	7,679	3,849	4,283	1,747	3,773	8,291	6,048	6,078	6,876
Total governmental activities program revenues	14,450	16,410	13,082	14,096	11,737	18,659	31,233	27,764	22,915	19,295
Business-type activities:										
Charges for services:										
Wastewater	12,580	12,145	12,145	12,535	12,318	12,557	12,637	12,836	12,670	12,832
Water	9,164	8,602	9,012	8,240	8,195	8,107	7,957	8,054	8,419	8,583
Sanitation	7,111	7,154	7,133	7,204	7,853	8,286	8,096	8,259	8,115	8,181
Housing authority	219	181	168	132	149	181	180	208	207	205
Parking	4,011	4,045	3,936	4,704	4,673	5,438	5,377	5,234	4,743	5,043
Airport	213	220	264	234	258	248	289	293	306	314
Stormwater	104	592	597	622	616	622	617	641	811	974
Cable Television	673	708	718	726	814	788	790	809	824	816
Transit ¹	-	-	-	-	-	-	-	-	-	2,117

(continued)

CITY OF IOWA CITY, IOWA

CHANGES IN NET POSITION (continued)

Last Ten Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ¹
Capital grants and contributions: Wastewater	968	761	773	1,539	577	266	2,115	2,394	3,223	30,181
Capital grants and contributions: Water	452	588	606	845	314	132	572	973	977	494
Capital grants and contributions: Sanitation	-	-	46	-	-	-	6	-	2	-
Capital grants and contributions: Airport	116	283	1,125	1,231	1,580	3,239	3,311	358	1,576	2,452
Capital grants and contributions: Stormwater	717	755	468	1,251	302	68	541	140	436	226
Capital grants and contributions: Housing authority	-	-	-	-	17	-	25	11	-	-
Capital grants and contributions: Parking	-	-	-	-	8	-	-	269	4	-
Capital grants and contributions: Transit	-	-	-	-	-	-	-	-	-	898
Operating grants and contributions: Housing authority	6,950	7,012	7,414	7,165	6,281	6,668	7,765	7,438	6,782	6,968
Operating grants and contributions: Water	-	-	-	-	-	15	6	-	-	442
Operating grants and contributions: Airport	-	-	-	-	-	2	-	-	-	11
Operating grants and contributions: Sanitation	9	-	3	6	-	607	6	10	-	23
Operating grants and contributions: Wastewater	-	-	-	1	-	1	-	-	-	-
Operating grants and contributions: Stormwater	-	-	-	-	-	-	-	-	-	13
Operating grants and contributions: Transit	-	-	-	-	-	-	-	-	-	1,767
Total business-type activities program revenues	43,287	43,046	44,408	46,435	43,955	47,225	50,290	47,927	49,095	82,540
Total primary government revenues	\$ 57,737	\$ 59,456	\$ 57,490	\$ 60,531	\$ 55,692	\$ 65,884	\$ 81,523	\$ 75,691	\$ 72,010	\$ 101,835
Net (Expense) / Revenues										
Governmental activities	\$ (35,586)	\$ (38,800)	\$ (44,349)	\$ (43,525)	\$ (48,754)	\$ (46,412)	\$ (45,198)	\$ (47,757)	\$ (55,230)	\$ (46,761)
Business-type activities	3,996	2,454	4,458	6,229	3,009	4,543	8,072	6,284	5,732	33,392
Total primary government net expense	\$ (31,590)	\$ (36,346)	\$ (39,891)	\$ (37,296)	\$ (45,745)	\$ (41,869)	\$ (37,126)	\$ (41,473)	\$ (49,498)	\$ (13,369)
General Revenues and Other Changes in Net Position										
Governmental activities:										
General revenues:										
Property taxes	\$ 34,173	\$ 35,327	\$ 37,770	\$ 41,492	\$ 43,400	\$ 47,085	\$ 49,467	\$ 48,011	\$ 50,516	\$ 51,017
Road use tax	5,311	5,269	5,303	5,305	5,432	5,254	5,525	6,068	6,394	6,589
Local Sales Option tax	-	-	-	-	-	-	8,141	8,911	8,644	8,858
Other taxes	1,609	1,351	1,240	1,412	1,435	1,489	1,535	2,464	2,491	2,609
Earnings on investments	1,056	1,576	2,678	4,045	3,932	3,057	1,766	1,539	1,823	841
Miscellaneous	3,746	3,994	4,422	3,656	3,516	4,894	3,893	6,230	4,228	4,390
Gain on sale of assets	65	95	100	281	(7)	-	-	761	2,950	1,312
Transfers	(1,840)	645	208	(5,321)	488	205	(625)	(4,020)	(3,867)	(10,485)
Total governmental activities	44,120	48,257	51,721	50,870	58,196	61,984	69,702	69,964	73,179	65,131
Business-type activities:										
General revenues:										
Earnings on investments	991	1,771	2,575	3,606	3,279	2,577	1,311	954	813	671
Gain on sale of assets	1,009	304	185	591	1,260	360	230	314	336	293
Miscellaneous	335	418	391	343	454	317	464	381	484	918
Transfers	1,840	(645)	(208)	5,321	(488)	(205)	625	4,020	3,867	10,485
Extraordinary items	-	-	-	-	-	-	-	-	(5,000)	-
Total business-type activities	4,175	1,848	2,943	9,861	4,505	3,049	2,630	5,669	500	12,367
Total primary government	\$ 48,295	\$ 50,105	\$ 54,664	\$ 60,731	\$ 62,701	\$ 65,033	\$ 72,332	\$ 75,633	\$ 73,679	\$ 77,498
Change in Net Position										
Governmental activities	\$ 8,534	\$ 9,457	\$ 7,372	\$ 7,345	\$ 9,442	\$ 15,572	\$ 24,504	\$ 22,207	\$ 17,949	\$ 18,370
Business-type activities	8,171	4,302	7,401	16,090	7,514	7,592	10,702	11,953	6,232	45,759
Total primary government	\$ 16,705	\$ 13,759	\$ 14,773	\$ 23,435	\$ 16,956	\$ 23,164	\$ 35,206	\$ 34,160	\$ 24,181	\$ 64,129

¹The City of Iowa City reclassified the Mass Transportation Fund from the General Fund to an Enterprise Fund effective the fiscal year ending June 30, 2013.

CITY OF IOWA CITY, IOWA

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified accrual basis of accounting)

(amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011 ¹	2012	2013 ²
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 331	\$ 314	\$ 69
Restricted	-	-	-	-	-	-	-	16,268	23,779	25,689
Assigned	-	-	-	-	-	-	-	3,542	5,191	1,744
Reserved	396	362	570	568	446	555	406	-	-	-
Unassigned	-	-	-	-	-	-	-	15,931	14,273	17,113
Unreserved	14,301	15,525	16,551	18,528	14,488	15,362	26,101	-	-	-
Total general fund	<u>\$ 14,697</u>	<u>\$ 15,887</u>	<u>\$ 17,121</u>	<u>\$ 19,096</u>	<u>\$ 14,934</u>	<u>\$ 15,917</u>	<u>\$ 26,507</u>	<u>\$ 36,072</u>	<u>\$ 43,557</u>	<u>\$ 44,615</u>
All other Governmental Funds										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,889	\$ 34,853	\$ 28,108
Reserved	1,677	2,198	1,592	1,984	3,107	5,339	3,903	-	-	-
Designated for long-term debt	6,930	3,067	2,725	4,289	8,691	11,759	13,952	-	-	-
Unassigned	-	-	-	-	-	-	-	(1,741)	(366)	(5,844)
Unreserved, reported in:										
Special revenue funds	9,379	6,222	3,422	3,366	2,571	(1,852)	(1,674)	-	-	-
Capital projects funds	3,882	6,143	7,093	7,894	11,118	10,960	8,043	-	-	-
Total all other governmental funds	<u>\$ 21,868</u>	<u>\$ 17,630</u>	<u>\$ 14,832</u>	<u>\$ 17,533</u>	<u>\$ 25,487</u>	<u>\$ 26,206</u>	<u>\$ 24,224</u>	<u>\$ 33,148</u>	<u>\$ 34,487</u>	<u>\$ 22,264</u>

¹ The City of Iowa City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, effective the fiscal year ending June 30, 2011. This Statement establishes new standards for fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

² The City of Iowa City reclassified the Mass Transportation Fund from the General fund to an Enterprise Fund effective the fiscal year ending June 30, 2013.

CITY OF IOWA CITY, IOWA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

(amounts expressed in thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 ¹
Revenues:										
Property taxes and assessments	\$ 35,538	\$ 36,677	\$ 39,011	\$ 42,905	\$ 44,835	\$ 48,572	\$ 59,143	\$ 59,387	\$ 61,649	\$ 62,483
Licenses and permits	1,361	1,255	1,279	1,404	1,270	1,284	1,211	1,412	1,307	1,784
Intergovernmental	12,058	15,546	14,260	13,455	12,764	19,521	31,404	29,870	21,952	19,941
Charges for services	3,240	3,301	2,227	2,423	2,228	2,498	2,433	2,515	2,614	1,800
Use of money and property	1,002	1,354	2,203	3,378	3,206	2,645	1,599	1,479	1,768	782
Miscellaneous	4,377	4,121	4,176	3,858	3,977	5,302	4,784	7,749	5,750	6,325
Total governmental activities revenues	\$ 57,576	\$ 62,254	\$ 63,156	\$ 67,423	\$ 68,280	\$ 79,822	\$ 100,574	\$ 102,412	\$ 95,040	\$ 93,115
Expenditures										
Current										
Public safety	\$ 14,025	\$ 14,601	\$ 15,819	\$ 16,412	\$ 18,705	\$ 18,752	\$ 19,108	\$ 18,717	\$ 20,091	\$ 20,648
Public works	9,156	9,698	10,351	12,452	12,108	12,405	13,311	14,766	15,462	8,503
Culture and recreation	9,392	9,183	10,122	10,261	10,703	10,849	11,266	12,498	13,075	13,000
Community and economic development	3,486	6,375	4,698	3,445	4,437	8,037	10,520	8,878	8,037	8,219
General government	6,080	6,282	6,510	7,194	7,207	7,300	7,191	7,695	7,553	7,286
Debt service										
Principal	5,172	9,349	6,099	6,700	7,323	8,418	9,354	10,386	13,294	16,465
Interest	3,336	3,676	3,458	3,464	3,556	3,364	3,064	2,889	2,543	2,339
Capital projects	16,065	13,939	15,153	13,000	11,811	17,096	17,690	21,873	16,006	17,861
Total expenditures	\$ 66,712	\$ 73,103	\$ 72,210	\$ 72,928	\$ 75,850	\$ 86,221	\$ 91,504	\$ 97,702	\$ 96,061	\$ 94,321
Excess (deficiency) of revenues over (under) expenditures	\$ (9,136)	\$ (10,849)	\$ (9,054)	\$ (5,505)	\$ (7,570)	\$ (6,399)	\$ 9,070	\$ 4,710	\$ (1,021)	\$ (1,206)
Other financing sources (uses):										
Issuance of long-term debt	\$ 12,875	\$ 7,020	\$ 7,265	\$ 8,870	\$ 9,150	\$ 30,035	\$ -	\$ 16,165	\$ 9,690	\$ 2,655
Issuance of refunding debt	-	-	-	-	-	-	-	10,930	-	-
Sale of capital assets	384	406	109	470	111	554	222	845	3,619	1,369
Insurance Recoveries	-	-	-	-	-	-	20	594	53	-
Issuance of note payable	-	211	-	-	-	-	-	-	-	-
Premium (discount) on issuance of bonds	(19)	43	29	-	16	552	-	394	165	(42)
Payment of refunded bonds	-	0	-	-	-	(23,140)	-	(11,085)	-	-
Transfers in	14,614	15,776	21,627	21,552	25,413	16,486	16,742	18,658	19,499	25,198
Transfers out	(16,733)	(15,237)	(21,540)	(20,711)	(23,328)	(16,386)	(17,446)	(22,722)	(23,181)	(35,493)
Total other financing sources (uses)	\$ 11,121	\$ 8,219	\$ 7,490	\$ 10,181	\$ 11,362	\$ 8,101	\$ (462)	\$ 13,779	\$ 9,845	\$ (6,313)
Net change in fund balances	\$ 1,985	\$ (2,630)	\$ (1,564)	\$ 4,676	\$ 3,792	\$ 1,702	\$ 8,608	\$ 18,489	\$ 8,824	\$ (7,519)
Debt service as a percentage of noncapital expenditures	16.3%	21.5%	16.6%	17.0%	16.6%	17.0%	15.3%	16.2%	18.6%	24.0%

¹ The City of Iowa City reclassified the Mass Transportation Fund from the General fund to an Enterprise Fund effective the fiscal year ending June 30, 2013.

CITY OF IOWA CITY, IOWA

GENERAL GOVERNMENT TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(Modified accrual basis of accounting)

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Road Use Tax</u>	<u>Hotel/Motel Tax</u>	<u>Local Option Sales Tax¹</u>	<u>Utility Franchise Fee²</u>	<u>Total</u>
2004	\$ 34,958	\$ 5,311	\$ 580	\$ -	\$ -	\$ 40,849
2005	36,076	5,269	611	-	-	41,956
2006	38,336	5,303	674	-	-	44,313
2007	42,221	5,305	683	-	-	48,209
2008	44,101	5,432	734	-	-	50,267
2009	47,861	5,254	713	-	-	53,828
2010	50,256	5,525	699	8,141	47	64,668
2011	48,831	6,068	776	8,912	868	65,455
2012	51,374	6,394	811	8,644	822	68,045
2013	51,836	6,589	872	8,858	918	69,073

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

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

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

Last Ten Fiscal Years
(amounts expressed in thousands)

Collection Year Ended June 30		Residential	Agricultural (Taxed at Ag Rate)	Commercial, Industrial & Utilities (excluding Gas & Electric)	Military Exemptions	Net Valuation	Incremental Value (Debt Service Levy Only)	Gas & Electric Utilities (excise tax)	Total Value	Residential Rollback Percentage	Taxable Value as a Percentage of Assessed Value
2004	Assessed	\$ 1,985,686	\$ 2,227	\$ 915,931	\$ 3,702	\$ 2,900,142	\$ 13,157	\$ 45,505	\$ 2,958,804		
	Taxable	1,020,392	2,227	915,931	3,702	1,934,848	13,157	45,505	1,993,510	51.387 %	67.376 %
2005	Assessed	2,154,179	1,968	970,343	3,627	3,122,863	23,957	44,723	3,191,543		
	Taxable	1,044,016	1,968	963,482	3,627	2,005,839	23,439	45,612	2,074,890	48.456	65.012
2006	Assessed	2,236,070	1,802	980,167	3,484	3,214,555	31,028	46,919	3,292,502		
	Taxable	1,072,233	1,802	980,167	3,484	2,050,718	31,028	42,834	2,124,580	47.962	64.528
2007	Assessed	2,636,228	1,582	1,044,739	3,463	3,679,086	77,785	50,311	3,807,182		
	Taxable	1,208,405	1,582	1,035,929	3,463	2,242,453	77,785	42,641	2,362,879	45.996	62.064
2008	Assessed	2,722,754	1,534	1,058,580	3,424	3,779,444	94,864	54,053	3,928,361		
	Taxable	1,234,872	1,534	1,058,580	3,424	2,291,562	94,864	41,542	2,427,968	45.560	61.806
2009	Assessed	2,991,702	1,565	1,108,123	3,396	4,097,994	111,540	54,081	4,263,615		
	Taxable	1,307,511	1,410	1,105,109	3,396	2,410,634	111,540	44,597	2,566,771	44.080	60.202
2010	Assessed	3,065,279	1,499	1,133,818	3,324	4,197,272	117,813	61,066	4,376,151		
	Taxable	1,384,088	1,407	1,133,818	3,324	2,515,989	117,813	45,157	2,678,959	45.589	61.217
2011	Assessed	3,122,875	2,315	1,223,304	3,239	4,345,255	25,409	79,196	4,449,860		
	Taxable	1,464,644	1,534	1,223,304	3,239	2,686,243	25,409	46,333	2,757,985	46.909	61.979
2012	Assessed	3,182,636	2,264	1,231,756	3,163	4,413,493	25,409	81,240	4,520,142		
	Taxable	1,544,261	1,562	1,231,756	3,163	2,774,416	25,409	48,338	2,848,163	48.530	63.010
2013	Assessed	3,284,249	2,516	1,236,609	3,097	4,520,277	11,712	83,538	4,615,527		
	Taxable	1,666,036	1,448	1,236,609	3,097	2,900,996	11,712	47,404	2,960,112	50.752	64.134

Sources:

Iowa Department of Management

Notes:

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

CITY OF IOWA CITY, IOWA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years
(per \$1,000 assessed valuation)

Collection Year	City of Iowa City			Overlapping Rates				Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Johnson County ¹	Iowa City School District	Kirkwood Community College	State of Iowa	
2004	\$ 13.026	\$ 4.570	\$ 17.596	\$ 6.102	\$ 12.865	\$ 0.679	\$ 0.004	\$ 37.247
2005	13.360	3.954	17.314	6.166	12.875	0.668	0.004	37.027
2006	13.580	4.149	17.729	6.391	13.582	0.649	0.004	38.355
2007	13.423	3.879	17.302	6.415	13.632	0.872	0.004	38.225
2008	13.511	3.786	17.297	6.823	13.852	0.855	0.004	38.831
2009	13.414	4.303	17.717	7.803	14.192	0.852	0.004	40.568
2010	13.634	4.219	17.853	7.708	14.191	0.840	0.003	40.595
2011	13.319	4.438	17.757	7.540	14.690	0.926	0.003	40.916
2012	13.193	4.649	17.842	7.320	14.591	0.999	0.003	40.755
2013	12.826	4.443	17.269	7.075	14.073	1.079	0.003	39.499

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

Note:

¹Includes Johnson County, City of Iowa City Assessor, and Agricultural Extension levies.

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

CITY OF IOWA CITY, IOWA

PROPERTY TAX BUDGETS AND COLLECTIONS

Last Ten Fiscal Years
(Cash basis of accounting)

(amounts expressed in thousands)

<u>Collection Year</u>	<u>Total Tax Levied</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections¹</u>	<u>Total Tax Collections</u>	<u>Total as a Percent of Levy</u>
2004	\$ 34,073	\$ 34,009	99.8 %	\$ 23	\$ 34,032	99.9 %
2005	34,403	34,814	101.2	15	34,829	101.2
2006	36,460	36,654	100.5	44	36,698	100.7
2007	39,094	38,947	99.6	13	38,960	99.7
2008	39,973	39,768	99.5	70	39,838	99.7
2009	43,168	43,118	99.9	18	43,136	99.9
2010	45,393	45,318	99.8	17	45,335	99.9
2011	47,789	47,826	100.1	8	47,834	100.1
2012	49,595	49,543	99.9	1	49,544	99.9
2013	50,407	50,139	99.5	3	50,142	99.5

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

Note: This schedule is presented on a cash basis of accounting. Taxes are collected by the Johnson County Treasurer and submitted to the City in the following month. Because of the month delay, some years will show Current Tax Collections in excess of the Total Tax Levied.

¹ Delinquent tax collection is presented by collection year, rather than levy year, because information is not available from Johnson County Treasurer by levy year.

CITY OF IOWA CITY, IOWA

PRINCIPAL TAXPAYERS

Current Year and Nine Years Ago

(amounts expressed in thousands)

<u>Ten largest taxpayers¹</u>	<u>Type of Business</u>	<u>2004</u>			<u>2013</u>		
		<u>Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Taxable Valuation</u>	<u>Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Taxable Valuation</u>
ACT Inc. (formerly American College Testing Program)	Educational Testing Service	\$ 22,409	3	1.12 %	\$ 47,441	1	1.60 %
Mid-American Energy Company ²	Public Gas and Electric Utility	45,505	1	2.28	44,033	2	1.49
Ann Gerdin Truse (formerly Russell Gerdin)	Warehousing	-	-	0.00	22,006	3	0.74
Dealer Properties IC LLC (Billion Auto)	Car Dealerships	-	-	0.00	17,339	4	0.59
Alpha Inc	Industrial	-	-	0.00	16,090	5	0.54
Proctor & Gamble LLC	Manufacturing Company	16,546	6	0.83	15,441	6	0.52
National Computer Systems (Pearson)	Information Services	16,652	5	0.84	14,410	7	0.49
United Natural Foods	Wholesale Distribution Company	-	-	0.00	12,903	8	0.44
Southgate Development Company	Real Estate Developer	18,753	4	0.94	12,734	9	0.43
Wal-Mart Real Estate	Retail	-	-	0.00	12,640	10	0.43
Jame A and Lorretta Clark	Apartments	26,937	2	1.35	-	-	0.00
Hy-Vee	Grocery Stores	14,186	7	0.71	-	-	0.00
Edwin&Ethel Barker &Barker Partnership	Apartments	12,481	8	0.63	-	-	0.00
M G D LC (Sycamore Mall)	Shopping Mall	10,991	9	0.55	-	-	0.00
Moen Group	Real Estate Developer	10,295	10	0.52	-	-	0.00
Total		<u>\$ 194,755</u>		<u>9.77 %</u>	<u>\$ 215,037</u>		<u>7.26 %</u>

Sources:

¹City of Iowa City Assessor's Office - 2012 Annual Report



CITY OF IOWA CITY, IOWA

PRINCIPAL WATER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	<u>2004</u>			<u>2013</u>		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
Proctor & Gamble	\$ 589,822	1	6.66 %	\$ 599,964	1	7.32 %
Veterans Administration Medical Center	139,463	2	1.58	108,129	2	1.32
Dolphin Lake Point (Lakeside Manor)	91,322	3	1.03	85,186	3	1.04
Mercy Hospital	89,974	4	1.02	69,880	4	0.85
Campus Apartments	76,678	5	0.87	62,253	5	0.76
Mark IV Apts	53,259	10	0.60	57,582	6	0.70
ACT	-	-	N/A	53,064	7	0.65
University of Iowa (Mayflower Apartments)	54,845	9	N/A	41,806	8	0.51
RBD Iowa City LLC (Sheraton Hotel)	-	-	N/A	34,120	9	0.42
Seville Apartments	-	-	N/A	31,504	10	0.38
Roberts Dairy	61,234	7	0.69	-	-	N/A
Lear Corp	76,652	6	0.87	-	-	N/A
University of Iowa	59,762	8	0.68	-	-	N/A
	<u>\$ 1,293,011</u>		<u>13.99 %</u>	<u>\$ 1,143,488</u>		<u>13.95 %</u>
Total Water System Charges	\$ 8,850,608			\$ 8,194,467		

Sources:

City of Iowa City Revenue Division

CITY OF IOWA CITY, IOWA

SALES HISTORY AND TOTAL WATER CHARGES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Sales Cubic Feet Sold</u>	<u>Water System Charges</u>
2004	253,454,012	\$ 8,850,608
2005	254,560,239	8,315,719
2006	267,107,998	8,844,993
2007	261,072,632	8,414,310
2008	249,361,929	7,976,536
2009	234,804,167	7,497,903
2010	234,342,825	7,568,378
2011	236,838,370	7,661,898
2012	246,618,257	7,953,738
2013	254,616,773	8,194,467

Sources:

City of Iowa City Revenue Department

CITY OF IOWA CITY, IOWA

PRINCIPAL SEWER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	<u>2004</u>			<u>2013</u>		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	\$ 2,134,524	1	17.10 %	\$ 2,193,252	1	17.02 %
Proctor & Gamble	1,831,497	2	14.67	991,579	2	7.70
Iowa City Landfill Division	-	-	N/A	156,749	3	1.22
Dolphin Lake Point (Lakeside Apts)	126,820	5	1.02	147,379	4	1.14
Veterans Administration Medical Center	190,435	3	N/A	145,484	5	1.13
Mercy Hospital	101,244	6	0.81	118,458	6	0.92
Campus Apartments	83,819	8	N/A	84,639	7	0.66
Mark IV Apartments	-	-	N/A	81,566	8	0.63
University of Iowa/Mayflower Apartments	77,957	9	0.62	73,516	9	0.57
RBD Iowa City LLC (Sheraton Hotel)	70,101	10	0.56	59,569	10	0.46
Roberts Dairy	136,163	4	1.09	-	-	N/A
Lear Corp	88,288	7	0.71	-	-	N/A
	<u>\$ 4,840,848</u>		<u>36.58 %</u>	<u>\$ 4,052,191</u>		<u>31.45 %</u>
Total Sewer System Charges	\$ 12,482,393			\$ 12,883,641		

Sources:

City of Iowa City Revenue Department

CITY OF IOWA CITY, IOWA

SALES HISTORY AND TOTAL SEWER CHARGES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sewer Sales Cubic Feet Sold</u>	<u>Sewer System Charges</u>
2004	294,683,685	\$ 12,482,393
2005	297,714,953	12,557,646
2006	302,925,357	12,373,762
2007	315,199,203	11,084,369
2008	285,492,596	12,221,769
2009	276,455,246	12,499,949
2010	265,375,857	12,541,905
2011	280,303,237	12,748,695
2012	282,134,840	12,784,321
2013	285,472,392	12,883,641

Sources:

City of Iowa City Revenue Department

CITY OF IOWA CITY, IOWA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income²	Per Capita²
	General Obligation Bonds¹	Revenue Bonds¹	Capital Loan Note	General Obligation Bonds¹	Revenue Bonds¹			
2004	\$ 79,403,207	\$ -	\$ -	\$ 9,562,165	\$ 114,626,190	\$ 203,591,562	4.27 %	\$ 3,264
2005	77,105,405	-	211,000	8,202,996	109,918,239	195,437,640	3.97	3,133
2006	78,286,801	-	211,000	6,813,828	104,975,288	190,286,917	3.62	3,026
2007	80,441,894	-	211,000	5,458,633	99,892,337	186,003,864	3.28	2,774
2008	82,268,532	-	211,000	4,885,710	94,549,386	181,914,628	3.00	2,682
2009	81,222,533	-	211,000	4,317,787	87,875,855	173,627,175	2.81	2,513
2010	71,791,737	-	211,000	3,731,167	79,281,888	155,015,792	2.47	2,284
2011	77,743,957	-	211,000	3,130,849	75,857,306	156,943,112	2.32	2,276
2012	74,225,654	-	211,000	1,483,473	69,059,307	144,979,434	2.03	2,103
2013	57,688,803	2,614,644	211,000	1,182,315	62,764,738	124,461,500	1.67	1,775

Notes:

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

¹ Bonds reported net of related premiums and discounts.

² Population and personal income information can be found on page 144.

CITY OF IOWA CITY, IOWA

**RATIOS OF GENERAL OBLIGATION BONDED DEBT¹
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita)

<u>Fiscal Year</u>	<u>Property Assessed Value²</u>	<u>Debt Payable from Governmental</u>	<u>Debt Payable from Proprietary</u>	<u>Gross Bonded Debt</u>	<u>Debt Service Fund Balance</u>	<u>Net General Obligation Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita³</u>
2004	\$ 2,958,804	\$ 79,403	\$ 9,562	\$ 88,965	\$ 6,930	\$ 82,035	27.73 : 1000	\$ 1,315
2005	3,191,543	77,105	8,203	85,308	3,067	82,241	25.77 : 1000	1,318
2006	3,292,502	78,287	6,814	85,101	2,725	82,376	25.02 : 1000	1,310
2007	3,807,182	80,442	5,459	85,901	4,289	81,612	21.44 : 1000	1,217
2008	3,928,361	82,268	4,886	87,154	8,691	78,463	19.97 : 1000	1,157
2009	4,263,615	81,222	4,318	85,540	11,759	73,781	17.30 : 1000	1,068
2010	4,376,151	71,792	3,731	75,523	13,952	61,571	14.07 : 1000	907
2011	4,449,860	77,744	3,131	80,875	13,151	67,724	15.22 : 1000	982
2012	4,520,142	74,226	1,483	75,709	11,009	64,700	14.31 : 1000	938
2013	4,615,527	57,689	1,182	58,871	6,527	52,344	11.34 : 1000	746

Notes:

¹ General Obligation bonds, net of related premiums and discounts.

² City of Iowa City Budget Book.

³ Population data can be found on page 144.

CITY OF IOWA CITY, IOWA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES¹**

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	<u>Principal</u>²	<u>Interest</u>²	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures and Transfers</u>	<u>Ratio of Debt Service to General Expenditures</u>
2004	\$ 5,172	\$ 3,336	\$ 8,508	\$ 83,445	.10 : 1.00
2005	9,349	3,676	13,025	88,342	.15 : 1.00
2006	6,099	3,458	9,557	93,360	.10 : 1.00
2007	6,700	3,464	10,164	93,639	.11 : 1.00
2008	7,323	3,556	10,879	99,178	.11 : 1.00
2009	8,418	3,364	11,782	102,607	.11 : 1.00
2010	9,354	3,064	12,418	108,950	.11 : 1.00
2011	10,386	2,889	13,275	120,424	.11 : 1.00
2012	13,294	2,543	15,837	119,242	.13 : 1.00
2013	16,465	2,339	18,804	129,814	.14 : 1.00

Notes:

¹ General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

² Beginning in FY13, Taxable Urban Renewal Revenue Bonds are also included.

CITY OF IOWA CITY, IOWA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2013

(amounts expressed in thousands, except per capita)

<u>Name of Governmental Unit</u>	<u>Total General Long-Term Direct Debt Outstanding</u>	<u>Percent Applicable to the City of Iowa City</u>	<u>Amount Applicable to the City of Iowa City</u>	<u>Per Capita</u>
City of Iowa City	\$ 60,514	100.00 %	\$ 60,514	\$ 862.8527
Iowa City Community School District	<u>15,165</u>	58.38	<u>8,853</u>	<u>126.2288</u>
Total	<u>\$ 75,679</u>		<u>\$ 69,367</u>	<u>\$ 989.0815</u>
Per capita assessed value				<u>\$ 65,811</u>

Source: Johnson County Auditor's Office.

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

CITY OF IOWA CITY, IOWA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(amounts expressed in thousands)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Fiscal Year 2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt Limit	\$ 148,125	\$ 159,759	\$ 164,799	\$ 190,769	\$ 196,589	\$ 213,350	\$ 218,974	\$ 222,655	\$ 226,982	\$ 230,776
Total net debt applicable to limit	88,985	85,290	85,060	85,840	87,090	84,995	75,050	80,575	75,320	58,550
Legal debt margin	<u>\$ 59,140</u>	<u>\$ 74,469</u>	<u>\$ 79,739</u>	<u>\$ 104,929</u>	<u>\$ 109,499</u>	<u>\$ 128,355</u>	<u>\$ 143,924</u>	<u>\$ 142,080</u>	<u>\$ 151,662</u>	<u>\$ 172,226</u>
Total net debt applicable to the limit as a percentage of debt limit	60.07%	53.39%	51.61%	45.00%	44.30%	39.84%	34.27%	36.19%	33.18%	25.37%

Legal Debt Margin Calculation for Fiscal Year 2013

Total Assessed Va	\$ 4,615,527
Debt Limit - 5% of Total Assessed Valuation	230,776
Less: Amount of Debt Applicable to Debt Limit	<u>58,550</u>
Legal Debt Margin	<u>\$ 172,226</u>

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

CITY OF IOWA CITY, IOWA

GENERAL OBLIGATION DEBT ANNUAL MATURITY SCHEDULE

Fiscal Year	Payments			Funding Source(s)			Principal Outstanding at Beginning of Fiscal Year
	Principal	Interest	Total	Property Tax Revenue	Tax Increment Financing	Water Revenue	
2013	\$ 16,770,000	\$ 2,356,124	\$ 19,126,124	\$ 12,219,523	\$ 6,546,143	\$ 360,458	\$ 75,320,000
2014	10,575,000	1,777,355	12,352,355	11,644,692	363,338	344,325	58,550,000
2015	10,435,000	1,462,288	11,897,288	11,502,959	61,104	333,225	47,975,000
2016	9,870,000	1,141,180	11,011,180	10,633,398	60,657	317,125	37,540,000
2017	8,270,000	833,888	9,103,888	8,737,330	60,496	306,062	27,670,000
2018	7,120,000	586,544	7,706,544	7,646,226	60,318	-	19,400,000
2019	4,635,000	360,869	4,995,869	4,935,748	60,121	-	12,280,000
2020	3,990,000	222,044	4,212,044	4,151,542	60,502	-	7,645,000
2021	2,650,000	102,831	2,752,831	2,692,275	60,556	-	3,655,000
2022	1,005,000	22,612	1,027,612	966,431	61,181	-	1,005,000
Total	\$ 75,320,000	\$ 8,865,735	\$ 84,185,735	\$ 75,130,124	\$ 7,394,416	\$ 1,661,195	

CITY OF IOWA CITY, IOWA
SCHEDULE OF REVENUE BOND COVERAGE

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended <u>June 30</u>	<u>Revenue</u>	<u>Expenses¹</u>	Net Revenue Available for <u>Debt Service</u>	Annual Debt Service ²			Ratio of <u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
Parking Revenue³							
2004	\$ 4,164	\$ 2,319	\$ 1,845	\$ 395	\$ 687	\$ 1,082	1.71
2005	4,360	2,377	1,983	305	663	968	2.05
2006	4,161	2,380	1,781	320	645	965	1.85
2007	5,035	2,973	2,062	335	626	961	2.15
2008	4,995	2,454	2,541	355	606	961	2.64
2009	5,630	3,024	2,606	370	584	954	2.73
2010 ⁶	5,509	3,149	2,360	390	504	894	2.64
2011	5,389	2,920	2,469	420	391	811	3.04
2012	4,945	3,034	1,911	500	339	839	2.28
2013	5,122	3,549	1,573	515	324	839	1.87
Wastewater Treatment Revenue⁴							
2004	\$ 12,947	\$ 4,523	\$ 8,424	\$ 3,280	\$ 3,672	\$ 6,952	1.21
2005	12,600	4,432	8,168	3,630	3,537	7,167	1.14
2006	12,798	4,260	8,538	3,815	3,390	7,205	1.19
2007	13,708	4,236	9,472	3,905	3,234	7,139	1.33
2008 ⁶	13,332	4,581	8,751	4,105	3,071	7,176	1.22
2009 ⁶	13,462	5,202	8,260	4,260	2,813	7,073	1.17
2010 ⁶	13,174	5,050	8,124	4,205	2,307	6,512	1.25
2011 ⁶	13,281	5,477	7,804	1,840	2,054	3,894	2.00
2012	13,175	5,663	7,512	4,615	1,693	6,308	1.19
2013	13,301	5,340	7,961	4,865	1,547	6,412	1.24
Water Revenue⁵							
2004	\$ 10,627	\$ 4,360	\$ 6,267	\$ 925	\$ 1,427	\$ 2,352	2.66
2005	9,287	4,783	4,504	845	1,340	2,185	2.06
2006	9,918	5,722	4,196	880	1,305	2,185	1.92
2007	9,220	5,356	3,864	915	1,268	2,183	1.77
2008 ⁶	9,258	5,348	3,910	955	1,229	2,184	1.79
2009 ⁶	8,833	5,726	3,107	995	1,171	2,166	1.43
2010 ⁶	8,336	5,153	3,183	680	1,055	1,735	1.83
2011	8,354	5,464	2,890	1,110	902	2,012	1.44
2012 ⁶	8,649	5,653	2,996	1,200	861	2,061	1.45
2013 ⁶	9,342	6,348	2,994	845	758	1,603	1.87

Notes:

¹ Excludes depreciation and interest.

² Includes principal and interest of revenue bonds only.

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

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

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

⁶ Refunded Revenue Bonds paid are excluded from the principal of Annual Debt Service.

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY SCHEDULE

Fiscal Year	Payments			Funding Source(s)				Principal Outstanding at Beginning of Fiscal Year
	Principal	Interest	Total	Sewer Revenue	Parking Revenue	Water Revenue	Tax Increment Financing	
2013	\$ 6,225,000	\$ 2,666,478	\$ 8,891,478	\$ 6,411,888	\$ 838,975	\$ 1,602,529	\$ 38,086	\$ 68,185,000
2014	5,115,000	2,452,262	7,567,262	4,668,681	838,300	1,984,946	75,335	64,615,000
2015	5,290,000	2,282,000	7,572,000	4,674,900	832,250	1,989,515	75,335	59,500,000
2016	5,630,000	2,090,619	7,720,619	4,695,119	832,950	1,987,215	205,335	54,210,000
2017	5,800,000	1,881,706	7,681,706	4,659,575	830,150	1,987,946	204,035	48,580,000
2018	6,035,000	1,661,273	7,696,273	4,661,575	831,450	1,995,903	207,345	42,780,000
2019	6,240,000	1,429,950	7,669,950	4,646,400	826,850	1,991,515	205,185	36,745,000
2020	6,500,000	1,175,401	7,675,401	4,647,463	826,350	1,994,103	207,485	30,505,000
2021	6,240,000	909,029	7,149,029	4,118,013	828,900	1,997,571	204,545	24,005,000
2022	5,075,000	669,863	5,744,863	2,717,288	824,469	1,996,781	206,325	17,765,000
2023	3,910,000	479,728	4,389,728	1,361,250	823,869	1,996,764	207,845	12,690,000
2024	2,945,000	330,042	3,275,042	793,250	824,000	1,453,847	203,945	8,780,000
2025	2,980,000	192,851	3,172,851	797,250	712,375	1,458,481	204,745	5,835,000
2026	1,770,000	83,258	1,853,258	794,375	-	853,788	205,095	2,855,000
2027	165,000	39,975	204,975	-	-	-	204,975	1,085,000
2028	170,000	34,365	204,365	-	-	-	204,365	920,000
2029	175,000	28,245	203,245	-	-	-	203,245	750,000
2030	185,000	21,770	206,770	-	-	-	206,770	575,000
2031	190,000	14,925	204,925	-	-	-	204,925	390,000
2032	200,000	7,800	207,800	-	-	-	207,800	200,000
Total	\$ 70,840,000	\$ 18,451,540	\$ 89,291,540	\$ 49,647,027	\$ 10,670,888	\$ 25,290,904	\$ 3,682,721	

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE

Parking

<u>Fiscal Year</u>	<u>Principal</u>	<u>Outstanding</u>		<u>Total</u>
		<u>Interest</u>		
2013	\$ 515,000	\$ 323,975		\$ 838,975
2014	530,000	308,300		838,300
2015	540,000	292,250		832,250
2016	560,000	272,950		832,950
2017	580,000	250,150		830,150
2018	605,000	226,450		831,450
2019	625,000	201,850		826,850
2020	650,000	176,350		826,350
2021	680,000	148,900		828,900
2022	705,000	119,469		824,469
2023	735,000	88,869		823,869
2024	770,000	54,000		824,000
2025	695,000	17,375		712,375
Total	<u>\$ 8,190,000</u>	<u>\$ 2,480,888</u>		<u>\$ 10,670,888</u>

Sewer

<u>Fiscal Year</u>	<u>Principal</u>	<u>Outstanding</u>		<u>Total</u>
		<u>Interest</u>		
2013	\$ 4,865,000	\$ 1,546,888		\$ 6,411,888
2014	3,250,000	1,418,681		4,668,681
2015	3,370,000	1,304,900		4,674,900
2016	3,520,000	1,175,119		4,695,119
2017	3,625,000	1,034,575		4,659,575
2018	3,775,000	886,575		4,661,575
2019	3,915,000	731,400		4,646,400
2020	4,090,000	557,463		4,647,463
2021	3,740,000	378,013		4,118,013
2022	2,485,000	232,288		2,717,288
2023	1,220,000	141,250		1,361,250
2024	700,000	93,250		793,250
2025	740,000	57,250		797,250
2026	775,000	19,375		794,375
Total	<u>\$ 40,070,000</u>	<u>\$ 9,577,027</u>		<u>\$ 49,647,027</u>

(continued)

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE (continued)

Water

Fiscal Year	Principal	Outstanding		Total
			Interest	
2013	\$ 845,000	\$	757,529	\$ 1,602,529
2014	1,335,000		649,946	1,984,946
2015	1,380,000		609,515	1,989,515
2016	1,420,000		567,215	1,987,215
2017	1,465,000		522,946	1,987,946
2018	1,520,000		475,903	1,995,903
2019	1,565,000		426,515	1,991,515
2020	1,620,000		374,103	1,994,103
2021	1,680,000		317,571	1,997,571
2022	1,740,000		256,781	1,996,781
2023	1,805,000		191,764	1,996,764
2024	1,325,000		128,847	1,453,847
2025	1,390,000		68,481	1,458,481
2026	835,000		18,788	853,788
Total	<u>\$ 19,925,000</u>	<u>\$</u>	<u>5,365,904</u>	<u>\$ 25,290,904</u>

Taxable Urban Renewal

Fiscal Year	Principal	Outstanding		Total
			Interest	
2013	\$ -	\$	38,086	\$ 38,086
2014	-		75,335	75,335
2015	-		75,335	75,335
2016	130,000		75,335	205,335
2017	130,000		74,035	204,035
2018	135,000		72,345	207,345
2019	135,000		70,185	205,185
2020	140,000		67,485	207,485
2021	140,000		64,545	204,545
2022	145,000		61,325	206,325
2023	150,000		57,845	207,845
2024	150,000		53,945	203,945
2025	155,000		49,745	204,745
2026	160,000		45,095	205,095
2027	165,000		39,975	204,975
2028	170,000		34,365	204,365
2029	175,000		28,245	203,245
2030	185,000		21,770	206,770
2031	190,000		14,925	204,925
2032	200,000		7,800	207,800
Total	<u>\$ 2,655,000</u>	<u>\$</u>	<u>1,027,721</u>	<u>\$ 3,682,721</u>

CITY OF IOWA CITY, IOWA

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population</u> ⁶	<u>Personal Income</u> ¹	<u>Per Capita Personal Income</u> ¹	<u>Average Increase</u>	<u>School Enrollment</u> ²	<u>Unemployment Rate</u> ³	<u>Retail Sales</u> ⁴
2004	62,380	\$ 4,765,396	\$ 34,002	6.44 %	11,885	4.0 %	\$ 854,156,442
2005	62,380	4,920,872	34,740	2.17	11,866	2.9	878,009,171
2006	62,887	5,260,852	36,610	5.38	11,988	2.4	901,481,066
2007	67,062	5,677,628	38,854	6.13	12,824	2.9	934,971,428
2008	67,831	6,062,777	40,745	4.87	12,911	3.1	958,509,729
2009	69,086	6,180,244	40,779	0.08	13,049	4.3	905,139,461
2010	67,862	6,280,167	41,048	0.66	13,319	5.0	725,329,723
2011	68,947	6,779,334	43,631	6.29	13,638	4.8	741,407,021
2012	68,947	7,155,456	45,222	3.65	13,862	4.1	767,122,555
2013 ⁵	70,133	7,439,060	47,014	3.96	14,057	3.8	793,201,342

Sources and Notes:

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

² Iowa City Community School District and local private schools

³ Iowa Workforce Development Center

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

⁵ Personal Income and Per Capita Personal Income for 2013 not available. Amounts projected based on average increase over previous 9 years.

⁶ US Census Bureau

CITY OF IOWA CITY, IOWA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

<u>Employers</u>	<u>2004</u>		<u>2013</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa and University of Iowa Hospital and Clinics	23,608	1	30,804	1	33.2 %
Iowa City Community School District	1,728	2	1,700	2	1.8
Veterans Administration Medical Center	1,200	5	1,562	3	1.7
City of Iowa City	600	9	1,283	4	1.3
NCS Pearson	1,300	4	1,200	5	1.4
Mercy Hospital	1,150	6	1,187	6	1.3
ACT Inc. (formerly American College Testing Program)	1,334	3	1,181	7	1.3
Hy-Vee	927	7	1,166	8	1.3
System Unlimited	-	-	890	9	1.0
International Automotive Components formerly Lear Corp	850	8	785	10	0.8
Gillette Canada (Oral B Laboratories)	500	10	-	-	N/A
	<u>33,197</u>		<u>41,758</u>		<u>45.0 %</u>
Total Employees			92,700		

Sources:

Iowa City Area Development Group

Note:

Total number of employees is not available for 2004; percentage of total city employment by employer is not presented.

CITY OF IOWA CITY, IOWA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Full-Time Equivalent Employees as of June 30

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety							
Police	97.25	94.25	94.25	96.25	96.25	103.25	103.25
Animal Shelter ¹	6	6	6	6	6	6	6
Fire	58	56	57	57	57	57	57
Inspection Services	14.13	13.88	14.88	14.88	15.38	15.55	15.55
Public Works							
Public Works Admin	2	2	2	2	2	2	2
Engineering	13.6	11.6	11.6	11.6	11.35	11.35	11.35
Flood Recovery	-	-	-	-	-	-	-
Culture and Recreation							
Parks and Rec Admin	2	2	2	2	2	2	2
Recreation	15.17	15.17	15.17	15.42	15.42	15.42	15.42
Parks	13	12	13	13	13	13	13
Forestry	3	3	3	3	3	3	3
Cemetery	3	3	3	3	3	3	3
CBD Maintenance	3	3	3	3	3	3	3
Library	43.25	42.63	42.63	42.89	43.14	43.14	43.14
Senior Center	5.81	6.31	6.31	6.31	6.31	6.31	6.31
Community and Economic Development	9.45	8.45	8.45	8.45	8.95	9.05	9.05
General Government							
City Council	7	7	7	7	7	7	7
City Clerk	4	4	4	4	4	4	4
City Attorney	6.6	6.6	6.6	6.6	6.6	6	6
City Manager ²	3	3	3	3	3	3	3
Personnel	4	4	4	4	4	4	4
Human Rights	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Finance	28.61	26.61	26.75	26.75	26.5	26.3	26.3
Government Buildings	4.96	4.96	4.96	4.96	4.96	4.96	4.96
Energy Conservation	0.5	0.5	0.5	0.5	0.25	0.25	0.25
Transit ³	48.5	50.5	50.5	50.5	54.75	58.5	58.5
Special Revenue							
Employee Benefits	0.34	0.34	0.39	0.39	0.29	0.29	0.29
CIP / Roads	7	3	2	2	1	2	2
Flood Mitigation Grants	-	-	-	-	-	-	-
Community Development	5.35	4.35	4.35	4.35	3.98	3.88	3.88
UniverCity Program							
Traffic Engineering	5.65	5.65	4.15	4.15	4.15	4.15	4.15
Streets	22	22	23.5	23.5	23.5	25.5	25.5
MPOJC (formerly JCCOG)	6.1	6.1	6.6	6.6	6.6	6.6	6.6
Other Shared Revenues							
Library Development	1.5	0.8	1	1	1	1	1
Capital Project Administration	-	-	-	-	-	-	-
Internal Service Funds							
Information Technology	7.5	8	11.75	12	12.3	12.3	12.3
Equipment	11.26	11.25	11.26	11.26	11.26	11.26	11.26
Central Services	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Risk Management	1.33	1.32	1.38	1.38	1.73	1.93	1.93
Business-Type Activities							
Parking	31.5	32.75	32.75	32.75	32.75	33.25	33.25
Mass Transit ³							
Wastewater Treatment	27.3	27.3	25.5	25.5	25.5	25.6	25.6
Water	31.7	31.7	32.5	32	32.75	32.75	32.75
Sanitation	32.35	34.35	33.85	33.85	34.85	34.85	35.85
Airport	2	2	1.6	1.6	1.6	1.75	1.75
Cable Television	6.19	6.19	6.19	6.19	6.19	6.44	6.44
Stormwater	-	-	0.5	1	2	1.9	1.9
Housing Authority	12.5	12.75	13.25	13.25	13.25	13.25	13.25
Total	610.65	599.56	605.37	608.13	614.81	629.03	630.03

Source: City's Financial Plan

<u>2011</u>	<u>2012</u>	<u>2013</u>
98	97	103
6	6	0
66	65	65
15.55	15.55	15.55
2	2	2
12.1	12.1	12.1
0.4	0.4	0.4
2	2	2
15.42	15.42	15.42
13	13	13
3	3	3
3	3	3
3	3	3
43.14	43.64	43.63
6.31	6.5	6.5
9.1	9.1	8.4
7	7	7
4	4	4
5.6	5.6	5.6
3	3	5
4	4	4
2.5	2.5	2
26.24	27.53	23.47
4.96	4.83	4.83
-	-	-
56.25	56.25	0
0.26	0.55	0.55
-	-	-
1.6	1.6	-
3.83	3.83	3.33
		0.2
4.15	4.15	4.15
25.5	25.5	25.5
6.6	6.6	5.6
		1.6
1	1	1
3	5	6
11.3	11.8	10.86
11.26	11.26	10.75
0.75	0.75	0.76
2.01	1.8	1.8
32.75	32.75	29.25
		51.75
25.6	25.4	25.4
32.75	32.75	32.75
35.85	37.85	37.85
1.75	1.75	1
6.69	6.63	6.63
1.9	2.1	2.1
13.25	13.25	13.18
<u>633.37</u>	<u>637.74</u>	<u>623.91</u>

CITY OF IOWA CITY, IOWA

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety										
Police ¹										
Physical arrests	7,288	7,528	6,895	6,505	6,434	6,486	5,983	6,590	5,911	4,468
Traffic Violations	8,515	7,428	8,198	6,684	5,827	4,460	4,446	3,403	3,761	2,499
Fire ²										
Number of calls answered	3,518	3,596	3,679	4,136	4,257	4,152	4,472	4,635	5,173	4,713
Inspections conducted	975	1,083	1,232	1,495	1,712	1,959	2,145	1,806	1,970	1,431
Parking										
Parking Violations	155,338	145,033	139,338	166,187	147,673	126,050	118,717	109,553	96,117	88,909
Wastewater Treatment										
Daily average treatment in gallons ³	4,960,000	4,870,000	4,580,000	9,430,000	12,810,000	12,340,000	12,860,000	10,370,000	8,280,000	9,840,000
Maximum daily capacity of plant in gallons	40,000,000	40,000,000	40,000,000	40,000,000	41,000,000	41,000,000	41,100,000	41,100,000	41,100,000	41,100,000
Number of sewer system customers	21,165	21,552	22,046	22,481	22,909	23,161	23,344	23,527	23,529	24,059
Water										
Daily average consumption in gallons	5,742,000	5,448,500	5,680,600	5,516,238	5,475,122	5,508,077	5,483,255	5,508,800	5,486,800	5,535,000
Maximum daily capacity of plant in gallons	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000
Water System Customers by Classification										
Residential	21,527	21,972	22,529	22,973	23,097	23,391	23,657	23,875	24,086	24,442
Commercial	1,377	1,400	1,408	1,448	1,465	1,494	1,481	1,498	1,489	1,491
Industrial	13	13	13	13	14	15	15	15	15	15
Other	125	129	134	137	138	144	153	156	200	204
Total Customers	<u>23,042</u>	<u>23,514</u>	<u>24,084</u>	<u>24,571</u>	<u>24,714</u>	<u>25,044</u>	<u>25,306</u>	<u>25,544</u>	<u>25,790</u>	<u>26,152</u>
Sanitation										
Number of Customers	13,983	14,158	14,371	14,556	14,574	14,700	14,831	14,926	15,030	15,177
Tonnage	8,716	8,667	8,463	8,722	8,834	8,747	8,869	8,969	8,935	8,956
Landfill										
Tonnage	108,155	113,356	111,124	135,315	132,760	140,810	150,369	147,265	148,953	111,445

Sources: Various city divisions.

Notes:

¹ Numbers are based on a calendar year and 2013 figures are compiled through 09/23/13.

² Numbers are based on a calendar year and 2013 figures are compiled through 11/07/13.

³ Numbers for FY07 and after are based on both the North and South Wastewater Plants.



CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	17	17	17	17	17	18	18	18	18
Fire										
Stations	3	3	3	3	3	3	3	3	4	4
Fire apparatus	8	8	8	8	9	9	9	9	11	11
Public Works										
Streets										
Miles	259	262	262	268	269	270	272	272	275	276
Street lights	3,352	3,357	3,378	3,395	3,403	3,408	3,410	3,412	3,412	3,412
Culture and Recreation										
Library	1	1	1	1	1	1	1	1	1	1
Cemetery	1	1	1	1	1	1	1	1	1	1
Acreage	40	40	40	40	40	40	40	40	40	40
Parks	61	61	61	61	61	61	40	41	41	42
Acreage	1,400	1,400	1,400	1,600	1,603	1603	1335	1354	1441	1506
Recreation										
Recreation centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	3	3	3	3	3	3	3	3	3	3
Ball diamonds	29	29	29	29	31	30	30	30	30	27
Tennis courts	12	12	12	12	12	12	12	12	12	12
Soccer fields	25	25	25	25	25	20	20	20	20	20

(continued)

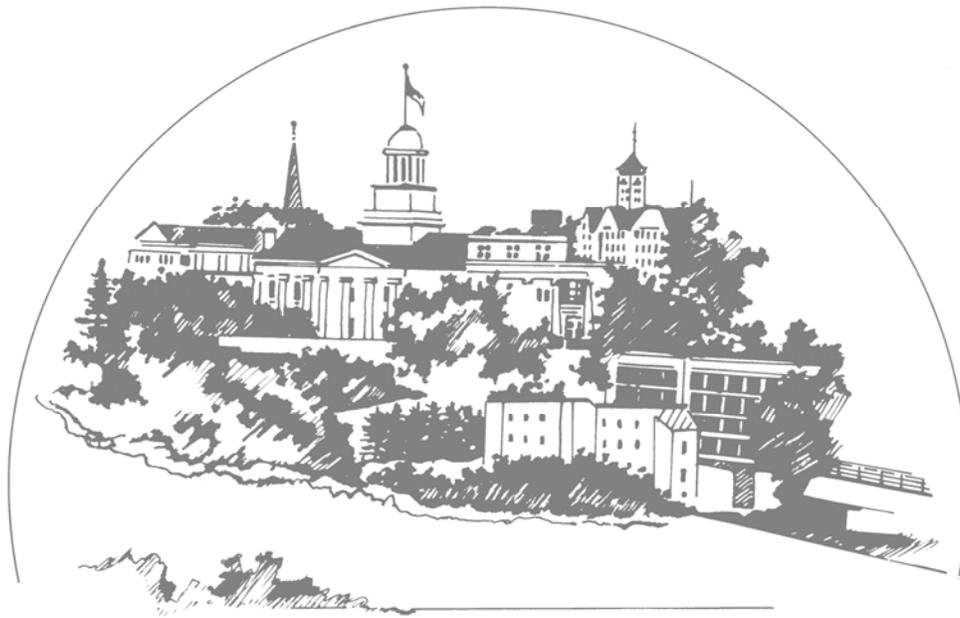
CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION (continued)

Last Ten Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Parking										
Facilities	4	4	5	5	5	5	5	5	5	5
Spaces	2,537	2,537	3,137	3,100	3,085	3,086	3,086	3,086	3,086	3,086
Wastewater Treatment										
Miles of sanitary sewer	274	277	280	286	288	289	291	292	294	295
Miles of storm sewer	102	105	110	117	118	120	122	124	127	128
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connectors	21,165	21,552	22,046	22,481	22,576	22,875	23,093	23,308	23,529	23,851
Water										
Miles of water mains	249	252	257	260	262	263	264	264	266	268
Number of city owned fire hydrants	2,340	2,448	2,474	2,569	2,575	2,635	2,662	2,680	2,735	3,330
Sanitation										
Landfills	1	1	1	1	1	1	1	1	1	1
Acreage	200	200	200	200	395	395	395	395	411	411

Sources: Various city divisions.



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 Iowa City, Iowa

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, (City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying schedule of findings and questioned costs as item 2013-A to be a material weakness.

A *significant deficiency* is a deficiency, or a 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part IV of the accompanying Schedule of Findings and Questioned Costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa
December 19, 2013

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Iowa City, 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 each of the City's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Iowa City, Iowa, 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, 2013.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Dubuque, Iowa
December 19, 2013

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce:			
Direct program:			
Economic Adjustment Assistance	11.307		\$ 18,803,973
Economic Adjustment Assistance	11.307		<u>329,688</u>
Total U.S. Department of Commerce			<u>19,133,661</u>
U.S. Department of Housing and Urban Development:			
Direct program:			
Community Development Block Grants/ Entitlement Grants	14.218		990,119
Community Development Block Grants/ Entitlement Grants	14.218		558,125
Community Development Block Grants/ Entitlement Grants	14.218		<u>229,814</u>
			<u>1,778,058</u>
Pass-through program from:			
Iowa Economic Development Authority:			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-225	1,420,382
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-210	629,583
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-271	9,852,193
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-273	299,323
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIEF-276	223,701
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRB-204	20,078
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRMH-215	345
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIEF-274	111,464
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIEF-275 IC	1,008

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development: (continued)			
Pass-through program from: (continued)			
Iowa Economic Development Authority: (continued)			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRMI-007	\$ 91,859
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-010	<u>337,042</u>
			<u>12,986,978</u>
Direct program:			
Home Investment Partnerships Program	14.239		224,238
Home Investment Partnerships Program	14.239		210,480
Home Investment Partnerships Program	14.239		207,939
Home Investment Partnerships Program	14.239		<u>131,154</u>
			<u>773,811</u>
Public and Indian Housing	14.850		<u>122,679</u>
Section 8 Housing Choice Vouchers	14.871		<u>6,670,788</u>
Public Housing Capital Fund	14.872		121,379
Public Housing Capital Fund	14.872		53,026
Public Housing Capital Fund	14.872		<u>228</u>
			<u>174,633</u>
Total U.S. Department of Housing and Urban Development			<u>22,506,947</u>
U.S. Department of Justice:			
Pass-through program from:			
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-13-34	<u>43,086</u>
Direct program:			
Bulletproof Vest Partnership Program	16.607		2,840
Bulletproof Vest Partnership Program	16.607		<u>401</u>
			<u>3,241</u>
Public Safety Partnership and Community Policing Grants	16.710		44,356
Pass-through program from:			
Governor's Office of Drug Control Policy:			
Public Safety Partnership and Community Policing Grants	16.710	10-Hotspots/Interdiction	<u>18,491</u>
			<u>62,847</u>

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice: (continued)			
JAG Program Cluster:			
Direct program:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		\$ 29,087
Edward Byrne Memorial Justice Assistance Grant Program	16.738		24,880
Edward Byrne Memorial Justice Assistance Grant Program	16.738		15,438
Pass-through program from:			
Governor's Office of Drug Control Policy:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10JAG-42356	64,370
			<u>133,775</u>
Pass-through program from:			
Governor's Office of Drug Control Policy:			
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	10JAG-42356	32,262
Direct program:			
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804		<u>23,724</u>
Total JAG Program Cluster			<u>189,761</u>
Total U.S. Department of Justice			<u>298,935</u>
U.S. Department of Transportation:			
Direct program:			
Airport Improvement Program	20.106		2,018,623
Airport Improvement Program	20.106		130,396
Airport Improvement Program	20.106		10,887
Airport Improvement Program	20.106		7,740
			<u>2,167,646</u>

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation: (continued)			
Highway Planning and Construction Cluster:			
Pass-through program from:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-3715(637)--70-52	\$ 1,697,342
Highway Planning and Construction	20.205	HDP-3715(634)--71-52	367,510
Highway Planning and Construction	20.205	BRM-3715(650)--8N-52	295,344
Highway Planning and Construction	20.205	FHWA IA08-05	4,503
Iowa Department of Transportation and Metropolitan Planning Organization of Johnson County:			
Highway Planning and Construction	20.205	13MPO-MPOJC	<u>175,000</u>
			<u>2,539,699</u>
Iowa Department of Transportation:			
Recreational Trails Program	20.219	NRT-3715(649)--9G-52	<u>389,885</u>
Total Highway Planning and Construction Cluster			<u>2,929,584</u>
Federal Transit Cluster:			
Pass-through program from:			
Iowa Department of Transportation:			
Federal Transit – Capital Investment Grants	20.500	IA-04-0117-371-11	739,797
Direct program:			
Federal Transit – Formula Grants	20.507		<u>1,043,854</u>
Total Federal Transit Cluster			<u>1,783,651</u>
Transit Services Program Cluster:			
Pass-through program from:			
Iowa Department of Transportation:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	IA-16-X002-371-13	<u>88,992</u>
Job Access and Reverse Commute Program	20.516	IA-37-X022-371-12	31,024
Job Access and Reverse Commute Program	20.516	IA-37-X022-371-13	<u>92,942</u>
			<u>123,966</u>
New Freedom Program	20.521	IA-57-X001-371-12	24,004
New Freedom Program	20.521	IA-57-X009-371-13	<u>32,148</u>
			<u>56,152</u>
Total Transit Services Program Cluster			<u>269,110</u>

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation: (continued)			
Pass-through program from: (continued)			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Alcohol Impaired Driving			
Countermeasures Incentive Grants I	20.601	PAP 13-410, Task 30	\$ 19,463
Alcohol Impaired Driving			
Countermeasures Incentive Grants I	20.601	PAP 12-410, Task 41	6,338
			<u>25,801</u>
Total U.S. Department of Transportation			<u>7,175,792</u>
U.S. Environmental Protection Agency			
Direct program:			
Urban Waters Small Grants	66.440		<u>9,709</u>
U.S. Department of Energy:			
Direct program:			
ARRA – Energy Efficiency and Conservation			
Block Grant Program (EECBG)	81.128		<u>23,419</u>
U.S. Department of Homeland Security:			
Pass-through program from:			
Iowa Homeland Security and Emergency			
Management Division:			
Disaster Grants – Public Assistance			
(Presidentially Declared Disasters)	97.036	FEMA-1763 DR-IA	475,304
Disaster Grants – Public Assistance			
(Presidentially Declared Disasters)	97.036	FEMA DR-4119-IA	49,993
Disaster Grants – Public Assistance			
(Presidentially Declared Disasters)	97.036	FEMA DR-4126-IA	49,732
			<u>575,029</u>
Hazard Mitigation Grant	97.039	DR-1763-0137-01	275,515
Hazard Mitigation Grant	97.039	HMGP-DR-1854-0006 01	104,046
Hazard Mitigation Grant	97.039	FEMA-DR-1763-0015 01	1,035
			<u>380,596</u>
Total U.S. Department of Homeland Security			<u>955,625</u>
Total			<u>\$ 50,104,088</u>

See Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Iowa City, Iowa, and is presented on the modified accrual basis of accounting for governmental funds and the full accrual basis of accounting for proprietary funds. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The City received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note 2 - Subrecipients

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/Entitlement Grants	14.218	\$ 1,102,570
Home Investment Partnerships Program	14.239	539,903
Public Safety Partnership and Community Policing Grants	16.710	7,738
Edward Byrne Memorial Justice Assistance Grant Program	16.738	70,910
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	19,998
New Freedom Program	20.521	56,152

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

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 §.510(a):	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Economic Adjustment Assistance	11.307
Community Development Block Grants/Entitlement Grants	14.218
JAG Cluster	
Edward Byrne Memorial Justice Assistance Grant Program	16.738
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803
ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804
Airport Improvement Program	20.106
Highway Planning and Construction Cluster	
Highway Planning and Construction	20.205
Recreational Trails Program	20.219
Federal Transit Cluster	
Federal Transit – Capital Investment Grants	20.500
Federal Transit – Formula Grants	20.507

Part I: Summary of the Independent Auditor's Results: (continued)

Dollar threshold used to distinguish between type A and type B programs:	\$1,503,123
Auditee qualified as low-risk auditee?	Yes

Part II: Findings Related to the Financial Statements:

MATERIAL WEAKNESS:

2013-A Material Audit Adjustment

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

Condition – During the course of our engagement, we proposed a material audit adjustment to the financial statements that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in material misstatements of the City's financial statements.

Cause – The material audit adjustment was to adjust the beginning of the year net position of the Sanitation Fund for the Landfill Closure and Postclosure Care Liability which was calculated incorrectly in the past based on incorrect landfill capacity information supplied to the accounting staff.

Effect – The effect of this condition was financial data not in accordance with generally accepted accounting principles.

Recommendation – We recommend that additional financial statement review procedures be implemented to insure accuracy of recorded amounts.

Response – The information used for the past several years to calculate the Landfill Closure and Postclosure Liability was consistent with the information that is used in the calculation of the funding requirements for the Municipal Solid Waste Sanitary Landfill Financial Assurance Report Form submitted to the Department of Natural Resources of the State of Iowa each year. While these calculations are similar in nature, the City has chosen a very conservative approach that is allowed by the State to show the funding requirement. This alternate approach is not allowed by U.S. GAAP in the calculation of the liability, therefore creating a discrepancy.

Accounting will work to implement a more stringent review process of the information obtained from other City divisions and outside entities to make sure the information is in compliant with U.S. GAAP requirements.

Part III: Findings and Questioned Costs for Federal Awards:

There were no findings and questioned costs to report.

Part IV: Other Findings Related to Required Statutory Reporting:

2013-IA-A Certified Budget – Disbursements during the year ended June 30, 2013, did not exceed the amount budgeted. However, before the budget was amended, disbursements exceeded the amount budgeted for the Community and Economic Development function.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City is looking to improve its budget monitoring procedures and revise the budget preparation process to help reduce the likelihood of such an occurrence.

2013-IA-B Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

2013-IA-C Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

2013-IA-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
Art Bettis, Spouse of Brenda Nations, Environmental Coordinator, Landfill	Consulting Services	\$ 1,500
Terry Dickens, Council Member Part owner of Herteen & Stocker Jewelers	Service Charge	16

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Environmental Coordinator and the Council Member do not appear to represent conflicts of interest since total transactions with each individual did not exceed \$1,500 during the fiscal year.

2013-IA-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.

2013-IA-F Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

2013-IA-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.

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

2013-IA-H Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

2013-IA-I Revenue Bonds – No instances of non-compliance with the provisions of the City’s revenue bond resolutions were noted.

There were no prior year federal findings.