

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF IOWA CITY, IOWA

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

PREPARED BY:

FINANCE DEPARTMENT
CITY OF IOWA CITY, IOWA



CITY OF IOWA CITY, IOWA

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December 5, 2008

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, 2008 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 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 and Local Governments*. 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.

The City of Iowa City's financial statements have been audited by Eide Bailly, LLP of Dubuque, Iowa, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2008 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Iowa City's financial statements for the fiscal year ended, June 30, 2008, are fairly presented in conformity with GAAP.

Profile of the Government

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

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

The City Manager is the chief administrative officer for the City and is appointed by the City Council. The City Manager implements policy decisions of the City Council and enforces City ordinances. In addition, the City Manager appoints and directly supervises the directors of the City's operating departments and supervises the administration of the City's personnel system. He supervises 544 full-time and 87 permanent part-time municipal employees and 446 temporary employees including a police force of 73 sworn personnel and a fire department of 56 firefighters. 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. Since 1971, the City has operated a transit system.

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

The City adopts a three-year financial plan that includes both operations and capital improvements. This three-year plan permits a more comprehensive review of the City's financial condition, allowing analysis of the current and future needs and requirements. During preparation of the plan, careful review is made of property tax levy rates, utility and user fee requirements, ending cash

balances by fund, debt service obligations, bond financing needs, capital outlay for equipment purchases and major capital improvement projects. The state requires at least a one-year operating budget. While legal spending control is exercised at a state mandated function level, management control is set at the Department Manager level. Encumbrance accounting is utilized in all funds for budgetary control. Encumbrances outstanding at year-end for the governmental fund types are reflected as reservations of the fund balances. Appropriations that are not encumbered lapse at the end of the year.

Information useful in assessing the government's economic condition

The City's economic strength is based upon education, medical services, and diversified manufacturing. The University of Iowa is the City's largest employer with almost 28,200 employees and the University of Iowa Hospitals and Clinics is the largest university-owned teaching medical center in the United States. The City also has a significant number of private employers who have a history of providing stable and increasing employment in the community. The relative stability of the University of Iowa, coupled with the City's multi-sector base of industrial and commercial interests, will continue to help insulate the City from the significant negative economic impacts related to unemployment.

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

There have been improvements in the budget challenges faced by the State of Iowa, however, the City's economy as a whole continues to grow. The major employers have been able to maintain their workforce size. The unemployment rate for Johnson County continues to remain low at between 2.9% and 3.1%. The City has consistently experienced modest increases in assessed property valuations. New housing construction continues to be relatively strong with 133 new single-family houses and 151 multi-family dwelling units added to the tax rolls for the year ended December 31, 2007. This, along with the low unemployment rate, continues to be indicative of the City's economic well being.

The 2000 census population of Iowa City was 62,220. After further review by the United States Census Bureau, the population was revised to 62,887 in 2006. This represents a 5.0% increase over the 1990 population of 59,738.

In preparing the financial plan for the three years ending June 30, 2011, the process of budget balancing has again been most difficult. With the continued tax limitations imposed by the state (specifically the residential rollback factor) and other federal and state regulations and mandates, the municipal service needs for our growing community are becoming increasingly difficult to satisfy.

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

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

The City continues to pursue cooperative efforts with other local governments. Joint funding, purchasing, planning and other efforts allow the City to meet mandates for new and improved services in the future at the most reasonable cost. Joint cooperation currently encompasses regional transportation planning, human services, solid waste management planning, a hazardous materials response program, an enhanced 911 emergency communications system, community relations, joint operation of an animal control facility, joint operation of an indoor swimming pool facility, and joint economic development efforts. While such cooperative efforts are not new in concept, the City expects to enter into more agreements with neighboring governmental subdivisions, as well as with the University of Iowa.

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

Throughout the month of June, city staff and the citizens of Iowa City dealt with the Iowa River which flooded central parts of the city. The City of Iowa City was among several cities in Iowa that received a Presidential Disaster declaration. That disaster declaration brought the Federal Emergency Management Agency (FEMA) technical and financial assistance to Iowa City. As in many such disasters, parts of the community experienced financial hardships while it brought financial opportunities to others. In fiscal year 2009 we expect to rebuild and enhance the affected areas.

Major Initiatives

The City continues to be proactive in maintaining and building its streets, bridges, storm water mains, and trail systems and spent approximately \$7,191,000 in fiscal year 2008 on various projects. The major projects were intersection improvements at Gilbert\Prentiss\Bowery streets, the extension and pavement of Lower West Branch Road and the continuation of the McCollister Boulevard extension project.

The Iowa City Housing Authority provides rental assistance for 1,214 units, with an annual contribution contract with the Federal Government of \$6,231,000. Community Development Block Grant and Home Investment Partnership funds totaling approximately \$1,895,000 were utilized for economic development, housing, public services and facilities, and planning activities during fiscal year 2008. Community and Economic Development also leveraged approximately \$4,234,000 in other funds. These programs provide for broad based financial impacts locally for builders, developers, and others.

Financial Information

Single Audit: 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 those programs. These internal accounting and administrative controls are subject to periodic evaluation by the City's management.

The results of the City's single audit for the fiscal year ended June 30, 2008 provided no instances of material weaknesses in the internal controls or significant violations of applicable laws and regulations based upon the audit of the basic financial statements.

Retirement Plans: With the exception of police and fire employees, substantially all permanent City employees are covered by the Iowa Public Employees Retirement System (IPERS). The state annually sets the contribution rate for all municipal entities and covered employees. All covered employees are required to contribute 3.9% of their salary, while employers contribute 6.05%. There is no allocation or measurement of unfunded liability to any municipal entity and, upon the retirement of employees, IPERS has the sole responsibility for their benefits. The City has no responsibility to pay employee pension benefits of IPERS besides the required contribution.

The City's police and fire employees are covered by the Municipal Fire and Police Retirement System of Iowa (MFPRSI). This statewide system is a cost-sharing multiple-employer public employee retirement system. The state annually sets the contribution rate for all municipal entities and employees. The City has no responsibility to pay employee pension benefits of MFPRSI besides the required contribution.

Cash Management: The majority of the City's investment activity is carried on by the City's investment pool, except for those funds which are required to maintain their investments separately. This pooled concept provides for greater investment earnings that are then allocated to the City's funds on a systematic basis.

The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Idle cash is invested in various instruments with various maturity dates of less than one year, depending on the anticipated cash requirements during the period.

The overall strategy of holding deposits and making investments is to expose the City to a minimum amount of credit risk and market risk. All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the State of Iowa Sinking Fund.

For the year ended June 30, 2008, the City earned \$7,211,000 from all investments, a decrease of \$440,000 from the prior year. The following table shows how this was allocated by fund type for the fiscal years 2008 and 2007:

<u>Fund Type</u>	2008 Investment Earnings (in thousands)	2007 Investment Earnings (in thousands)
Governmental	\$ 3,932	\$ 4,045
Business-type	<u>3,279</u>	<u>3,606</u>
Totals	<u>\$ 7,211</u>	<u>\$ 7,651</u>

Risk Management: The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance.

Risk control techniques have been established to reasonably ensure that the City's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned by or under the control of the City. Furthermore, supervisory personnel are held responsible for monitoring risk control techniques on an operational basis. The City completed its eighteenth year under a property and liability insurance program that provides for a \$100,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$400,000 self-insured retention on workers' compensation losses. The insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$21,000,000 annual aggregate of the losses paid. The operating funds pay annual premiums to the Loss Reserve Fund, which is accounted for as an internal service fund. The balance in the Loss Reserve Fund is available to cover the self-insured retention amounts and any uninsured losses. The total assets in the Loss Reserve Fund as of June 30, 2008 were \$7,420,000.

Independent Audit: 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 OMB Circular A-133. 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. The independent auditors' reports related specifically to the single audit are included in the compliance section of this report.

The financial statements are the responsibility of the City. The responsibility of the certified public accountants is to express an opinion on the City's financial statements based on their audit. An audit is conducted in accordance with generally accepted auditing standards. Those standards require that the audit be planned and performed in a manner to obtain a reasonable assurance as to whether the financial statements are free of material misstatement.

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, 2007. 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 three consecutive years. I believe our current report continues to conform to the Certificate requirements and am submitting it to GFOA to determine its eligibility for another certificate.

Responsibility and Acknowledgments

The Department of Finance prepared the Comprehensive Annual Financial Report of the City of Iowa City, Iowa for the fiscal year ended June 30, 2008. The City Council, as required by law, is responsible for the complete and accurate preparation of the City's Comprehensive Annual Financial Report. I believe that the information presented is accurate in all material respects and that this report fairly presents the financial position and results of operations of the various funds of the City.

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

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

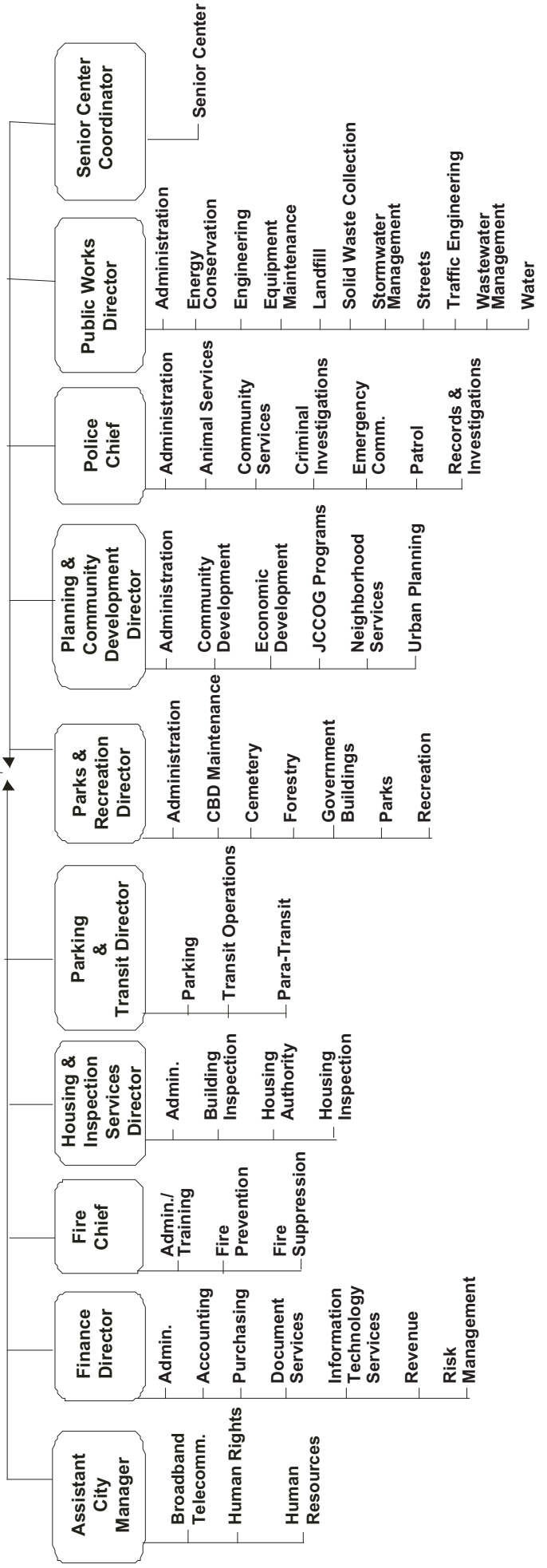
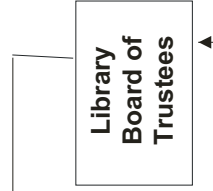
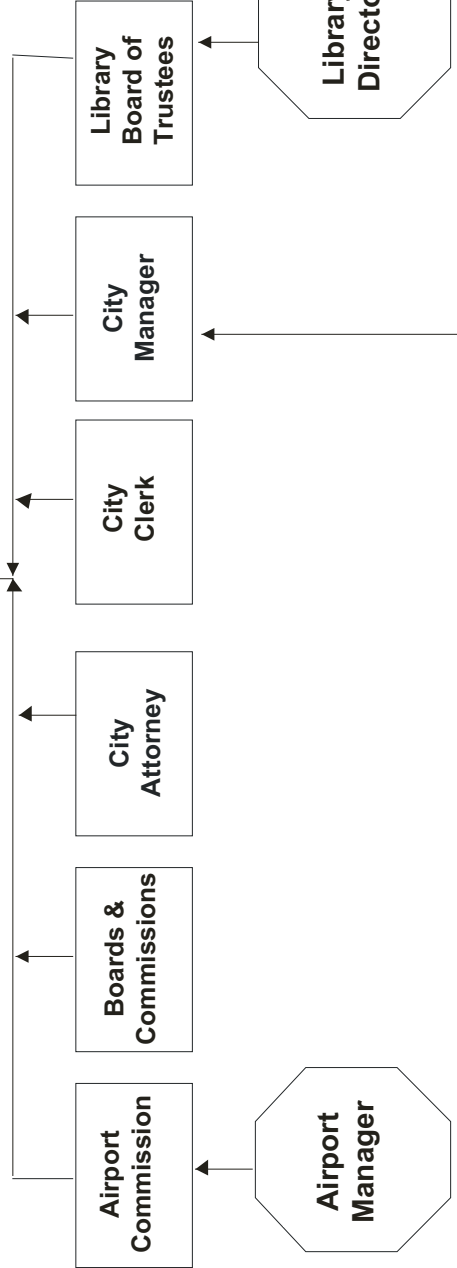
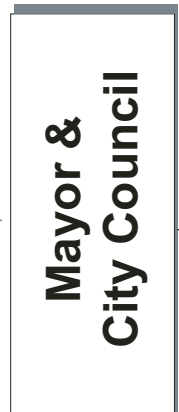
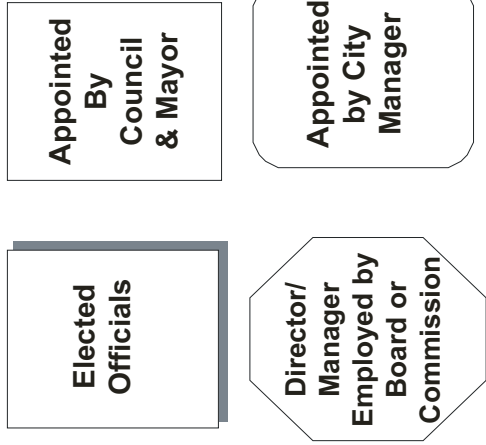
Respectfully submitted,



Kevin O'Malley
Director of Finance

Citizens of Iowa City

Key



CITY OF IOWA CITY, IOWA

LISTING OF CITY OFFICIALS

June 30, 2008

ELECTED OFFICIALS

		<u>Term Expires</u>
Mayor	Regenia Bailey	January 1, 2012
Council Member and Mayor Pro tem	Mike O'Donnell	January 1, 2010
Council Member	Connie Champion	January 1, 2010
Council Member	Amy Correia	January 1, 2010
Council Member	Matt Hayek	January 1, 2012
Council Member	Ross Wilburn	January 1, 2012
Council Member	Mike Wright	January 1, 2012

APPOINTED OFFICIALS

		<u>Date of Hire</u>
City Manager	Michael A. Lombardo	May 19, 2008
City Clerk	Marian K. Karr	May 21, 1979
City Attorney	Eleanor Dilkes	March 18, 1996

DEPARTMENT DIRECTORS

Assistant City Manager	Dale E. Helling	August 16, 1975
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 Parking and Transit	Joseph Fowler	January 2, 1970
Senior Center Coordinator	Linda Kopping	March 20, 1995
Fire Chief	Andrew Rocca	July 14, 1978
Parks and Recreation Director	Terry G. Trueblood	February 18, 1986
Director of Finance	Kevin O'Malley	August 19, 1985
Chief of Police	Sam Hargadine	August 29, 2005

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Iowa City
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Chane S. Cox

President

Jeffrey R. Emer

Executive Director



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Iowa City. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Dubuque, Iowa
December 5, 2008

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, 2008. 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 – 9 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, 2008 by \$367,313,000 (net assets). Of this amount, \$74,199,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$16,956,000 during the fiscal year. Governmental activities increased by \$9,442,000 and business-type activities increased by \$7,514,000.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$40,421,000, an increase of \$3,792,000 in comparison with the prior year. Of this total amount, approximately \$28,177,000, or 70% was unreserved and is available for spending at the City's discretion.
- At the end of the current fiscal year, the City's unreserved, undesignated fund balance for the General Fund was \$14,488,000, or 33% of total General Fund expenditures.
- The City's total debt decreased by \$4,165,000, during the current fiscal year. The key factor to this decrease was the retirement of bonds.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Parking, Wastewater Treatment, Water, Sanitation, and Housing Authority Funds are considered to be major funds and are reported individually throughout the report. The other three non-major enterprise funds are grouped together for reporting purposes and listed under a single heading "Other Enterprise Funds". Detailed information for each of the non-major funds is provided in the combining statements on pages 84 – 86. Individual fund data for the Internal Service funds is provided in the form of combining statements elsewhere in this report.

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

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

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

Notes to Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 – 72 of this report.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$367,313,000 at the close of the fiscal year ended June 30, 2008.

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

City of Iowa City's Net Assets
June 30, 2008
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 118,167	\$ 107,390	\$ 95,730	\$ 94,847	\$ 213,897	\$ 202,237
Capital assets	<u>157,273</u>	<u>153,380</u>	<u>257,034</u>	<u>255,577</u>	<u>414,307</u>	<u>408,957</u>
Total Assets	275,440	260,770	352,764	350,424	628,204	611,194
Long-term liabilities outstanding	84,442	82,616	110,027	115,332	194,469	197,948
Current and other liabilities	<u>61,305</u>	<u>57,903</u>	<u>5,117</u>	<u>4,986</u>	<u>66,422</u>	<u>62,889</u>
Total Liabilities	145,747	140,519	115,144	120,318	260,891	260,837
Net assets:						
Invested in capital assets, net of related debt	87,723	101,027	160,330	172,518	248,053	273,545
Restricted	23,741	8,181	21,320	23,893	45,061	32,074
Unrestricted	<u>18,229</u>	<u>11,043</u>	<u>55,970</u>	<u>33,695</u>	<u>74,199</u>	<u>44,738</u>
Total Net Assets	<u>\$ 129,693</u>	<u>\$ 120,251</u>	<u>\$ 237,620</u>	<u>\$ 230,106</u>	<u>\$ 367,313</u>	<u>\$ 350,357</u>

A portion of the City's net assets (12.2% or \$45,061,000) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets (20.2% or \$74,199,000) may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the fiscal year ended June 30, 2008, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities: Governmental activities increased the City's net assets by \$9,442,000. The increase in net assets of governmental activities is primarily due to expenditures for capital assets less depreciation expense.

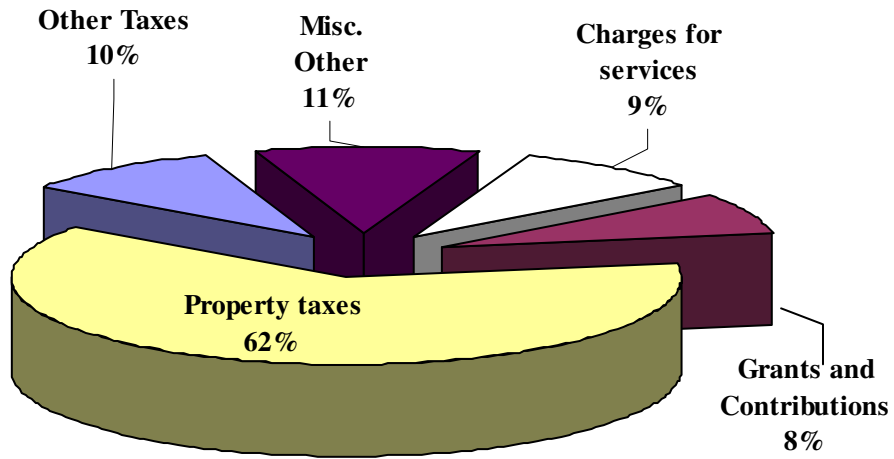
The following is a more detailed review of FY08's operation.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 6,379	\$ 6,598	\$ 34,876	\$ 34,397	\$ 41,255	\$ 40,995
Operating grants and contributions	3,611	3,215	6,281	7,172	9,892	10,387
Capital grants and contributions	1,747	4,283	2,798	4,866	4,545	9,149
General Revenues:						
Property taxes	43,400	41,492	-	-	43,400	41,492
Road use tax	5,432	5,305	-	-	5,432	5,305
Other taxes	1,435	1,412	-	-	1,435	1,412
Earnings on investments	3,932	4,045	3,279	3,606	7,211	7,651
Gain on disposal of capital assets	-	281	1,260	591	1,260	872
Other	3,509	3,656	454	343	3,963	3,999
Total revenues	69,445	70,287	48,948	50,975	118,393	121,262
Expenses:						
Public safety	20,504	16,694	-	-	20,504	16,694
Public works	13,727	13,560	-	-	13,727	13,560
Culture and recreation	13,460	11,970	-	-	13,460	11,970
Community and economic development	1,850	4,680	-	-	1,850	4,680
General government	7,433	7,258	-	-	7,433	7,258
Interest on long-term debt	3,517	3,459	-	-	3,517	3,459
Wastewater Treatment	-	-	11,757	11,537	11,757	11,537
Water	-	-	8,804	8,823	8,804	8,823
Sanitation	-	-	6,868	6,684	6,868	6,684
Housing Authority	-	-	7,374	6,884	7,374	6,884
Parking	-	-	3,913	4,403	3,913	4,403
Airport	-	-	560	418	560	418
Stormwater	-	-	1,072	932	1,072	932
Cable Television	-	-	598	525	598	525
Total expenses	60,491	57,621	40,946	40,206	101,437	97,827
Change in net assets before transfers	8,954	12,666	8,002	10,769	16,956	23,435
Transfers	488	(5,321)	(488)	5,321	-	-
Change in net assets	9,442	7,345	7,514	16,090	16,956	23,435
Net assets beginning of year	120,251	112,906	230,106	214,016	350,357	326,922
Net assets end of year	\$ 129,693	\$ 120,251	\$ 237,620	\$ 230,106	\$ 367,313	\$ 350,357

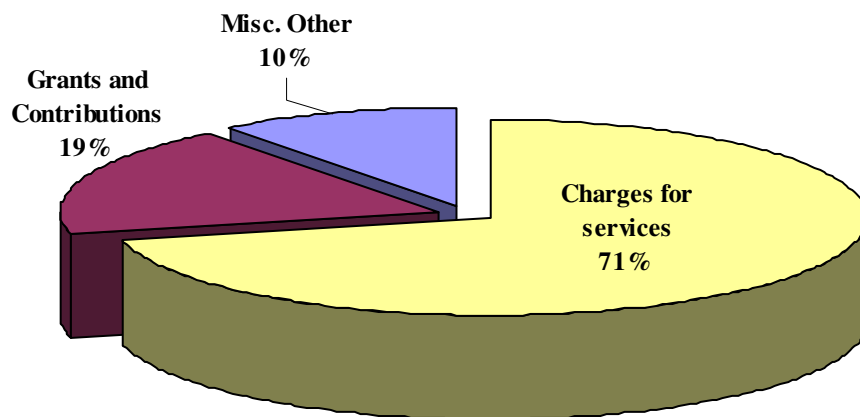
Business-type Activities: Business-type activities increased the City's total assets by \$7,514,000. The increases in net assets were primarily in the Wastewater, Sanitation and Airport funds. For all business-type activities, revenues exceeded expenses by \$8,002,000.

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
FY2008 Revenue
by Source**

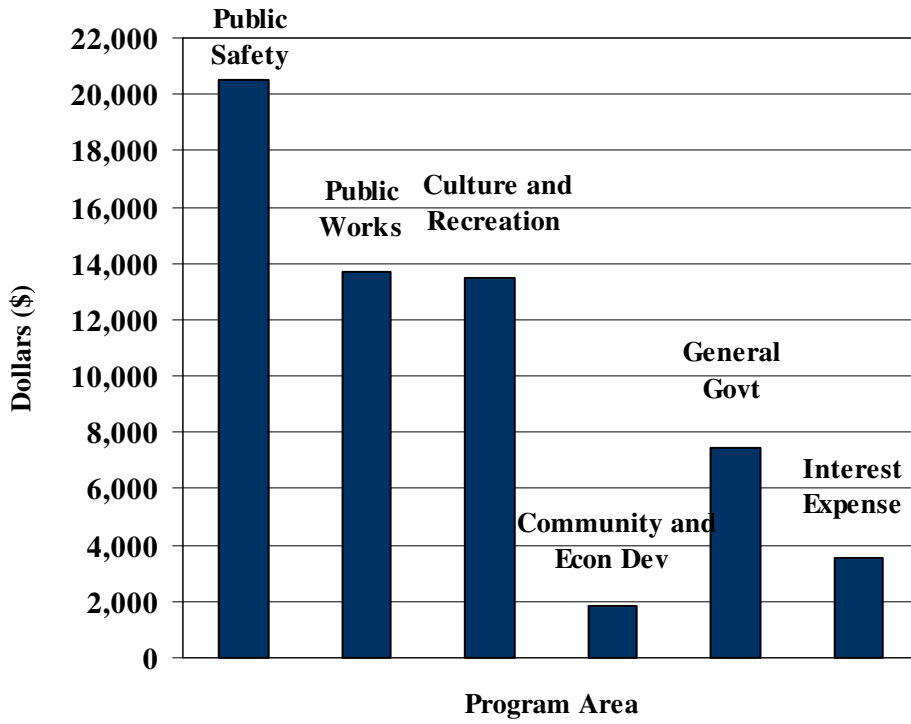


**Business-Type Activities
FY2008 Revenue
by Source**



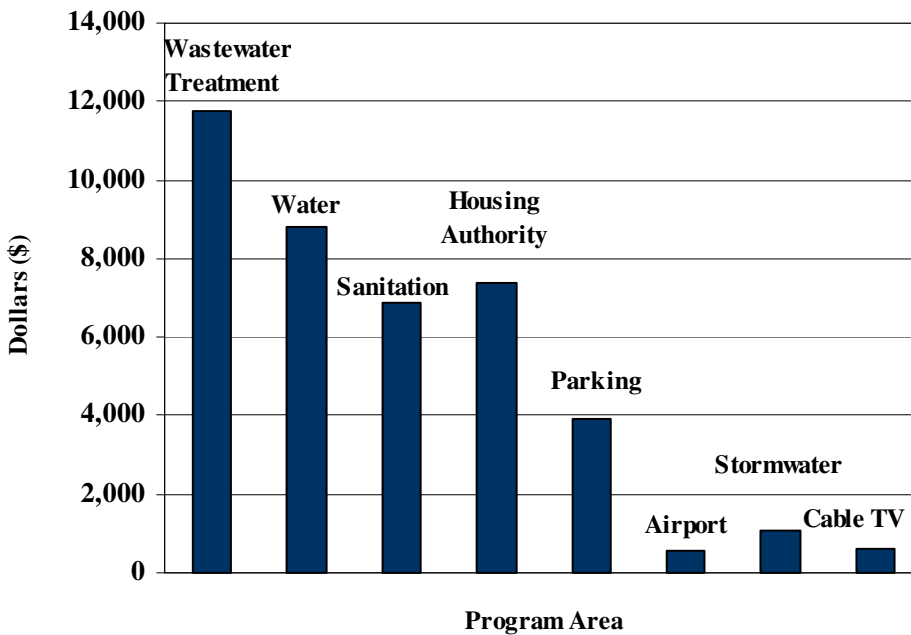
**Governmental Activities
FY2008 Expenditures
by Program Area**

(amounts expressed in thousands)



**Business-Type Activities
FY2008 Expenditures
by Program Area**

(amounts expressed in thousands)



Financial Analysis of the Government's Funds

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

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

As of the fiscal year ended June 30, 2008, the City's governmental funds reported combined ending fund balances of \$40,421,000, an increase of \$3,792,000 in comparison with the prior year. Of this total amount, \$28,177,000 constitutes unreserved fund balance, which is available to use as working capital for the General Fund since property tax revenues are received only twice a year and the remainder is available to meet the future needs of the City. The remainder of the fund balance (30.3%) is reserved to indicate that it is not available for new spending because it has already been committed. This remainder has been committed 1) to liquidate contracts and purchase orders of the prior period (\$1,518,000), 2) to fund various debt service payments (\$8,691,000), and 3) to fund employee retirement commitments (\$1,741,000).

The General Fund is the chief operating fund of the City. As of the fiscal year ended June 30, 2008, the unreserved fund balance of the General Fund was \$14,488,000, while General Fund's total fund balance was \$14,934,000. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32.8% of total General Fund expenditures (\$44,178,000), while total fund balance represents 33.8% of that same amount.

The fund balance of the City's General Fund decreased by \$4,162,000 during the current fiscal year. This was primarily due to funding capital projects from fund balances.

The Bridge, Street, and Traffic Control Construction Fund had a deficit fund balance of (\$1,595,000) as compared to a deficit balance of (\$2,799,000) in the prior period. This fund accounts for transactions relating to the acquisition or construction of major streets, bridges, and traffic control facilities. The deficit is due to capital expenditures. The City anticipates receiving funds from the Iowa Department of Transportation. If not, bonds will be issued in 2009 to cover the capital expenditures.

The Debt Service Fund had a fund balance of \$8,691,000, an increase of \$4,402,000 from the prior year, all of which is reserved for the payment of debt service (i.e. payment of general obligation principal and interest).

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

The ending net assets of the enterprise funds were \$230,820,000, a net asset increase of \$7,166,000. This was primarily due to an increase in capital assets without the issuance of additional debt and a decrease in liabilities. Of the enterprise funds' net assets, \$160,330,000 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$49,170,000, an increase of \$21,927,000 compared to the previous year.

The Internal Service funds showed net assets totaling \$19,530,000 as of June 30, 2008, an increase of \$1,560,000 from the previous year.

Budgetary Highlights

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

The City had two budget amendments during the fiscal year, which is our common practice. These amendments increased the expenditure budget by \$32,676,000 to a total of \$157,743,000. This represented a 26.1% increase. The major increase was due to capital projects in governmental and business-type funds due to timing of completion of projects.

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, 2008 amounts to \$414,307,000 (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, 2008 increased by \$3,893,000 for governmental activities compared to the prior year and increased by \$1,457,000 for business-type activities over the prior year.

The following table reflects the \$414,307,000 investment in capital assets (net of accumulated depreciation).

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

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 15,481	\$ 14,130	\$ 25,921	\$ 22,586	\$ 41,402	\$ 36,716
Buildings	43,645	43,169	77,703	80,759	121,348	123,928
Improvements other than buildings	3,736	3,589	7,666	8,100	11,402	11,689
Machinery and equipment	12,420	10,556	10,304	11,367	22,724	21,923
Infrastructure	69,997	70,073	124,641	125,449	194,638	195,522
Construction in progress	11,994	11,863	10,799	7,316	22,793	19,179
Total	<u>\$ 157,273</u>	<u>\$ 153,380</u>	<u>\$ 257,034</u>	<u>\$ 255,577</u>	<u>\$ 414,307</u>	<u>\$ 408,957</u>

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

- The parking department purchased land at a cost of \$3,053,000 which will be used for a future parking structure that includes workforce housing.
- Airport projects included runway design, grading, lighting, paving and runway extension. CIP at fiscal year end totaled \$4,516,000.
- A variety of street and bridge construction in new residential areas and replacement and expansion of existing infrastructure amounted to \$7,191,000. This includes the continuation of the McCollister Boulevard extension project at \$2,439,000, intersection improvements of \$980,000 at Gilbert\Prentiss\Bowery streets and the extension and pavement of Lower West Branch Road at \$1,948,000.
- The demolition and reconstruction of fire station #2 at a cost of \$1,336,000.

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

Debt Administration: At the end of the fiscal year, the City had total bonded debt outstanding of \$182,435,000. Of this amount, \$87,090,000 comprises debt backed by the full faith and credit of the City. However, 5.6% of this total, \$4,913,000 is debt that serves enterprise funds and is abated by their charges for

services. The remaining \$95,345,000 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	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 82,177	\$ 80,351	\$ 4,913	\$ 5,489	\$ 87,090	\$ 85,840
Revenue bonds	-	-	95,345	100,760	95,345	100,760
Total	<u>\$ 82,177</u>	<u>\$ 80,351</u>	<u>\$ 100,258</u>	<u>\$ 106,249</u>	<u>\$ 182,435</u>	<u>\$ 186,600</u>

During the current fiscal year the City's total bonded debt decreased by \$4,165,000.

- The City issued \$9,150,000 in General Obligation bonds during FY08. The bonds were used to finance the cost of the City's 2008 Capital Improvements Programs.

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, 2008 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 \$197,689,049. With outstanding General Obligation Debt applicable to this limit of \$87,090,000 we are utilizing 44.05% 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

Throughout the month of June, city staff and the citizens of Iowa City dealt with the Iowa River which flooded central parts of the city. The City of Iowa City was among several cities in Iowa that received a Presidential Disaster declaration. That disaster declaration brought the Federal Emergency Management Agency (FEMA) technical and financial assistance to Iowa City. As in many such disasters, parts of the community experienced financial hardships while it brought financial opportunities to others. In fiscal year 2009 we expect to rebuild and enhance the affected areas.

The City's expectation is continued constraints by the State property tax formula. Therefore, the City will not have opportunities for new initiatives and will strive to maintain current service delivery levels.

Requests for Information

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



CITY OF IOWA CITY, IOWA

STATEMENT OF NET ASSETS

June 30, 2008

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Equity in pooled cash and investments	\$ 48,552	\$ 43,845	\$ 92,397
Receivables:			
Property tax	43,839	-	43,839
Accounts and unbilled usage	144	3,881	4,025
Interest	554	1,361	1,915
Notes	13,532	1,562	15,094
Internal balances	(8,501)	8,501	-
Due from other governments	4,792	707	5,499
Prepaid insurance	9	-	9
Inventories	509	364	873
Restricted assets:			
Equity in pooled cash and investments	14,737	35,509	50,246
Capital assets:			
Land and construction in progress	27,475	36,720	64,195
Other capital assets (net of accumulated depreciation)	129,798	220,314	350,112
Total assets	<u>275,440</u>	<u>352,764</u>	<u>628,204</u>
 Liabilities			
Accounts payable	4,528	1,037	5,565
Contracts payable	1,331	549	1,880
Accrued liabilities	3,764	336	4,100
Interest payable	273	2,412	2,685
Deposits	831	677	1,508
Due to other governments	-	106	106
Unearned revenue	50,578	-	50,578
Noncurrent liabilities:			
Due within one year:			
Employee vested benefits	1,050	266	1,316
Bonds payable	8,349	6,121	14,470
Due in more than one year:			
Employee vested benefits	913	228	1,141
Notes Payable	211	-	211
Bonds payable	73,919	93,314	167,233
Landfill closure/post-closure liability	-	10,098	10,098
Total liabilities	<u>145,747</u>	<u>115,144</u>	<u>260,891</u>

(continued)

CITY OF IOWA CITY, IOWA

STATEMENT OF NET ASSETS (continued)

June 30, 2008

(amounts expressed in thousands)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 87,723	\$ 160,330	\$ 248,053
Restricted for or by:			
Employee benefits	1,741	-	1,741
Capital projects	11,118	-	11,118
Debt service	8,691	-	8,691
Streets	2,121	-	2,121
Other purposes	70	-	70
Bond ordinance	-	18,138	18,138
State statute	-	700	700
Future improvements	-	222	222
Grant agreement	-	2,260	2,260
Unrestricted	<u>18,229</u>	<u>55,970</u>	<u>74,199</u>
 Total net assets	 <u>\$ 129,693</u>	 <u>\$ 237,620</u>	 <u>\$ 367,313</u>

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

CITY OF IOWA CITY, IOWA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008
(amounts expressed in thousands)

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety	\$ 20,504	\$ 3,019	\$ 241	\$ 10
Public works	13,727	1,047	1,548	1,737
Culture and recreation	13,460	680	31	-
Community and economic development	1,850	-	1,791	-
General government	7,433	1,633	-	-
Interest on long-term debt	3,517	-	-	-
Total governmental activities	60,491	6,379	3,611	1,747
Business-type activities:				
Wastewater Treatment	11,757	12,318	-	577
Water	8,804	8,195	-	314
Sanitation	6,868	7,853	-	-
Housing Authority	7,374	149	6,281	17
Parking	3,913	4,673	-	8
Airport	560	258	-	1,580
Stormwater	1,072	616	-	302
Cable television	598	814	-	-
Total business-type activities	40,946	34,876	6,281	2,798
Total	\$ 101,437	\$ 41,255	\$ 9,892	\$ 4,545

General revenues:

Property taxes, levied for general purposes

Road use tax

Hotel/motel tax

Gas and electric tax

Earnings on investments

Gain on disposal of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (17,234)	\$ -	\$ (17,234)
(9,395)	-	(9,395)
(12,749)	-	(12,749)
(59)	-	(59)
(5,800)	-	(5,800)
(3,517)	-	(3,517)
<u>(48,754)</u>	<u>-</u>	<u>(48,754)</u>
-	1,138	1,138
-	(295)	(295)
-	985	985
-	(927)	(927)
-	768	768
-	1,278	1,278
-	(154)	(154)
-	216	216
<u>-</u>	<u>3,009</u>	<u>3,009</u>
<u>(48,754)</u>	<u>3,009</u>	<u>(45,745)</u>
43,400	-	43,400
5,432	-	5,432
734	-	734
701	-	701
3,932	3,279	7,211
-	1,260	1,260
3,509	454	3,963
488	(488)	-
<u>58,196</u>	<u>4,505</u>	<u>62,701</u>
9,442	7,514	16,956
120,251	230,106	350,357
<u>\$ 129,693</u>	<u>\$ 237,620</u>	<u>\$ 367,313</u>

CITY OF IOWA CITY, IOWA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2008
(amounts expressed in thousands)

	<u>Special Revenue</u>					Total
	General	Employee Benefits	Community Development Block Grant	Debt Service	Other Governmental Funds	
Assets						
Equity in pooled cash and investments	\$ 17,384	\$ 1,593	\$ 25	\$ 7,638	\$ 5,598	\$ 32,238
Receivables:						
Property tax	23,818	8,989	-	10,998	34	43,839
Accounts and unbilled usage	125	-	-	-	16	141
Interest	205	17	-	143	46	411
Notes	113	-	10,936	1,934	549	13,532
Advances to other funds	-	-	18	228	-	246
Due from other governments	2,716	200	5	-	1,702	4,623
Inventories	188	-	-	-	-	188
Restricted assets:						
Equity in pooled cash and investments	2,013	-	-	-	12,724	14,737
 Total assets	 <u>\$ 46,562</u>	 <u>\$ 10,799</u>	 <u>\$ 10,984</u>	 <u>\$ 20,941</u>	 <u>\$ 20,669</u>	 <u>\$ 109,955</u>

(continued)

CITY OF IOWA CITY, IOWA

**BALANCE SHEET (continued)
GOVERNMENTAL FUNDS**

June 30, 2008
(amounts expressed in thousands)

	Special Revenue					Total
	General	Employee Benefits	Community Development Block Grant	Debt Service	Other Governmental Funds	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 1,429	\$ 1	\$ 14	\$ -	\$ 2,282	\$ 3,726
Contracts payable	-	-	-	-	1,331	1,331
Accrued liabilities	1,606	2	8	-	88	1,704
Advances from other funds	1,719	-	-	-	228	1,947
Deferred revenue	26,048	9,055	10,954	12,250	1,688	59,995
Liabilities payable from restricted assets:						
Deposits	826	-	-	-	5	831
Total liabilities	31,628	9,058	10,976	12,250	5,622	69,534
Fund balances:						
Reserved for:						
Inventories	188	-	-	-	-	188
Encumbrances	152	-	-	-	1,366	1,518
Debt service	-	-	-	8,691	-	8,691
Employee retirement commitments	-	1,741	-	-	-	1,741
Perpetual care	106	-	-	-	-	106
Unreserved						
Undesignated:						
General fund	14,488	-	-	-	-	14,488
Special revenue funds	-	-	8	-	2,563	2,571
Capital projects funds	-	-	-	-	11,118	11,118
Total fund balances	14,934	1,741	8	8,691	15,047	40,421
Total liabilities and fund balances	\$ 46,562	\$ 10,799	\$ 10,984	\$ 20,941	\$ 20,669	\$ 109,955

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

CITY OF IOWA CITY

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

June 30, 2008
(amounts expressed in thousands)

Total governmental fund balances	\$ 40,421
Amounts reported for governmental activities in the statement of net assets are different because:	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	19,530
Prepaid insurance benefits future periods and is included in governmental activities in the statement of net assets.	9
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: Notes receivable - Earned but unavailable	9,417
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	151,727
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(1,859)
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(82,268)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.	(211)
Accrued interest on bonds	(273)
Internal balance due to integration of internal service funds	<u>(6,800)</u>
Total net assets of governmental activities	<u><u>\$ 129,693</u></u>

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

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Special Revenue					Total
	General	Employee Benefits	Community Development Block Grant	Debt Service	Other Governmental Funds	
Revenues						
Taxes	\$ 23,608	\$ 8,876	\$ -	\$ 9,268	\$ 3,083	\$ 44,835
Licenses and permits	1,270	-	-	-	-	1,270
Intergovernmental	3,795	-	1,623	-	7,346	12,764
Charges for services	1,993	195	-	-	40	2,228
Use of money and property	2,413	-	-	240	553	3,206
Miscellaneous	3,346	-	260	100	271	3,977
Total revenues	<u>36,425</u>	<u>9,071</u>	<u>1,883</u>	<u>9,608</u>	<u>11,293</u>	<u>68,280</u>
Expenditures						
Current:						
Public safety	17,946	259	-	-	500	18,705
Public works	6,357	-	-	-	5,751	12,108
Culture and recreation	10,395	-	-	-	308	10,703
Community and economic development	994	-	1,596	-	1,847	4,437
General government	6,737	412	-	-	58	7,207
Debt service:						
Principal	-	-	-	7,323	-	7,323
Interest	-	-	-	3,556	-	3,556
Capital outlay	1,749	-	3	-	10,059	11,811
Total expenditures	<u>44,178</u>	<u>671</u>	<u>1,599</u>	<u>10,879</u>	<u>18,523</u>	<u>75,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,753)</u>	<u>8,400</u>	<u>284</u>	<u>(1,271)</u>	<u>(7,230)</u>	<u>(7,570)</u>
Other Financing Sources (Uses)						
Issuance of debt	-	-	-	-	9,150	9,150
Sale of capital assets	111	-	-	-	-	111
Premium on issuance of bonds	-	-	-	-	16	16
Transfers in	8,340	-	-	5,673	11,400	25,413
Transfers out	(4,860)	(8,208)	(245)	-	(10,015)	(23,328)
Total other financing sources and (uses)	<u>3,591</u>	<u>(8,208)</u>	<u>(245)</u>	<u>5,673</u>	<u>10,551</u>	<u>11,362</u>
Net change in fund balances	(4,162)	192	39	4,402	3,321	3,792
Fund Balances, Beginning	<u>19,096</u>	<u>1,549</u>	<u>(31)</u>	<u>4,289</u>	<u>11,726</u>	<u>36,629</u>
Fund Balances, Ending	<u>\$ 14,934</u>	<u>\$ 1,741</u>	<u>\$ 8</u>	<u>\$ 8,691</u>	<u>\$ 15,047</u>	<u>\$ 40,421</u>



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, 2008
(amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ 3,792

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	\$ 10,463	
Transfers of capital assets (to)\from enterprise funds - net	(1,675)	
Capital assets contributed	444	
Depreciation expense	<u>(5,511)</u>	3,721

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

Debt issued	(9,150)	
Premium on bonds issued	(16)	
Repayments of debt	7,323	
Amortization of premium	<u>16</u>	(1,827)

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. 2,636

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	10
Change in accrued interest on debt	23

In the statement of activities, only the gain on the sale of the capital assets is
recognized, whereas in the governmental funds, the proceeds from the sale
increased financial resources. Thus, the change in net assets differs from the
change in fund balance by the cost of the capital asset sold. (118)

Prepaid items in the governmental funds have been recorded
as expenditures when paid. However, the statement of activities will report
these items as expenses in the period that the corresponding net asset is
exhausted. (8)

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. 1,213

Change in net assets of governmental activities \$ 9,442

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

CITY OF IOWA CITY, IOWA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2008
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental	
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Activities - Internal Service Funds	
Assets								
Current assets:								
Equity in pooled cash and investments	\$ 3,589	\$ 8,911	\$ 12,807	\$ 12,851	\$ 3,282	\$ 2,405	\$ 43,845	\$ 16,314
Receivables:								
Accounts and unbilled usage	128	1,310	847	1,336	4	256	3,881	3
Interest	54	779	226	218	49	35	1,361	143
Notes	170	-	-	9	1,383	-	1,562	-
Advances to other funds	-	-	-	5,974	-	-	5,974	-
Due from other governments	-	-	1	42	32	632	707	169
Inventories	-	-	364	-	-	-	364	321
Total current assets	3,941	11,000	14,245	20,430	4,750	3,328	57,694	16,950
Noncurrent assets:								
Restricted assets:								
Equity in pooled cash and investments	2,161	14,332	4,743	11,896	2,260	117	35,509	-
Capital assets:								
Land	6,991	695	6,296	1,732	726	9,480	25,920	45
Buildings	25,036	59,509	23,461	999	5,455	4,304	118,764	831
Improvements other than buildings	166	7,365	2,331	121	9	421	10,413	50
Machinery and equipment	398	9,833	10,386	176	115	603	21,511	12,776
Infrastructure	-	85,785	44,203	10,873	-	34,485	175,346	1,006
Accumulated depreciation	(12,574)	(54,497)	(16,852)	(8,410)	(3,423)	(9,964)	(105,720)	(9,282)
Construction in progress	-	795	2,936	673	230	6,166	10,800	120
Total noncurrent assets	22,178	123,817	77,504	18,060	5,372	45,612	292,543	5,546
Total assets	26,119	134,817	91,749	38,490	10,122	48,940	350,237	22,496

(continued)

CITY OF IOWA CITY, IOWA

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

June 30, 2008
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental	
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	Activities - Internal Service Funds
Liabilities								
Current liabilities:								
Accounts payable	38	\$ 101	\$ 355	\$ 225	\$ 83	\$ 235	\$ 1,037	\$ 802
Contracts payable	-	-	24	75	-	450	549	-
Accrued liabilities	131	134	207	216	71	71	830	2,164
Advances from other funds	-	-	-	-	-	1,205	1,205	-
Due to other governments	-	-	22	74	10	-	106	-
Interest payable	298	1,494	620	-	-	-	2,412	-
Bonded debt payable (net of unamortized discounts)	366	4,206	1,549	-	-	-	6,121	-
Total current liabilities	<u>833</u>	<u>5,935</u>	<u>2,777</u>	<u>590</u>	<u>164</u>	<u>1,961</u>	<u>12,260</u>	<u>2,966</u>
Noncurrent liabilities:								
Liabilities payable from restricted assets:								
Deposits	6	-	411	11	239	10	677	-
Advances from other funds	3,050	-	-	-	18	-	3,068	-
Bonded debt payable (net of unamortized discounts)	9,596	55,763	27,955	-	-	-	93,314	-
Landfill closure/postclosure liability	-	-	-	10,098	-	-	10,098	-
Total noncurrent liabilities	<u>12,652</u>	<u>55,763</u>	<u>28,366</u>	<u>10,109</u>	<u>257</u>	<u>10</u>	<u>107,157</u>	<u>-</u>
Total liabilities	<u>13,485</u>	<u>61,698</u>	<u>31,143</u>	<u>10,699</u>	<u>421</u>	<u>1,971</u>	<u>119,417</u>	<u>2,966</u>
Net Assets								
Invested in capital assets, net of related debt	10,055	49,516	45,988	6,164	3,112	45,495	160,330	5,546
Restricted by bond ordinance	1,635	12,838	3,665	-	-	-	18,138	-
Restricted by state statute	-	-	-	700	-	-	700	-
Restricted for future improvements	222	-	-	-	-	-	222	-
Restricted by grant agreement	-	-	-	-	2,260	-	2,260	-
Unrestricted	722	10,765	10,953	20,927	4,329	1,474	49,170	13,984
Total net assets	<u>\$ 12,634</u>	<u>\$ 73,119</u>	<u>\$ 60,606</u>	<u>\$ 27,791</u>	<u>\$ 9,701</u>	<u>\$46,969</u>	<u>230,820</u>	<u>\$ 19,530</u>
							6,800	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							<u>\$ 237,620</u>	
Net assets of business-type activities								

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



CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Parking	Wastewater		Sanitation	Housing Authority	Other Enterprise Funds	Total	
		Treatment	Water					
Operating Revenues:								
Charges for services	\$ 4,673	\$ 12,318	\$ 8,195	\$ 7,853	\$ 149	\$ 1,688	\$ 34,876	\$ 15,443
Miscellaneous	84	75	134	79	67	15	454	-
Total operating revenues	<u>4,757</u>	<u>12,393</u>	<u>8,329</u>	<u>7,932</u>	<u>216</u>	<u>1,703</u>	<u>35,330</u>	<u>15,443</u>
Operating Expenses:								
Personal services	1,691	1,651	2,160	2,212	871	702	9,287	1,961
Commodities	63	606	1,348	305	14	115	2,451	2,943
Services and charges	700	2,324	1,840	3,889	6,324	537	15,614	8,744
Depreciation	2,454	4,581	5,348	6,406	7,209	1,354	27,352	13,648
Total operating expenses	<u>3,334</u>	<u>8,762</u>	<u>7,413</u>	<u>7,002</u>	<u>7,389</u>	<u>2,243</u>	<u>36,143</u>	<u>14,836</u>
Operating income (loss)	<u>1,423</u>	<u>3,631</u>	<u>916</u>	<u>930</u>	<u>(7,173)</u>	<u>(540)</u>	<u>(813)</u>	<u>607</u>
Nonoperating Revenues (Expenses):								
Gain (loss) on disposal of capital assets	-	(5)	(2)	-	17	1,250	1,260	62
Operating grants	-	-	-	-	6,281	-	6,281	-
Interest income	238	944	931	776	263	127	3,279	726
Interest expense	(600)	(3,041)	(1,426)	-	-	-	(5,067)	-
Total nonoperating revenues (expenses)	<u>(362)</u>	<u>(2,102)</u>	<u>(497)</u>	<u>776</u>	<u>6,561</u>	<u>1,377</u>	<u>5,753</u>	<u>788</u>
Income (loss) before capital contributions and transfers	1,061	1,529	419	1,706	(612)	837	4,940	1,395
Capital contributions	8	607	1,003	-	17	2,885	4,520	3
Transfers in	-	-	-	-	245	450	695	228
Transfers out	(206)	(69)	(820)	(145)	-	(1,749)	(2,989)	(66)
Change in net assets	863	2,067	602	1,561	(350)	2,423	7,166	1,560
Net Assets, Beginning	<u>11,771</u>	<u>71,052</u>	<u>60,004</u>	<u>26,230</u>	<u>10,051</u>	<u>44,546</u>		<u>17,970</u>
Net Assets, Ending	<u>\$ 12,634</u>	<u>\$ 73,119</u>	<u>\$ 60,606</u>	<u>\$ 27,791</u>	<u>\$ 9,701</u>	<u>\$ 46,969</u>		<u>\$ 19,530</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							348	
Change in net assets of business-type activities							<u>\$ 7,514</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, 2008
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds		Total
Cash Flows From Operating Activities								
Receipts from customers and users	\$ 4,721	\$ 12,467	\$ 8,472	\$ 7,538	\$ 205	\$ 1,412	\$ 34,815	\$ 15,339
Payments to suppliers	(758)	(2,930)	(2,977)	(3,512)	(6,422)	\$ (525)	(17,124)	\$ (11,272)
Payments to employees	(1,702)	(1,645)	(2,154)	(2,190)	(863)	\$ (691)	(9,245)	\$ (1,782)
Net cash flows from operating activities	<u>2,261</u>	<u>7,892</u>	<u>3,341</u>	<u>1,836</u>	<u>(7,080)</u>	<u>196</u>	<u>8,446</u>	<u>2,285</u>
Cash Flows From Noncapital Financing Activities								
Grants received	-	-	-	-	6,281	-	6,281	-
Transfers from other funds	-	-	-	-	245	356	601	228
Transfers to other funds	(206)	(38)	(756)	(145)	-	(1,702)	(2,847)	(66)
Repayment/(payment) of notes receivable	-	-	-	5	(65)	-	(60)	-
Advances from other funds	3,050	-	-	-	-	25	3,075	-
Advances to other funds	-	-	-	(3,874)	-	-	(3,874)	-
Net cash flows from noncapital financing activities	<u>2,844</u>	<u>(38)</u>	<u>(756)</u>	<u>(4,014)</u>	<u>6,461</u>	<u>(1,321)</u>	<u>3,176</u>	<u>162</u>
Cash Flows From Capital and Related Financing Activities								
Capital grants received	-	-	-	-	17	1,580	1,597	-
Acquisition and construction of property and equipment	(3,119)	(44)	(1,345)	(1,320)	(454)	(1,998)	(8,280)	(1,491)
Proceeds from sale of property	-	-	-	-	439	1,610	2,049	78
Proceeds from issuance of refunding debt (principal less discount)	-	-	3,335	-	-	-	3,335	-
Principal paid on bonded debt	(356)	(4,105)	(4,867)	-	-	-	(9,328)	-
Interest paid on bonded debt	(605)	(3,070)	(1,429)	-	-	-	(5,104)	-
Net cash flows from capital and related financing activities	<u>(4,080)</u>	<u>(7,219)</u>	<u>(4,306)</u>	<u>(1,320)</u>	<u>2</u>	<u>1,192</u>	<u>(15,731)</u>	<u>(1,413)</u>
Cash Flows From Investing Activities								
Interest on investments	267	672	1,013	970	306	131	3,359	803
Net increase (decrease) in cash and cash equivalents	1,292	1,307	(708)	(2,528)	(311)	198	(750)	1,837
Cash and Cash Equivalents, Beginning	<u>4,458</u>	<u>21,936</u>	<u>18,258</u>	<u>27,275</u>	<u>5,853</u>	<u>2,324</u>	<u>80,104</u>	<u>14,477</u>
Cash and Cash Equivalents, Ending	<u>\$ 5,750</u>	<u>\$ 23,243</u>	<u>\$ 17,550</u>	<u>\$ 24,747</u>	<u>\$ 5,542</u>	<u>\$ 2,522</u>	<u>\$ 79,354</u>	<u>\$ 16,314</u>

(continued)

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Total	Governmental Activities - Internal Service Funds
	Parking	Wastewater		Sanitation	Housing Authority	Other Enterprise Funds		
		Treatment	Water					
Reconciliation of operating income (loss) to net cash flows from operating activities:								
Operating income (loss)	\$ 1,423	\$ 3,631	\$ 916	\$ 930	\$ (7,173)	\$ (540)	\$ (813)	\$ 607
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:								
Depreciation expense	880	4,181	2,065	596	180	889	8,791	\$ 1,188
Changes in:								
Receivables:								
Accounts and unbilled usage	(34)	73	109	(520)	(3)	(16)	(391)	(3)
Due from other governments	-	1	-	116	14	(275)	(144)	(101)
Inventories	-	-	29	-	-	-	29	(42)
Accounts payable	5	-	206	134	(78)	127	394	457
Accrued liabilities	(11)	6	6	22	8	11	42	179
Due to other governments	-	-	(24)	(33)	(6)	-	(63)	-
Deposits	(2)	-	34	10	(22)	-	20	-
Landfill closure/postclosure liability	-	-	-	581	-	-	581	-
Total adjustments	838	4,261	2,425	906	93	736	9,259	1,678
Net cash flows from operating activities	<u>\$ 2,261</u>	<u>\$ 7,892</u>	<u>\$ 3,341</u>	<u>\$ 1,836</u>	<u>\$ (7,080)</u>	<u>\$ 196</u>	<u>\$ 8,446</u>	<u>\$ 2,285</u>

**Noncash Investing, Capital, and
Financing Activities:**

Contributions of capital assets from government and others	\$ 8	\$ 607	\$ 1,003	\$ -	\$ -	\$ 2,979	\$ 4,597	3
Contributions of capital assets to government and others	\$ -	\$ (31)	\$ (64)	\$ -	\$ -	\$ (47)	\$ (142)	-

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, 2008

(amounts expressed in thousands)

	<u>Agency Funds</u>
Assets	
Equity in pooled cash and investments	\$ 216
Accounts receivable	5
Interest receivable	2
Total assets	<u>\$ 223</u>
Liabilities	
Accrued liabilities	\$ 9
Due to agency	214
Total liabilities	<u>\$ 223</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, 2008

1. Accounting Policies

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

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

The Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

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

Description of Funds

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

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

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

Basis of Accounting

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

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

The City reports the following major governmental funds:

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

The City also reports fiduciary funds which are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has two fiduciary funds which are maintained as agency funds, with no attempt to create an ongoing fund balance.

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

Uses of Estimates

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

Cash and Investments

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

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

Receivables and Revenue Recognition

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

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

Inventories

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. For the City, these are the General Fund, Water Fund, and the Equipment Maintenance Fund. Inventories are reported at the lower of cost (first-in, first-out) or market. The costs of governmental fund type inventories are recorded as expenditures when purchased.

Capital Assets

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

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

Infrastructure	3 – 100 years
Buildings and structures	20 – 50 years
Improvements other than buildings	15 – 50 years
Vehicles	2 – 20 years
Other equipment	5 – 30 years

Bond Premiums and Discounts

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

Compensated Absences

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

Pensions

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

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 13).

Budgetary and Legal Appropriation and Amendment Policies

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

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

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

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 \$31,555,000 in revenues and other financing sources and by \$51,775,000 in expenditures and other financing uses. Appropriations as adopted or amended, and not encumbered, lapse at the end of the fiscal year.

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

Restricted Assets

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

2. Compliance and Accountability

At June 30, 2008 the Capital Project Fund for bridge, street, and traffic control construction reported a deficit fund balance of \$1,595,000. The deficit is due to capital expenditures. The City anticipates receiving funds from the Iowa Department of Transportation. If not, bonds will be issued in 2009 to cover the capital expenditures.

3. Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

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 \$3,000,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

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

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

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

4. Interfund Balances and Transfers

Interfund balances for the year ended June 30, 2008, consisted of the following:

	Advances from			
Community Development Block Grant	Debt Service	Sanitation	Total	
<u>Advances to:</u>				
General	\$ -	\$ -	\$ 1,719,388	\$ 1,719,388
Nonmajor governmental	-	228,216	-	228,216
Parking	-	-	3,050,000	3,050,000
Housing Authority	18,000	-	-	18,000
Nonmajor enterprise	-	-	1,205,088	1,205,088
Total	<u>\$ 18,000</u>	<u>\$ 228,216</u>	<u>\$ 5,974,476</u>	<u>\$ 6,220,692</u>

Interfund balances at June 30, 2008, include advances due to/from other funds. Advances to/from other funds represent amounts for construction loans and land. \$1,181,863 of the \$1,205,088 advances to the Non-Major Enterprise Funds and \$2,450,183 of the \$3,050,000 advance to the Parking Fund are not expected to be repaid within the next year. \$1,503,545 of the \$1,719,388 advances to the General Fund and \$218,275 of the \$228,216 advance to the Non-Major Governmental Funds are not expected to be repaid within the next year. None of the \$18,000 advance to Housing Authority is expected to be repaid within the next year.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

Interfund transfers for the year ended June 30, 2008, consisted of the following:

	Transfer from				
	General	Employee Benefits	Community Development Block Grant	Nonmajor Governmental	Parking
<u>Transfer to:</u>					
General	\$ -	\$ 7,892,024	\$ -	\$ 58,304	\$ 200,000
Debt service	1,005,968	-	-	3,153,505	-
Nonmajor governmental	3,704,105	316,297	-	6,558,884	-
Housing Authority	-	-	245,080	-	-
Nonmajor enterprise	112,000	-	-	244,399	-
Internal Service	37,599	-	-	-	5,704
 Total Transfer to	 <u>\$ 4,859,672</u>	 <u>\$ 8,208,321</u>	 <u>\$ 245,080</u>	 <u>\$ 10,015,092</u>	 <u>\$ 205,704</u>

(continued)

In the fund financial statements, total transfers out of \$26,383,000 are greater than total transfers in of \$26,337,202 because of the treatment of transfers of capital assets to the governmental activities capital assets. During the year, construction in progress related to construction along Highway 6 with a value of \$46,672 was transferred to governmental activities capital assets from Stormwater. No amounts were reported in the governmental funds, as the amounts did not involve the transfer of financial resources. However, Stormwater did report a transfer out for the capital resources given.

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

Transfer from					
Wastewater Treatment	Water	Sanitation	Nonmajor Enterprise	Internal Service	Total Transfer from
\$ 14,699	\$ 14,699	\$ -	\$ 160,171	\$ -	\$ 8,339,897
-	-	-	1,513,964	-	5,673,437
-	718,068	7,554	28,573	66,221	11,399,702
-	-	-	-	-	245,080
30,653	63,561	-	-	-	450,613
24,085	24,085	137,000	-	-	228,473
<u>\$ 69,437</u>	<u>\$ 820,413</u>	<u>\$ 144,554</u>	<u>\$ 1,702,708</u>	<u>\$ 66,221</u>	26,337,202
Transfer to governmental activities capital assets from enterprise funds					46,672
					<u>\$ 26,383,874</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

5. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning July 1, 2007</u>	<u>Acquisitions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Balance June 30, 2008</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,130,588	\$ 1,377,157	\$ 26,000	\$ 15,481,745
Construction in progress	<u>11,862,687</u>	<u>10,091,869</u>	<u>9,960,419</u>	<u>11,994,137</u>
Total capital assets, not being depreciated	<u>25,993,275</u>	<u>11,469,026</u>	<u>9,986,419</u>	<u>27,475,882</u>
Capital assets, being depreciated:				
Buildings	56,930,937	1,949,349	64,036	58,816,250
Improvements other than buildings	4,873,471	341,520	7,000	5,207,991
Machinery and equipment	33,197,913	4,982,285	2,380,607	35,799,591
Infrastructure	<u>88,790,660</u>	<u>1,976,772</u>	<u>53,579</u>	<u>90,713,853</u>
Total capital assets being depreciated	<u>183,792,981</u>	<u>9,249,926</u>	<u>2,505,222</u>	<u>190,537,685</u>
Less accumulated depreciation for:				
Buildings	13,761,566	1,466,528	56,536	15,171,558
Improvements other than buildings	1,284,074	194,874	7,000	1,471,948
Machinery and equipment	22,642,492	3,003,366	2,265,659	23,380,199
Infrastructure	<u>18,717,659</u>	<u>2,034,302</u>	<u>34,918</u>	<u>20,717,043</u>
Total accumulated depreciation	<u>56,405,791</u>	<u>6,699,070</u>	<u>2,364,113</u>	<u>60,740,748</u>
Total capital assets, being depreciated, net	<u>127,387,190</u>	<u>2,550,856</u>	<u>141,109</u>	<u>129,796,937</u>
Governmental activities capital assets, net	<u>\$ 153,380,465</u>	<u>\$14,019,882</u>	<u>\$10,127,528</u>	<u>\$157,272,819</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

	June 30, 2008			
	Beginning July 1, 2007	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2008
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 22,586,978	\$ 3,757,302	\$ 423,687	\$ 25,920,593
Construction in progress	7,316,421	4,479,869	997,072	10,799,218
Total capital assets, not being depreciated	<u>29,903,399</u>	<u>8,237,171</u>	<u>1,420,759</u>	<u>36,719,811</u>
Capital assets, being depreciated:				
Buildings	118,540,101	237,051	12,427	118,764,725
Improvements other than buildings	10,412,335	-	-	10,412,335
Machinery and equipment	21,409,896	219,065	117,576	21,511,385
Infrastructure	172,324,398	3,021,131	-	175,345,529
Total capital assets being depreciated	<u>322,686,730</u>	<u>3,477,247</u>	<u>130,003</u>	<u>326,033,974</u>
Less accumulated depreciation for:				
Buildings	37,781,455	3,290,287	9,927	41,061,815
Improvements other than buildings	2,312,172	433,605	-	2,745,777
Machinery and equipment	10,042,798	1,237,316	72,650	11,207,464
Infrastructure	46,875,469	3,828,429	-	50,703,898
Total accumulated depreciation	<u>97,011,894</u>	<u>8,789,637</u>	<u>82,577</u>	<u>105,718,954</u>
Total capital assets, being depreciated, net	<u>225,674,836</u>	<u>(5,312,390)</u>	<u>47,426</u>	<u>220,315,020</u>
Business-type activities capital assets, net	<u>\$ 255,578,235</u>	<u>\$ 2,924,781</u>	<u>\$ 1,468,185</u>	<u>\$257,034,831</u>
Depreciation expense was charged to functions as follows:				
Governmental activities:				
Public safety				\$ 588,562
Public works				2,746,763
Culture and recreation				1,827,373
Community and economic development				38,119
General government				310,080
Internal service funds				<u>1,188,173</u>
Total depreciation expense - governmental activities				<u>\$ 6,699,070</u>
Business-type activities:				
Parking				\$ 879,425
Wastewater treatment				4,180,682
Water				2,065,065
Sanitation				595,849
Housing authority				179,812
Nonmajor enterprise				<u>888,804</u>
Total depreciation expense - business-type activities				<u>\$ 8,789,637</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

As of June 30, 2008, \$1,505,553 in capital assets were idle due to flooding of the Iowa River. These assets will either be repaired or replaced. The City expects to receive funds from Federal Emergency Management Association, the State of Iowa, and insurance to reduce the City's recovery expenses. No impairment loss has been recorded as the City cannot reasonably estimate insurance recoveries and repair and/or replacement costs.

6. Bonded and Other Long-term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>July 1, 2007</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2008</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 80,350,630	\$ 9,150,000	\$ 7,323,235	\$ 82,177,395	\$ 8,333,235
Plus: Unamortized Premium (discount)	<u>91,264</u>	<u>15,681</u>	<u>15,808</u>	<u>91,137</u>	<u>15,808</u>
Total general obligation bonds	<u>80,441,894</u>	<u>9,165,681</u>	<u>7,339,043</u>	<u>82,268,532</u>	<u>8,349,043</u>
Note payable	211,000	-	-	211,000	-
Employee vested benefits	<u>1,964,342</u>	<u>1,027,938</u>	<u>1,029,990</u>	<u>1,962,290</u>	<u>1,049,665</u>
	<u>\$ 82,617,236</u>	<u>\$ 10,193,619</u>	<u>\$ 8,369,033</u>	<u>\$ 84,441,822</u>	<u>\$ 9,398,708</u>
Business-type activities:					
General obligation bonds	\$ 5,489,370	\$ -	\$ 576,765	\$ 4,912,605	\$ 571,765
Less: Unamortized discounts	<u>30,737</u>	<u>-</u>	<u>3,842</u>	<u>26,895</u>	<u>3,842</u>
Total general obligation bonds	<u>5,458,633</u>	<u>-</u>	<u>572,923</u>	<u>4,885,710</u>	<u>567,923</u>
Revenue bonds	100,760,000	-	5,415,000	95,345,000	5,625,000
Less: Unamortized Discounts	<u>867,663</u>	<u>-</u>	<u>72,049</u>	<u>795,614</u>	<u>72,049</u>
Total revenue bonds	<u>99,892,337</u>	<u>-</u>	<u>5,342,951</u>	<u>94,549,386</u>	<u>5,552,951</u>
Landfill closure/post-closure	9,516,611	581,080	-	10,097,691	-
Employee vested benefits	<u>464,030</u>	<u>274,149</u>	<u>243,810</u>	<u>494,369</u>	<u>265,936</u>
	<u>\$115,331,611</u>	<u>\$ 855,229</u>	<u>\$ 6,159,684</u>	<u>\$110,027,156</u>	<u>\$ 6,386,810</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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

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

General Obligation Bonds

Various issues of general obligation bonds totaling \$87,090,000 are outstanding as of June 30, 2008. The bonds have interest rates ranging from 2.5% to 5.6% and mature in varying annual amounts ranging from \$85,000 to \$2,195,000 per issue, with the final maturities due in the year ending June 30, 2023. Interest and principal payments on all general obligation bonds, except tax abated portions recorded in the enterprise funds, are accounted for through the Debt Service Fund.

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

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
2009	8,333,235	3,551,333	571,765	181,493
2010	8,504,538	3,246,243	590,462	161,826
2011	8,800,840	2,901,964	604,160	140,850
2012	9,117,143	2,540,242	622,857	119,247
2013	8,143,445	2,158,552	641,555	96,592
2014-2018	32,283,194	5,792,166	1,881,806	152,620
2019-2023	6,995,000	897,513	-	-
Total	<u>\$ 82,177,395</u>	<u>\$ 21,088,013</u>	<u>\$ 4,912,605</u>	<u>\$ 852,628</u>

Revenue Bonds

As of June 30, 2008, the following unmatured revenue bond issues are outstanding:

	Parking	Wastewater Treatment	Water
Original issue amount	\$ 11,350,000	\$ 83,935,000	\$ 30,700,000
Interest rates	5.9% to 6.0%	3.3% to 5.8%	2.0% to 5.6%
Annual maturities	\$ 370,000 to	\$ 315,000 to	\$ 290,000 to
	\$ 895,000	\$ 3,010,000	\$ 910,000
Amount outstanding	\$ 10,035,000	\$ 60,475,000	\$ 24,835,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2009	5,625,000	4,668,765
2010	5,875,000	4,413,216
2011	6,195,000	4,139,939
2012	6,505,000	3,851,052
2013	6,640,000	3,548,294
2014-2018	27,390,000	13,650,896
2019-2023	29,185,000	5,834,673
2024-2028	7,930,000	593,413
	<u>\$ 95,345,000</u>	<u>\$ 40,700,248</u>

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

Account	Amount
(a) Revenue Bond and Interest Sinking Reserve	Amount sufficient to pay current bond and interest maturities.
(b) Revenue Debt Service Reserve	Amount required to be deposited in the Revenue Bond and Interest Reserve until the reserve fund equals: Parking Revenue and Water Revenue bonds – maximum debt service due on the bonds in any succeeding fiscal year. Wastewater Revenue bonds – 125% of the average principal and interest payments over the life of all the Wastewater Revenue bonds.
(c) Improvement Reserve	\$20,000 per month until the reserve balance equals or exceeds \$2,000,000 for Wastewater Revenue bonds, \$5,000 per month until the reserve balance equals or exceeds \$300,000 for Parking Revenue bonds and \$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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

Summary of Bond Issues

General obligation and revenue bonds payable at June 30, 2008, are comprised of the following issues:

	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2008
General Obligation Bonds:					
Multi-Purpose	Apr. 1998	\$ 8,500,000	4.35 - 4.75	6/13	\$ 2,750,000
Multi-Purpose	Mar. 1999	9,000,000	4.125 - 4.75	6/18	4,750,000
Multi-Purpose	Jul. 2000	14,310,000	5.0 - 5.5	6/18	9,580,000
Multi-Purpose	Jun. 2001	11,500,000	4.0 - 4.9	6/16	6,785,000
Multi-Purpose and Library Construction	May 2002	29,100,000	3.5 - 5.0	6/21	18,835,000
Refunded Multi-Purpose (1)	Oct. 2002	10,600,000	2.5 - 4.0	6/15	2,825,000
Multi-Purpose	Nov. 2003	5,570,000	2.5 - 3.6	6/14	3,300,000
Taxable-Urban Renewal	Mar. 2004	7,305,000	4.0 - 5.4	6/23	6,990,000
Multi-Purpose	Mar. 2005	7,020,000	3.0 - 4.0	6/15	5,175,000
Multi-Purpose	Jun. 2006	6,265,000	3.625 - 4.0	6/16	5,250,000
Multi-Purpose	Jun. 2006	1,000,000	5.5 - 5.6	6/16	850,000
Refunded Water Construction (2)	Sep. 2006	3,350,000	3.6 - 3.75	6/17	2,725,000
Multi-Purpose	May 2007	8,870,000	3.75	6/17	8,125,000
Multi-Purpose	June 2008	9,150,000	3.25 - 3.75	6/18	9,150,000
Total General Obligation Bonds					\$ 87,090,000
	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2008
Revenue Bonds:					
Parking Bonds	Dec. 1999	\$ 11,350,000	5.875 - 6.0	7/24	\$ 10,035,000
Wastewater Treatment Bonds	Mar. 1996	18,300,000	5.0 - 5.75	7/21	13,300,000
Wastewater Treatment Bonds	May 1997	10,600,000	5.15 - 5.5	7/22	7,950,000
Wastewater Treatment Bonds	Jan. 1999	7,000,000	4.25 - 4.875	7/19	4,875,000
Wastewater Treatment Bonds	Oct. 2000	12,000,000	5.125 - 5.5	7/25	9,915,000
Wastewater Treatment Bonds	Dec. 2001	10,250,000	4.5 - 5.0	7/20	10,250,000
Refunded Wastewater Treatment Bonds (3)	Apr. 2002	25,785,000	3.25 - 4.1	7/12	14,185,000
Water Bonds	May 1999	9,200,000	4.75 - 5.0	7/24	7,335,000
Water Bonds	Dec. 2000	13,000,000	5.0 - 5.625	7/25	10,645,000
Water Bonds	Oct. 2002	8,500,000	2.0 - 4.65	7/22	6,855,000
Total Revenue Bonds					95,345,000
					\$ 182,435,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

- (1) This bond issue has a portion of the general obligation bonds payable shown as a liability on the balance sheet of the Water Fund.
- (2) This bond issue has the general obligation bonds payable shown as a liability on the balance sheet of the Water Fund. Also, this bond issue refunds the November 1997 Water Construction General Obligation Bonds.
- (3) This bond issue refunds the January 1993 Wastewater Revenue Bonds.

Conduit Debt Obligations

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

As of June 30, 2008, there were two series of Industrial Development Revenue Bonds and Facility Refunding Revenue Bonds outstanding, with an aggregate principal amount payable of \$40,522,172.

Debt Legal Compliance

Legal Debt Margin:

As of June 30, 2008, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Assessed valuation:

Real property	\$ 3,888,746,352
Utilities	<u>65,034,635</u>

Total valuation	<u>\$ 3,953,780,987</u>
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Debt limit, 5% of total assessed valuation	\$ 197,689,049
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Debt applicable to debt limit:

General obligation bonds	<u>87,090,000</u>
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Legal debt margin	<u>\$ 110,599,049</u>
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CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

7. 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, 2008 the City purchased property, liability, and workers' compensation insurance under the program that provides for a \$100,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$400,000 self-insured retention on workers' compensation losses. The liability insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$21,000,000 annual aggregate of losses paid. The operating funds pay annual premiums to the Loss Reserve Fund. Accumulated monies in the Loss Reserve Fund are available to cover the self-insured retention amounts and any uninsured losses. Settled claims have not exceeded this commercial coverage in any of the past ten fiscal years.

The Housing Authority Fund is insured under a separate policy with the Assisted Housing Risk Management Association. The remaining funds participate in the Loss Reserve Fund. The funds make payments to the Loss Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. The Fund's accrued liabilities balance includes a claims liability at June 30, 2008 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, 2008 and 2007 are as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2006 – 2007	\$ 1,439,000	\$ 233,000	\$ 435,000	\$ 1,237,000
2007 – 2008	1,237,000	876,000	813,000	1,300,000

Also, the City is partially self-insured, through stop-loss insurance, for employee health care coverage, which is available to all of its permanent employees. This insurance provides stop-loss coverage for claims in excess of \$100,000 per employee with an aggregate stop-loss of \$6,873,011. 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 fee. Changes in the Loss Reserve Fund's claims liability amount for health care coverage for the years ended June 30, 2008 and 2007 are as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2006 – 2007	\$ 445,000	\$ 6,484,000	\$ 6,340,000	\$ 589,000
2007 – 2008	589,000	5,901,000	5,802,000	688,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

8. Contractual Commitments and Contingencies

The total outstanding contractual commitments as of June 30, 2008 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	\$ 5,409,385
Other Construction	Public Works construction, Culture & Recreation construction, and fire station construction	2,537,216
Water	Water main construction	33,475
Sanitation	Landfill consulting	346,151
Airport	Runway extension consulting, grading and paving	442,708
Cable TV	Refranchising consulting	44,290
		<u>\$ 8,813,225</u>

9. Contingent Liabilities

Litigation

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

10. 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, 2008, members contributed 9.35%. 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 25.48% of earnable compensation of each member in 2008, 27.75% of earnable compensation in 2007, and 28.21% of earnable compensation in 2006. The contributions paid by the City for the years ended June 30, 2006, 2007, and 2008, were \$1,925,332, \$1,954,182, and \$1,910,454 respectively, and was equal to the required contributions for each year.

Iowa Public Employees Retirement System

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2007, and 2008, were \$1,329,784, \$1,384,110, and \$1,534,552 respectively, and were equal to the required contributions for each year.

11. Post-Employment Benefits

All full-time employees who retire or terminate/resign 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.

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. Therefore, a portion of the above coverage is being subsidized by the City and its current employees. However, the City cannot reasonably estimate the amount of this subsidy and it is being expensed as incurred by the City.

12. Municipal Utility Systems

Water System

The Water Division is comprised of five parts: Administration, Treatment Plant, Customer Service, Distribution, and Public Information/Education. There are a total of 32.75 (FTE) employees who work in the Water Division. This division serves 67,062 people and has over 25,000 customer service connections. The average daily use for 2008 was 5.48 million gallons per day (MGD). A peak flow of 10.6 MGD was experienced during the summer of 1989.

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

Distribution System: The water flows through approximately 284 miles of water mains and includes over 25,000 service connections. The distribution piping consists of cast iron, ductile and PVS main that ranges in size from 2” to 30”. The treatment plant site has effective water storage capacity of 1.75 million gallons of water; in addition there are four remote ground storage reservoirs (with pumping stations) that add up to remote effective storage capacity of 6.0 million gallons of water. The water system also provides for fire protection with approximately 3,100 hydrants located throughout the community.

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, 2007.

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.

1999	15%
2000	10%
2001	0%
2002	0%
2003	- 5%
2004	- 5%
2005	0%
2006	0%
2007	- 5%
2008	0%

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

Financial Information: The following table summarizes the results of operations for the Water System for the fiscal years ended June 30, 2008, 2007, and 2006.

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

Last Three Fiscal Years
(amounts expressed in thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenues:			
Charges for services	\$ 8,195	\$ 8,240	\$ 9,012
Miscellaneous	<u>134</u>	<u>51</u>	<u>165</u>
Total operating revenues	<u>8,329</u>	<u>8,291</u>	<u>9,177</u>
Operating Expenses:			
Personal services	2,160	2,091	2,024
Commodities	1,348	1,463	1,908
Services and charges	<u>1,840</u>	<u>1,802</u>	<u>1,765</u>
	5,348	5,356	5,697
Depreciation	<u>2,065</u>	<u>2,024</u>	<u>1,985</u>
Total operating expenses	<u>7,413</u>	<u>7,380</u>	<u>7,682</u>
Operating income	<u>916</u>	<u>911</u>	<u>1,495</u>
Nonoperating Revenues (Expenses):			
(Loss) on disposal of capital assets	(2)	-	(25)
Interest income	931	929	741
Interest expense	<u>(1,426)</u>	<u>(1,549)</u>	<u>(1,607)</u>
Total nonoperating revenues (expenses)	<u>(497)</u>	<u>(620)</u>	<u>(891)</u>
Income before capital contributions and transfers	419	291	604
Capital contributions	314	845	606
Transfers in	689	3,045	-
Transfers out	<u>(820)</u>	<u>(237)</u>	<u>(467)</u>
Change in net assets	602	3,944	743
Net Assets, Beginning	<u>60,004</u>	<u>56,060</u>	<u>55,317</u>
Net Assets, Ending	<u>\$ 60,606</u>	<u>\$ 60,004</u>	<u>\$ 56,060</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

The following table summarizes the budget and actual figures for the Water System for the fiscal year ended June 30, 2008 and the budget for the fiscal year ended June 30, 2009 on a cash basis.

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

For the Year Ended June 30, 2008
(amounts expressed in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Percentage</u>	<u>FY09 Budget</u>
Charges for services	\$ 8,310	\$ 8,678	95.76%	\$ 8,425
Interest Income	1,013	614	164.98%	1,025
Miscellaneous	<u>129</u>	<u>89</u>	<u>144.94%</u>	<u>49</u>
Total Receipts	<u><u>9,452</u></u>	<u><u>9,381</u></u>	<u><u>100.76%</u></u>	<u><u>9,499</u></u>
Personal services	2,298	2,242	102.50%	2,371
Commodities	549	640	85.78%	768
Services and charges	1,816	2,214	82.02%	2,539
Capital Outlay	1,819	3,115	58.39%	3,507
Transfer to Capital Project Funds	1,917	3,844	49.87%	3,071
Operating Subsidy	15	15	100.00%	17
Debt Service Payments	<u>2,981</u>	<u>2,981</u>	<u>100.00%</u>	<u>2,959</u>
Total Disbursements	<u><u>\$ 11,395</u></u>	<u><u>\$ 15,051</u></u>	<u><u>75.71%</u></u>	<u><u>\$ 15,232</u></u>

Sewer System

The City of Iowa City operates a municipal Sewer Utility System consisting of approximately 300 miles of sanitary sewers, 14 lift stations, and 2 treatment plants. 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 treatment to the South Plant and control all operations remotely through computer systems. The combined wastewater treatment system is at two-thirds of the design capacity. Both plants are in compliance with federal clean water standards.

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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

Rates:

The following rates and charges were effective July 1, 2007.

Sewer Service Charge Minimum (includes up to the first 100 cubic feet (c.f.))	\$7.76
Monthly Usage in excess of 100 cubic feet (c.f.)	\$3.80

A rate increase of 5% was approved by the City Council and the following rates and charges went into effect July 1, 2008.

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.

1999	0%
2000	20%
2001	5%
2002	5%
2003	0%
2004	0%
2005	0%
2006	0%
2007	8%
2008	0%

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

Financial Information: The following table summarizes the results of operations for the Sewer System for the fiscal years ended June 30, 2008, 2007, and 2006.

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

Last Three Fiscal Years
(amounts expressed in thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Revenues:			
Charges for services	\$ 12,318	\$ 12,535	\$ 12,145
Miscellaneous	75	53	40
Total operating revenues	<u>12,393</u>	<u>12,588</u>	<u>12,185</u>
Operating Expenses:			
Personal services	1,651	1,497	1,565
Commodities	606	554	533
Services and charges	<u>2,324</u>	<u>2,185</u>	<u>2,162</u>
	4,581	4,236	4,260
Depreciation	<u>4,181</u>	<u>4,209</u>	<u>4,037</u>
Total operating expenses	<u>8,762</u>	<u>8,445</u>	<u>8,297</u>
Operating income (loss)	<u>3,631</u>	<u>4,143</u>	<u>3,888</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	(5)	-	17
Operating grants	-	1	-
Interest income	944	1,119	596
Interest expense	<u>(3,041)</u>	<u>(3,213)</u>	<u>(3,375)</u>
Total nonoperating revenues (expenses)	<u>(2,102)</u>	<u>(2,093)</u>	<u>(2,762)</u>
Income before capital contributions and transfers	1,529	2,050	1,126
Capital contributions	577	1,539	773
Transfers in	30	928	60
Transfers out	<u>(69)</u>	<u>(97)</u>	<u>(222)</u>
Change in net assets	2,067	4,420	1,737
Net Assets, Beginning	<u>71,052</u>	<u>66,632</u>	<u>64,895</u>
Net Assets, Ending	<u>\$ 73,119</u>	<u>\$ 71,052</u>	<u>\$ 66,632</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

The following table summarizes the budget and actual figures for the Sewer System for the fiscal year ended June 30, 2008 and the budget for the fiscal year ended June 30, 2009 on a cash basis.

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

For the Year Ended June 30, 2008
(amounts expressed in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Percentage</u>	<u>FY09 Budget</u>
Charges for services	\$ 12,512	\$ 12,866	97.25%	\$ 13,575
Interest Income	672	490	137.14%	915
Miscellaneous	89	5	1780.00%	-
Total Receipts	<u>13,273</u>	<u>13,361</u>	<u>99.34%</u>	<u>14,490</u>
Personal services	\$ 1,646	\$ 1,786	92.16%	\$ 1,802
Commodities	497	508	97.83%	473
Services and charges	2,328	2,434	95.65%	2,375
Capital Outlay	172	762	22.57%	1,218
Transfer to Capital Project Funds	54	460	11.74%	1,316
Operating Subsidy	15	15	100.00%	17
Debt Service Payments	7,247	7,247	100.00%	7,251
Total Disbursements	<u>\$ 11,959</u>	<u>\$ 13,212</u>	<u>90.52%</u>	<u>\$ 14,452</u>

13. Landfill Closure and Post-closure Care Costs

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, 2008, is approximately \$10,097,690, which is based on 78.5% usage (filled) of the landfill and is included in accrued liabilities within the Sanitation Fund. It is estimated that an additional amount of approximately \$4,685,300 will be recognized as closure and post-closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity by the year ended June 30, 2019. The estimated total current cost of the landfill closure and post-closure care costs at June 30, 2008, was determined by engineers from Howard R. Green Company and approximated \$12,863,300. 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, 2008. These amounts are based on an estimated post-closure care and monitoring period of 30 years, consistent with current State Department of Natural

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

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, 2008, the Sanitation Fund had \$11,184,101 in related equity in pooled cash and investments, at fair value designated for satisfaction of post-closure costs. The City estimates that these cash reserves will only provide a fraction of the dollars needed to close and monitor the landfill. The remaining portion of post-closure care costs, anticipated future inflation costs and additional costs that might arise from changes in post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users as well as City taxpayers.

14. Subsequent events

On October 15, 2008 the City of Iowa City received and awarded capital loan notes for General Obligation Refunding Capital Loan Notes, Series 2008B in the amount of \$17,005,000. The notes were issued to current refund on October 15, 2008, \$2,750,000 of the City's outstanding General Obligation Bonds, Series 1998, dated April 1, 1998, \$4,750,000 of the City's outstanding General Obligation Bonds, Series 1999, dated March 15, 1999, and \$9,580,000 of the City's outstanding General Obligation Bonds, Series 2000, dated July 1, 2000, for a total of \$17,080,000.

Also, on October 15, 2008 the City of Iowa City received and awarded capital loan notes for Sewer Revenue Refunding Capital Loan Notes, Series 2008C in the amount of \$24,280,000. The notes were issued to current refund on October 15, 2008, \$12,650,000 of the City's outstanding Sewer Revenue Bonds, Series 1996, dated March 15, 1996, \$7,600,000 of the City's outstanding Sewer Revenue Bonds, Series 1997, dated June 1, 1997, and \$4,560,000 of the City's outstanding Sewer Revenue Bonds, Series 1999, dated February 1, 1999, for a total of \$24,810,000.

In addition, on October 15, 2008 the City of Iowa City received and awarded capital loan notes for Water Revenue Refunding Capital Loan Notes, Series 2008D in the amount of \$7,115,000. The notes were issued to current refund on October 15, 2008, \$7,045,000 of the City's outstanding Water Revenue Bonds, Series 1999, dated May 1, 1999.

15. New Governmental Accounting Standards Board (GASB) Standards

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2008

Statement No. 47, *Accounting for Termination Benefits* issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45.

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

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

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

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

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



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, 2008
(dollar amounts expressed in thousands)

	Governmental Fund Types Actual Budgetary Basis	Enterprise Fund Types Actual Budgetary Basis	Total Actual Budgetary Basis
Revenues:			
Property Tax	\$ 39,838	\$ -	\$ 39,838
Tax increment financing taxes	3,050	-	3,050
Other city taxes	1,499	-	1,499
Licenses and permits	1,285	-	1,285
Intergovernmental	14,763	7,830	22,593
Charges for services	4,435	32,821	37,256
Use of money and property	2,536	3,674	6,210
Miscellaneous	2,471	1,905	4,376
Total revenues	69,877	46,230	116,107
Expenditures/Expenses:			
Public safety	18,026	-	18,026
Public works	11,830	-	11,830
Culture and recreation	10,546	-	10,546
Community and economic development	5,322	-	5,322
General government	7,144	-	7,144
Debt service	11,656	-	11,656
Capital outlay	12,762	-	12,762
Business-type	-	45,707	45,707
Total expenditures/expenses	77,286	45,707	122,993
Excess (deficiency) of revenues over (under) expenditures/expenses	(7,409)	523	(6,886)
Other financing sources and uses, net	12,999	(1,689)	11,310
Net change in fund balances	5,590	(1,166)	4,424
Balances, beginning of year	41,630	79,405	121,035
Balances, end of year	47,220	78,239	125,459

See Note to Required Supplementary Information.

Budgeted Amounts

Original	Final	Final to Actual Variance - Positive (Negative)
\$ 39,974	\$ 39,974	\$ (136)
1,798	2,621	429
1,446	1,518	(19)
1,260	1,325	(40)
21,657	33,131	(10,538)
37,721	37,795	(539)
3,939	4,399	1,811
4,567	4,054	322
112,362	124,817	(8,710)
17,504	18,634	608
11,135	13,027	1,197
10,647	11,341	795
6,041	6,636	1,314
7,892	7,700	556
11,718	11,718	62
14,252	32,937	20,175
45,878	55,750	10,043
125,067	157,743	34,750
(12,705)	(32,926)	26,040
10,973	10,973	337
(1,732)	(21,953)	26,377
97,790	121,035	
96,058	99,082	

CITY OF IOWA CITY

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

For the Year Ended June 30, 2008
(dollar amounts expressed in thousands)

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 69,877	\$ (1,597)	\$ 68,280
Expenditures	77,286	(1,436)	75,850
Net	(7,409)	(161)	(7,570)
Other financing sources (uses)	12,999	(1,637)	11,362
Beginning Fund Balances	\$ 41,630	\$ (5,001)	\$ 36,629
Ending Fund Balances	\$ 47,220	\$ (6,799)	\$ 40,421

	Enterprise Fund Types		
	Budget Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 46,230	\$ (80)	\$ 46,150
Expenditures	45,707	(4,497)	41,210
Net	523	4,417	4,940
Other financing sources (uses)	(1,689)	3,915	2,226
Beginning Fund Balances	79,405	\$ 144,249	223,654
Ending Fund Balances	\$ 78,239	\$ 152,581	\$ 230,820

See Note to Required Supplementary Information.

City of Iowa City, Iowa
Note to Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2008

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 expenditures by \$32,676,000. The budget amendments were primarily due to changes in breadth and timing of capital improvement projects.



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:

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.

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

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

CAPITAL PROJECTS FUNDS

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

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

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

CITY OF IOWA CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008
(amounts expressed in thousands)

	Special Revenue			Capital Projects		Total
	Other Shared Revenue and Grants	Economic Development	Johnson County Council of Governments	Bridge, Street, and Traffic Control Construction	Other Construction	
Assets						
Equity in pooled cash and investments	\$ 1,970	\$ 308	\$ 49	\$ 1,029	\$ 2,242	\$ 5,598
Receivables:						
Property tax	-	34	-	-	-	34
Accounts and unbilled usage	-	-	-	11	5	16
Interest	-	30	-	-	16	46
Notes	549	-	-	-	-	549
Due from other governments	503	-	41	1,012	146	1,702
Restricted assets:						
Equity in pooled cash and investments	5	-	-	-	12,719	12,724
Total assets	<u>\$ 3,027</u>	<u>\$ 372</u>	<u>\$ 90</u>	<u>\$ 2,052</u>	<u>\$ 15,128</u>	<u>\$ 20,669</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 68	\$ -	\$ 3	\$ 1,986	\$ 225	\$ 2,282
Contracts payable	-	-	-	635	696	1,331
Accrued liabilities	49	-	17	14	8	88
Advances from other funds	228	-	-	-	-	228
Deferred revenue	556	-	-	1,012	120	1,688
Liabilities payable from restricted assets:						
Deposits	5	-	-	-	-	5
Total liabilities	<u>906</u>	<u>-</u>	<u>20</u>	<u>3,647</u>	<u>1,049</u>	<u>5,622</u>
Fund balances:						
Reserved for:						
Encumbrances	-	-	-	-	1,366	1,366
Unreserved						
Undesignated	2,121	372	70	(1,595)	12,713	13,681
Total fund balances	<u>2,121</u>	<u>372</u>	<u>70</u>	<u>(1,595)</u>	<u>14,079</u>	<u>15,047</u>
Total liabilities and fund balances	<u>\$ 3,027</u>	<u>\$ 372</u>	<u>\$ 90</u>	<u>\$ 2,052</u>	<u>\$ 15,128</u>	<u>\$ 20,669</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Special Revenue			Capital Projects		Total
	Other Shared Revenue and Grants	Economic Development	Johnson County Council of Governments	Bridge, Street, and Traffic Control Construction	Other Construction	
Revenues						
Property taxes	\$ -	\$ 3,083	\$ -	\$ -	\$ -	\$ 3,083
Intergovernmental	5,490	-	283	1,367	206	7,346
Charges for services	40	-	-	-	-	40
Use of money and property	57	118	-	-	378	553
Miscellaneous	90	-	34	12	135	271
Total revenues	<u>5,677</u>	<u>3,201</u>	<u>317</u>	<u>1,379</u>	<u>719</u>	<u>11,293</u>
Expenditures						
Current:						
Public safety	-	-	-	-	500	500
Public works	4,688	-	-	999	64	5,751
Culture and recreation	-	-	-	-	308	308
Community and economic development	171	1,095	577	-	4	1,847
General government	-	-	-	-	58	58
Capital outlay	235	-	3	6,191	3,630	10,059
Total expenditures	<u>5,094</u>	<u>1,095</u>	<u>580</u>	<u>7,190</u>	<u>4,564</u>	<u>18,523</u>
Excess (deficiency) of revenues over (under) expenditures	<u>583</u>	<u>2,106</u>	<u>(263)</u>	<u>(5,811)</u>	<u>(3,845)</u>	<u>(7,230)</u>
Other Financing Sources (Uses)						
Issuance of bonds	-	-	-	-	9,150	9,150
Premium on issuance of bonds	-	-	-	-	16	16
Transfers in	457	-	260	7,015	3,668	11,400
Transfers out	(1,189)	(2,788)	-	-	(6,038)	(10,015)
Total other financing sources and (uses)	<u>(732)</u>	<u>(2,788)</u>	<u>260</u>	<u>7,015</u>	<u>6,796</u>	<u>10,551</u>
Net change in fund balances	(149)	(682)	(3)	1,204	2,951	3,321
Fund Balances, Beginning	<u>2,270</u>	<u>1,054</u>	<u>73</u>	<u>(2,799)</u>	<u>11,128</u>	<u>11,726</u>
Fund Balances, Ending	<u>\$ 2,121</u>	<u>\$ 372</u>	<u>\$ 70</u>	<u>\$ (1,595)</u>	<u>\$ 14,079</u>	<u>\$ 15,047</u>



NONMAJOR ENTERPRISE FUNDS

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

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

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

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

CITY OF IOWA CITY, IOWA

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

June 30, 2008

(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 90	\$ 1,224	\$ 1,091	\$ 2,405
Receivables:				
Accounts and unbilled usage	4	68	184	256
Interest	13	10	12	35
Due from other governments	632	-	-	632
Total current assets	<u>739</u>	<u>1,302</u>	<u>1,287</u>	<u>3,328</u>
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and investments	10	-	107	117
Capital assets:				
Land	7,324	2,156	-	9,480
Buildings	3,563	-	741	4,304
Improvements other than buildings	421	-	-	421
Machinery and equipment	282	232	89	603
Infrastructure	2,233	32,252	-	34,485
Accumulated depreciation	(3,356)	(6,363)	(245)	(9,964)
Construction in progress	4,516	1,650	-	6,166
Total noncurrent assets	<u>14,993</u>	<u>29,927</u>	<u>692</u>	<u>45,612</u>
Total assets	<u>15,732</u>	<u>31,229</u>	<u>1,979</u>	<u>48,940</u>
Liabilities				
Current liabilities:				
Accounts payable	79	48	108	235
Contracts payable	450	-	-	450
Accrued liabilities	10	7	54	71
Advances from other funds	1,205	-	-	1,205
Total current liabilities	<u>1,744</u>	<u>55</u>	<u>162</u>	<u>1,961</u>
Noncurrent liabilities:				
Liabilities payable from restricted assets:				
Deposits	10	-	-	10
Total noncurrent liabilities	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
Total liabilities	<u>1,754</u>	<u>55</u>	<u>162</u>	<u>1,971</u>
Net Assets				
Invested in capital assets, net of related debt	14,983	29,927	585	45,495
Unrestricted	(1,005)	1,247	1,232	1,474
Total net assets	<u>\$ 13,978</u>	<u>\$ 31,174</u>	<u>\$ 1,817</u>	<u>\$ 46,969</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
Operating Revenues:				
Charges for services	\$ 258	\$ 616	\$ 814	\$ 1,688
Miscellaneous	14	-	1	15
Total operating revenues	<u>272</u>	<u>616</u>	<u>815</u>	<u>1,703</u>
Operating Expenses:				
Personal services	102	145	455	702
Commodities	9	93	13	115
Services and charges	277	163	97	537
	388	401	565	1,354
Depreciation	181	671	37	889
Total operating expenses	<u>569</u>	<u>1,072</u>	<u>602</u>	<u>2,243</u>
Operating income (loss)	<u>(297)</u>	<u>(456)</u>	<u>213</u>	<u>(540)</u>
Nonoperating Revenues (Expenses):				
Gain on disposal of capital assets	1,250	-	-	1,250
Interest income	24	49	54	127
Total nonoperating revenues (expenses)	<u>1,274</u>	<u>49</u>	<u>54</u>	<u>1,377</u>
Income (loss) before capital contributions and transfers	977	(407)	267	837
Capital contributions	1,580	1,305	-	2,885
Transfers in	356	94	-	450
Transfers out	<u>(1,521)</u>	<u>(75)</u>	<u>(153)</u>	<u>(1,749)</u>
Change in net assets	1,392	917	114	2,423
Net Assets, Beginning	<u>12,586</u>	<u>30,257</u>	<u>1,703</u>	<u>44,546</u>
Net Assets, Ending	<u>\$ 13,978</u>	<u>\$ 31,174</u>	<u>\$ 1,817</u>	<u>\$ 46,969</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2008

(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	\$ (7)	\$ 615	\$ 804	\$ 1,412
Payments to suppliers	(303)	(212)	(10)	(525)
Payments to employees	(102)	(144)	(445)	(691)
Net cash flows from operating activities	<u>(412)</u>	<u>259</u>	<u>349</u>	<u>196</u>
Cash Flows From Noncapital Financing Activities				
Transfers from other funds	356	-	-	356
Transfers to other funds	(1,521)	(28)	(153)	(1,702)
Advances from other funds	25	-	-	25
Net cash flows from noncapital financing activities	<u>(1,140)</u>	<u>(28)</u>	<u>(153)</u>	<u>(1,321)</u>
Cash Flows From Capital and Related Financing Activities				
Capital grants received	1,580	-	-	1,580
Acquisition and construction of property and equipment	(1,959)	(29)	(10)	(1,998)
Proceeds from sale of property	1,610	-	-	1,610
Net cash flows from capital and related financing activities	<u>1,231</u>	<u>(29)</u>	<u>(10)</u>	<u>1,192</u>
Cash Flows From Investing Activities				
Interest on investments	23	53	55	131
Net increase (decrease) in cash and cash equivalents	(298)	255	241	198
Cash and Cash Equivalents, Beginning	<u>398</u>	<u>969</u>	<u>957</u>	<u>2,324</u>
Cash and Cash Equivalents, Ending	<u>\$ 100</u>	<u>\$ 1,224</u>	<u>\$ 1,198</u>	<u>\$ 2,522</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ (297)	\$ (456)	\$ 213	\$ (540)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	181	671	37	889
Changes in:				
Receivables:				
Accounts and unbilled usage	(4)	(1)	(11)	(16)
Due from other governments	(275)	-	-	(275)
Accounts payable	(17)	44	100	127
Accrued liabilities	-	1	10	11
Total adjustments	<u>(115)</u>	<u>715</u>	<u>136</u>	<u>736</u>
Net cash flows from operating activities	<u>\$ (412)</u>	<u>\$ 259</u>	<u>\$ 349</u>	<u>\$ 196</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets from government and others	\$ 1,580	\$ 1,399	\$ -	\$ 2,979
Contributions of capital assets to government and others	\$ -	\$ (47)	\$ -	\$ (47)

INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF IOWA CITY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2008
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 5,791	\$ 556	\$ 7,346	\$ 2,621	\$ 16,314
Receivables:					
Accounts and unbilled usage	3	-	-	-	3
Interest	48	5	67	23	143
Due from other governments	169	-	-	-	169
Inventories	321	-	-	-	321
Total current assets	<u>6,332</u>	<u>561</u>	<u>7,413</u>	<u>2,644</u>	<u>16,950</u>
Noncurrent assets:					
Capital assets:					
Land	45	-	-	-	45
Buildings	578	-	-	253	831
Improvements other than buildings	50	-	-	-	50
Machinery and equipment	11,000	241	8	1,527	12,776
Infrastructure	-	-	-	1,006	1,006
Accumulated depreciation	(7,692)	(171)	(1)	(1,418)	(9,282)
Construction in progress	120	-	-	-	120
Total noncurrent assets	<u>4,101</u>	<u>70</u>	<u>7</u>	<u>1,368</u>	<u>5,546</u>
Total assets	<u>10,433</u>	<u>631</u>	<u>7,420</u>	<u>4,012</u>	<u>22,496</u>
Liabilities					
Accounts payable	466	6	126	204	802
Accrued liabilities	85	2	1,995	82	2,164
Total liabilities	<u>551</u>	<u>8</u>	<u>2,121</u>	<u>286</u>	<u>2,966</u>
Net Assets					
Invested in capital assets, net of related debt	4,101	70	7	1,368	5,546
Unrestricted	5,781	553	5,292	2,358	13,984
Total net assets	<u>\$ 9,882</u>	<u>\$ 623</u>	<u>\$ 5,299</u>	<u>\$ 3,726</u>	<u>\$ 19,530</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Operating Revenues:					
Charges for services	\$ 4,890	\$ 304	\$ 8,581	\$ 1,668	\$ 15,443
Total operating revenues	<u>4,890</u>	<u>304</u>	<u>8,581</u>	<u>1,668</u>	<u>15,443</u>
Operating Expenses:					
Personal services	803	36	166	956	1,961
Commodities	2,485	15	35	408	2,943
Services and charges	386	198	7,713	447	8,744
	<u>3,674</u>	<u>249</u>	<u>7,914</u>	<u>1,811</u>	<u>13,648</u>
Depreciation	1,009	15	1	163	1,188
Total operating expenses	<u>4,683</u>	<u>264</u>	<u>7,915</u>	<u>1,974</u>	<u>14,836</u>
Operating income (loss)	<u>207</u>	<u>40</u>	<u>666</u>	<u>(306)</u>	<u>607</u>
Nonoperating Revenues (Expenses):					
Gain (loss) on disposal of capital assets	(1)	-	-	63	62
Interest income	247	24	317	138	726
Total nonoperating revenues (expenses)	<u>246</u>	<u>24</u>	<u>317</u>	<u>201</u>	<u>788</u>
Income (loss) before capital contributions and transfers	453	64	983	(105)	1,395
Capital contributions	-	-	3	-	3
Transfers in	180	-	-	48	228
Transfers out	-	-	(66)	-	(66)
Change in net assets	633	64	920	(57)	1,560
Net Assets, Beginning	<u>9,249</u>	<u>559</u>	<u>4,379</u>	<u>3,783</u>	<u>17,970</u>
Net Assets, Ending	<u>\$ 9,882</u>	<u>\$ 623</u>	<u>\$ 5,299</u>	<u>\$ 3,726</u>	<u>\$ 19,530</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2008
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 4,786	\$ 304	\$ 8,581	\$ 1,668	\$ 15,339
Payments to suppliers	(2,566)	(220)	(7,829)	(657)	(11,272)
Payments to employees	(794)	(36)	(4)	(948)	(1,782)
Net cash flows from operating activities	<u>1,426</u>	<u>48</u>	<u>748</u>	<u>63</u>	<u>2,285</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	180	-	-	48	228
Operating transfers to other funds	-	-	(66)	-	(66)
Net cash flows from noncapital financing activities	<u>180</u>	<u>-</u>	<u>(66)</u>	<u>48</u>	<u>162</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of property and equipment	(1,207)	-	(5)	(279)	(1,491)
Proceeds from sale of property	15	-	-	63	78
Net cash flows from capital and related financing activities	<u>(1,192)</u>	<u>-</u>	<u>(5)</u>	<u>(216)</u>	<u>(1,413)</u>
Cash Flows From Investing Activities					
Interest on investments	274	26	348	155	803
Net increase in cash and cash equivalents	688	74	1,025	50	1,837
Cash and Cash Equivalents, Beginning	<u>5,103</u>	<u>482</u>	<u>6,321</u>	<u>2,571</u>	<u>14,477</u>
Cash and Cash Equivalents, Ending	<u>\$ 5,791</u>	<u>\$ 556</u>	<u>\$ 7,346</u>	<u>\$ 2,621</u>	<u>\$ 16,314</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 207	\$ 40	\$ 666	\$ (306)	\$ 607
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation expense	1,009	15	1	163	1,188
Changes in:					
Receivables:					
Accounts and unbilled usage	(3)	-	-	-	(3)
Due from other governments	(101)	-	-	-	(101)
Inventories	(42)	-	-	-	(42)
Accounts payable	347	(7)	(81)	198	457
Accrued liabilities	9	-	162	8	179
Total adjustments	<u>1,219</u>	<u>8</u>	<u>82</u>	<u>369</u>	<u>1,678</u>
Net cash flows from operating activities	<u>\$ 1,426</u>	<u>\$ 48</u>	<u>\$ 748</u>	<u>\$ 63</u>	<u>\$ 2,285</u>
Noncash Investing, Capital, and Financing Activities:					
Contributions of fixed assets from government and others	\$ -	\$ -	\$ 3	\$ -	\$ 3

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, 2008
(amounts expressed in thousands)

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Project Green				
Assets				
Equity in pooled cash and investments	\$ 197	\$ 73	\$ 58	\$ 212
Interest receivable	3	2	3	2
Total assets	<u>\$ 200</u>	<u>\$ 75</u>	<u>\$ 61</u>	<u>\$ 214</u>
Liabilities				
Accounts payable	\$ 2	\$ -	\$ 2	\$ -
Due to agency	198	75	59	214
Total liabilities	<u>\$ 200</u>	<u>\$ 75</u>	<u>\$ 61</u>	<u>\$ 214</u>
Library Foundation				
Assets				
Equity in pooled cash and investments	\$ 1	\$ 9	\$ 6	\$ 4
Accounts receivable	5	-	-	5
Total assets	<u>\$ 6</u>	<u>\$ 9</u>	<u>\$ 6</u>	<u>\$ 9</u>
Liabilities				
Accrued liabilities	6	9	6	9
Total liabilities	<u>\$ 6</u>	<u>\$ 9</u>	<u>\$ 6</u>	<u>\$ 9</u>
Total Agency Funds				
Assets				
Equity in pooled cash and investments	\$ 198	\$ 82	\$ 64	\$ 216
Accounts receivable	5	-	-	5
Interest receivable	3	2	3	2
Total assets	<u>\$ 206</u>	<u>\$ 84</u>	<u>\$ 67</u>	<u>\$ 223</u>
Liabilities				
Accounts payable	\$ 2	\$ -	\$ 2	\$ -
Accrued liabilities	6	9	6	9
Due to agency	198	75	59	214
Total liabilities	<u>\$ 206</u>	<u>\$ 84</u>	<u>\$ 67</u>	<u>\$ 223</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.	95
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	100
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.	109
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.	120
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.	122

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



CITY OF IOWA CITY, IOWA

NET ASSETS BY COMPONENT

Last Six Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 73,447	\$ 67,090	\$ 84,768	\$ 95,227	\$ 101,027	\$ 87,723
Restricted	22,499	17,705	16,973	6,852	8,181	23,741
Unrestricted	16,926	11,700	3,793	10,827	11,043	18,229
Total governmental activities net assets	\$ 112,872	\$ 96,495	\$ 105,534	\$ 112,906	\$ 120,251	\$ 129,693
Business-type activities						
Invested in capital assets, net of related debt	\$ 111,487	\$ 150,817	\$ 150,797	\$ 155,346	\$ 172,518	\$ 160,330
Restricted	24,420	14,932	15,038	15,682	23,893	21,320
Unrestricted	33,339	36,246	40,780	42,988	33,695	55,970
Total business-type activities net assets	\$ 169,246	\$ 201,995	\$ 206,615	\$ 214,016	\$ 230,106	\$ 237,620
Primary government						
Invested in capital assets, net of related debt	\$ 184,934	\$ 217,907	\$ 235,565	\$ 250,573	\$ 273,545	\$ 248,053
Restricted	46,919	32,637	32,011	22,534	32,074	45,061
Unrestricted	50,265	47,946	44,573	53,815	44,738	74,199
Total primary government net assets	\$ 282,118	\$ 298,490	\$ 312,149	\$ 326,922	\$ 350,357	\$ 367,313

CITY OF IOWA CITY, IOWA

CHANGES IN NET ASSETS

Last Six Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
Public Safety	\$ 13,844	\$ 15,015	\$ 15,286	\$ 16,690	\$ 16,694	\$ 20,504
Public Works	11,539	10,423	11,521	12,723	13,560	13,727
Culture and recreation	10,131	12,051	11,341	11,458	11,970	13,460
Community and economic development	3,133	2,580	6,960	6,264	4,680	1,850
General government	6,251	6,527	6,500	6,892	7,258	7,433
Debt Service	3,662	3,440	3,602	3,404	3,459	3,517
Total governmental activities expense:	<u>48,560</u>	<u>50,036</u>	<u>55,210</u>	<u>57,431</u>	<u>57,621</u>	<u>60,491</u>
Business-type activities:						
Wastewater	12,086	12,344	12,214	11,710	11,537	11,757
Water	7,861	8,011	8,313	9,324	8,823	8,804
Sanitation	4,082	6,103	6,031	6,101	6,684	6,868
Housing Authority	6,519	7,219	7,466	7,026	6,884	7,374
Parking	3,554	3,898	3,989	3,884	4,403	3,913
Airport	431	515	520	512	418	560
Stormwater		652	1,452	817	932	1,072
Cable Television	687	549	607	576	525	598
Total business-type activities expense:	<u>35,220</u>	<u>39,291</u>	<u>40,592</u>	<u>39,950</u>	<u>40,206</u>	<u>40,946</u>
Total primary government expenses:	<u>\$ 83,780</u>	<u>\$ 89,327</u>	<u>\$ 95,802</u>	<u>\$ 97,381</u>	<u>\$ 97,827</u>	<u>\$ 101,437</u>

Program Revenues						
Governmental activities:						
Charges for services						
Public Safety	\$ 2,507	\$ 3,038	\$ 2,928	\$ 2,971	\$ 3,088	\$ 3,019
Public Works	1,118	1,006	1,076	1,062	1,229	1,047
Culture and recreation	1,145	630	653	707	712	680
Community and economic development:	192	-	-	-	-	-
General government	1,416	1,428	1,482	1,556	1,569	1,633
Operating grants and contributions	2,965	2,150	2,592	2,937	3,215	3,611
Capital grants and contributions	2,205	6,198	7,679	3,849	4,283	1,747
Total governmental activities program revenue:	<u>\$11,548</u>	<u>\$14,450</u>	<u>\$16,410</u>	<u>\$13,082</u>	<u>\$14,096</u>	<u>\$11,737</u>
Business-type activities:						
Charges for services:						
Wastewater	12,445	12,580	12,145	12,145	12,535	12,318
Water	9,677	9,164	8,602	9,012	8,240	8,195
Sanitation	6,531	7,111	7,154	7,133	7,204	7,853
Housing Authority	221	219	181	168	132	149
Parking	3,636	4,011	4,045	3,936	4,704	4,673
Airport	180	213	220	264	234	258
Stormwater	-	104	592	597	622	616
Cable Television	298	673	708	718	726	814

CITY OF IOWA CITY, IOWA

CHANGES IN NET ASSETS (continued)

Last Five Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Capital grants and contributions: Wastewater	1,077	968	761	773	1,539	577
Capital grants and contributions: Water	640	452	588	606	845	314
Capital grants and contributions: Sanitation	-	-	-	46	-	-
Capital grants and contributions: Airport	-	116	283	1,125	1,231	1,580
Capital grants and contributions: Stormwater	-	717	755	468	1,251	302
Capital grants and contributions: Housing Authority	-	-	-	-	-	17
Capital grants and contributions: Parking	-	-	-	-	-	8
Operating grants and contributions: Housing Authority	6,291	6,950	7,012	7,414	7,165	6,281
Operating grants and contributions: Water	131	-	-	-	-	-
Operating grants and contributions: Airport	36	-	-	-	-	-
Operating grants and contributions: Sanitation	201	9	-	3	6	-
Operating grants and contributions: Wastewater	-	-	-	-	1	-
Total business-type activities program revenues	41,364	43,287	43,046	44,408	46,435	43,955
Total primary government revenues	\$ 52,912	\$ 57,737	\$ 59,456	\$ 57,490	\$ 60,531	\$ 55,692
Net (Expense) / Revenues						
Governmental activities	\$ (37,012)	\$ (35,586)	\$ (38,800)	\$ (44,349)	\$ (43,525)	\$ (48,754)
Business-type activities	6,144	3,996	2,454	4,458	6,229	3,009
Total primary government net expense	\$ (30,868)	\$ (31,590)	\$ (36,346)	\$ (39,891)	\$ (37,296)	\$ (45,745)
General Revenues and Other Changes in Net Asset:						
Governmental activities:						
General revenues:						
Property taxes	\$ 32,257	\$ 34,173	\$ 35,327	\$ 37,770	\$ 41,492	\$ 43,400
Road use tax	5,144	5,311	5,269	5,303	5,305	5,432
Other taxes	1,399	1,609	1,351	1,240	1,412	1,435
Earnings on investments	1,207	1,056	1,576	2,678	4,045	3,932
Miscellaneous	3,174	3,746	3,994	4,422	3,656	3,509
Gain (loss) on sale of assets	(1,726)	65	95	100	281	-
Transfers	1,444	(1,840)	645	208	(5,321)	488
Total governmental activities	42,899	44,120	48,257	51,721	50,870	58,196
Business-type activities:						
General revenues:						
Earnings on investments	1,305	991	1,771	2,575	3,606	3,279
Gain on sale of assets	315	1,009	304	185	591	1,260
Miscellaneous	994	335	418	391	343	454
Transfers	(1,444)	1,840	(645)	(208)	5,321	(488)
Total business-type activities	1,170	4,175	1,848	2,943	9,861	4,505
Total primary government	\$ 44,069	\$ 48,295	\$ 50,105	\$ 54,664	\$ 60,731	\$ 62,701
Change in Net Assets						
Governmental activities	\$ 5,887	\$ 8,534	\$ 9,457	\$ 7,372	\$ 7,345	\$ 9,442
Business-type activities	7,314	8,171	4,302	7,401	16,090	7,514
Total primary government	\$ 13,201	\$ 16,705	\$ 13,759	\$ 14,773	\$ 23,435	\$ 16,956

CITY OF IOWA CITY, IOWA

FUND BALANCES, GOVERNMENTAL FUNDS

Last Six Fiscal Years
(Modified accrual basis of accounting)

(amounts expressed in thousands)

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

CITY OF IOWA CITY, IOWA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Six Fiscal Years
(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Revenues:						
Property taxes and assessments	\$ 31,966	\$ 35,538	\$ 36,677	\$ 39,011	\$ 42,905	\$ 44,835
Licenses and permits	961	1,361	1,255	1,279	1,404	1,270
Intergovernmental	12,193	12,058	15,546	14,260	13,455	12,764
Charges for services	4,674	3,240	3,301	2,227	2,423	2,228
Use of money and property	997	1,002	1,354	2,203	3,378	3,206
Miscellaneous	2,558	4,377	4,121	4,176	3,858	3,977
Total governmental activities expenses	\$ 53,349	\$ 57,576	\$ 62,254	\$ 63,156	\$ 67,423	\$ 68,280
Expenditures						
Current						
Public safety	\$ 13,115	\$ 14,025	\$ 14,601	\$ 15,819	\$ 16,412	\$ 18,705
Public works	8,149	9,156	9,698	10,351	12,452	12,108
Culture and recreation	8,061	9,392	9,183	10,122	10,261	10,703
Community and economic development	3,715	3,486	6,375	4,698	3,445	4,437
General government	5,887	6,080	6,282	6,510	7,194	7,207
Debt service						
Principal	4,742	5,172	9,349	6,099	6,700	7,323
Interest	3,683	3,336	3,676	3,458	3,464	3,556
Capital projects	20,095	16,065	13,939	15,153	13,000	11,811
Total expenditures	\$ 67,447	\$ 66,712	\$ 73,103	\$ 72,210	\$ 72,928	\$ 75,850
Excess (deficiency) of revenues over (under) expenditures	\$ (14,098)	\$ (9,136)	\$ (10,849)	\$ (9,054)	\$ (5,505)	\$ (7,570)
Other financing sources (uses):						
Issuance of long-term debt	\$ 10,600	\$ 12,875	\$ 7,020	\$ 7,265	\$ 8,870	\$ 9,150
Sale of capital assets	-	384	406	109	470	111
Issuance of note payable	-	-	211	-	-	-
Premium (discount) on issuance of bonds	93	(19)	43	29	-	16
Payment of refunded bonds	(6,415)	-	-	-	-	-
Transfers in	15,172	14,614	15,776	21,627	21,552	25,413
Transfers out	(14,554)	(16,733)	(15,237)	(21,540)	(20,711)	(23,328)
Total other financing sources (uses)	\$ 4,896	\$ 11,121	\$ 8,219	\$ 7,490	\$ 10,181	\$ 11,362
Net change in fund balances	\$ (9,202)	\$ 1,985	\$ (2,630)	\$ (1,564)	\$ 4,676	\$ 3,792
Debt service as a percentage of noncapital expenditures	17.8%	16.8%	22.0%	16.7%	17.0%	17.0%

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>Total</u>
1999	\$ 22,153	\$ 4,575	\$ 570	\$ 27,298
2000	24,271	4,928	554	29,753
2001	27,071	4,852	497	32,420
2002	28,623	5,077	646	34,346
2003	31,966	5,103	559	37,628
2004	34,958	5,311	580	40,849
2005	36,076	5,269	611	41,956
2006	38,336	5,303	674	44,313
2007	42,221	5,305	683	48,209
2008	44,101	5,432	734	50,267

CITY OF IOWA CITY, IOWA

ASSESSED AND TAXABLE VALUE OF PROPERTY

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	Taxable Property Assessed Value/ Estimated Actual Value¹	Exempt Property Value²	Total Taxable Assessed Value	Total Direct Tax Rate
1999	\$ 2,597,827	\$ 128,115	\$ 2,469,712	13.133
2000	2,699,944	136,493	2,563,451	13.851
2001	2,920,580	137,713	2,782,867	14.757
2002	2,975,254	152,991	2,822,263	14.850
2003	3,214,973	155,407	3,059,566	16.813
2004	3,322,001	176,188	3,145,813	17.596
2005	3,834,435	181,186	3,653,249	17.314
2006	3,953,781	183,799	3,769,982	17.729
2007	4,280,834	212,203	4,068,631	17.302
2008	4,386,219	215,955	4,170,264	17.297

Sources:

¹Johnson County Abstract Assessment

²City of Iowa City Assessor's Office - Annual Report

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 and tangible personal 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, and the value so assessed shall be taken and considered as the assessed value and taxable value of the property upon which the levy shall be made.

Taxable property includes real property, buildings and structures, industrial plant and fixtures, commercial equipment assessed as real property, agriculture, residential on agriculture and utilities distribution property.

Exempt property includes all property that is owned by religious and educational institutions, charitable and benevolent societies, low-rent housing and associations for war veterans. Each must apply for property tax exempt status with the City Assessor, who determines if the property qualifies under state guidelines. Exempt property is assessed each year like other taxable property. Property owned by governmental entities is not taxable and is not included in "Exempt Property".

CITY OF IOWA CITY, IOWA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

(per \$1,000 assessed valuation)

<u>Fiscal Year</u>	<u>City of Iowa City</u>			<u>Overlapping Rates</u>			<u>Total Direct & Overlapping Rates</u>
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total City Millage</u>	<u>Iowa City School District</u>	<u>Kirkwood Community College</u>	<u>State of Iowa</u>	
1999	11.265	1.868	13.133	12.075	0.567	0.005	31.527
2000	11.551	2.300	13.851	11.696	0.613	0.005	32.112
2001	11.767	2.990	14.757	11.833	0.607	0.005	33.104
2002	11.905	2.945	14.850	11.540	0.607	0.005	32.803
2003	12.652	4.161	16.813	12.210	0.666	0.004	35.754
2004	13.026	4.570	17.596	12.865	0.679	0.004	37.247
2005	13.360	3.954	17.314	12.875	0.668	0.004	37.027
2006	13.580	4.149	17.729	13.582	0.649	0.004	38.355
2007	13.423	3.879	17.302	13.632	0.872	0.004	38.225
2008	13.511	3.786	17.297	13.851	0.855	0.004	38.830

Source: "Tax Levies for Johnson County, Iowa," compiled by the Johnson County Auditor. On web Johnson-county.com Depts/Auditor/Real Estate

Note:

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

CITY OF IOWA CITY, IOWA

PROPERTY TAX BUDGETS AND COLLECTIONS

Last Ten Fiscal Years
(Cash basis of accounting)

(amounts expressed in thousands)

<u>Collection Year</u>	<u>Total Tax Levied</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total as a Percent of Levy</u>
1999	\$ 21,735	\$ 21,842	100.5	\$ 22	\$ 21,864	100.6 %
2000	23,945	23,989	100.2	5	23,994	100.2
2001	26,089	25,684	98.4	31	25,715	98.6
2002	27,920	28,423	101.8	5	28,428	101.8
2003	31,975	31,863	99.6	16	31,879	99.7
2004	34,073	34,009	99.8	23	34,032	99.9
2005	34,403	34,814	101.2	15	34,829	101.2
2006	36,460	36,654	100.5	44	36,698	100.7
2007	39,094	38,947	99.6	13	38,960	99.7
2008	39,973	39,768	99.5	70	39,838	99.7

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

CITY OF IOWA CITY, IOWA

PRINCIPAL TAXPAYERS

Current Year and Nine Years Ago

(amounts expressed in thousands)

	1999				2008			
	<u>Taxable</u> <u>Valuation</u>	<u>Rank</u>	<u>% of Total</u> <u>Assessed</u> <u>Valuation</u>	<u>Taxable</u> <u>Valuation</u>	<u>Rank</u>	<u>% of Total</u> <u>Assessed</u> <u>Valuation</u>	<u>Taxable</u> <u>Valuation</u>	<u>% of Total</u> <u>Assessed</u> <u>Valuation</u>
<u>Ten largest taxpayers</u> ¹								
Mid-American Energy Company ²	\$ 48,435	1	1.96 %	\$ 44,496	1	1.01 %		
ACT Inc. (formerly American College Testing Program)	17,430	6	0.71	34,535	2	0.79		
Jame A Clark	21,261	4	0.86	28,506	3	0.65		
Southgate Development Company	21,638	3	0.88	19,267	4	0.44		
NCS Pearson	16,654	7	0.67	16,227	5	0.37		
Plaza Towers LLC	13,362	8	0.54	15,300	6	0.35		
MEHSM LC (Sycamore Mall)	-	-	0.00	15,011	7	0.34		
Russell Gerdin	-	-	0.00	14,611	8	0.33		
United Natural Foods	-	-	0.00	13,059	9	0.30		
Proctor & Gamble LLC	24,131	2	0.98	11,985	10	0.27		
Heitman Properties	20,817	5	0.84	-	-	-		
United Technologies Automotive	12,824	10	0.52	-	-	-		
Gillette-Canada (Oral-B)	12,943	9	0.52	-	-	-		
Total	\$ 209,495		8.48 %	\$ 212,997		4.86 %		

Sources:

¹City of Iowa City Assessor's Office - 2007 Annual Report

²State Department of Revenue

CITY OF IOWA CITY, IOWA

PRINCIPAL WATER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	1999			2008		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
Proctor & Gamble	\$269,566	1	3.78 %	\$630,949	1	7.91 %
Veterans Administration Medical Center	147,791	2	2.08	98,229	2	1.23
Mercy Hospital	33,330	7	0.47	72,710	3	0.91
Rus Property Management/Lakeside	29,521	9	0.41	67,054	4	0.84
Campus Apartments	-	-	N/A	65,318	5	0.82
Robert's Dairy	51,579	4	0.72	63,503	6	0.80
ACT	-	-	N/A	50,923	7	0.64
University of Iowa/Mayflower Apartments	51,617	5	0.72	42,709	8	0.54
Lear Corporation	-	-	N/A	38,531	9	0.48
Sheraton Inn/Holiday Inn	23,399	10	0.33	34,970	10	0.44
Pollution Control	29,910	8	0.42	-	-	-
United Technology	55,404	3	0.78	-	-	-
Release International	36,982	6	0.52	-	-	-
	<u>\$729,099</u>		<u>10.23 %</u>	<u>\$1,164,896</u>		<u>14.60 %</u>

Total Water System Charges N/A \$7,976,536

Sources:

City of Iowa City Revenue Department
 May 1999 Water Revenue Bond Transcript Official Statement

Notes:

Total Water charges not available for 1999

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>
1999	N/A	N/A
2000	261,072,632	8,414,310
2001	245,725,159	8,837,339
2002	253,409,874	9,049,700
2003	257,788,030	9,308,824
2004	253,454,012	8,850,608
2005	254,560,239	8,315,719
2006	267,107,998	8,844,993
2007	261,072,632	8,414,310
2008	249,361,929	7,976,536

Sources:

City of Iowa City Revenue Department

Notes:

N/A Not available

CITY OF IOWA CITY, IOWA

PRINCIPAL SEWER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	1999			2008		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	\$2,802,140	1	25.50 %	\$2,017,440	1	16.51 %
Proctor & Gamble	667,759	2	6.10	1,131,315	2	9.26
Robert's Dairy	157,080	3	1.40	160,445	3	1.31
Mercy Hospital	75,191	5	0.70	118,333	4	0.97
Veterans Administration Medical Center	-	-	-	110,306	5	0.90
Rus Property Management/Lakeside	68,404	7	0.60	110,129	6	0.90
Iowa City Landfill Division	47,173	10	0.40	106,445	7	0.87
Campus Apartments	-	-	-	85,198	8	0.70
University of Iowa/Mayflower Apartments	69,142	6	0.60	71,611	9	0.59
United Tech Auto	81,528	4	0.70	-	-	-
Holiday Inn	50,974	8	0.50	-	-	-
Release International	48,121	9	0.40	-	-	-
Mark IV Apartments	-	-	-	66,229	10	0.54
	<u>\$4,067,512</u>		<u>36.90 %</u>	<u>\$3,977,451</u>		<u>32.54 %</u>
Total Sewer System Charges	N/A			\$12,221,769		

Sources:

City of Iowa City Revenue Department
February 1999 Sewer Revenue Bond Transcript Official Statement

Notes:

Total sewer charges not available for 1999

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>
1999	N/A	N/A
2000	315,199,203	11,084,369
2001	299,381,463	11,111,313
2002	292,323,306	11,431,949
2003	297,084,229	12,015,122
2004	294,683,685	12,482,393
2005	297,714,953	12,557,646
2006	302,925,357	12,373,762
2007	315,199,203	11,084,369
2008	285,492,596	12,221,769

Sources:

City of Iowa City Revenue Department

Notes:

N/A Not available

CITY OF IOWA CITY, IOWA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Capital Loan Note	General Obligation Bonds	Revenue Bonds			
1999	\$ 27,203,023	\$ 130,000	\$ 18,831,977	\$ 78,990,000	\$ 125,155,000	3.59%	\$ 2,081
2000	24,363,329	65,000	16,761,671	89,375,000	130,565,000	3.42%	2,171
2001	46,697,343		14,867,657	111,245,000	172,810,000	4.39%	2,777
2002	72,198,652		13,061,348	141,410,000	226,670,000	5.56%	3,643
2003	71,641,169		11,358,831	120,310,000	203,310,000	4.84%	3,259
2004	79,344,600		9,640,400	115,710,000	204,695,000	4.55%	3,281
2005	77,015,379		8,274,622	110,930,000	196,220,001	4.21%	3,146
2006	78,181,155		6,878,845	105,915,000	190,975,000	3.85%	3,037
2007	80,350,630		5,489,370	100,760,000	186,600,000	3.52%	2,782
2008	82,177,395		4,912,605	95,345,000	182,435,000	3.27%	2,720

Notes:

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

¹ Population and personal income information can be found on page 120.

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)

Fiscal Year	Property Assessed Value²	Gross Bonded Debt	Debt Payable from		Debt Service Fund Balance	Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita³
			Proprietary	General				
1999	\$ 2,597,827	\$ 46,165	\$ 18,832	\$ 347	\$ 26,986	10.39:1000	\$ 449	
2000	2,699,944	41,190	16,762	192	24,236	8.98:1000	403	
2001	2,920,580	61,565	14,868	494	46,203	15.82:1000	743	
2002	2,975,254	85,260	13,061	464	71,735	24.11:1000	1,153	
2003	3,214,973	83,000	11,359	4,448	67,193	20.90:1000	1,077	
2004	3,322,001	85,085	9,640	6,930	68,515	20.62:1000	1,098	
2005	3,834,435	85,290	8,275	3,067	73,948	19.29:1000	1,185	
2006	3,953,781	85,060	6,879	2,725	75,456	19.08:1000	1,200	
2007	4,280,834	85,840	5,489	4,289	76,062	17.77:1000	1,134	
2008	4,386,219	87,090	4,913	8,691	73,486	16.75:1000	1,096	

Notes:

¹General Obligation bonds.

²Obtained from the City of Iowa City Assessor's Office.

³Population data can be found on page 120.

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>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures and Transfers</u>	<u>Ratio of Debt Service to General Expenditures</u>
1999	\$ 2,452	\$ 1,038	\$ 3,490	\$ 45,851	.08 : 1.00
2000	2,918	1,360	4,278	52,727	.08 : 1.00
2001	3,541	1,763	5,304	53,898	.10 : 1.00
2002	3,599	2,136	5,735	53,462	.11 : 1.00
2003 ²	4,742	3,683	8,425	82,001	.10 : 1.00
2004	5,172	3,336	8,508	83,445	.10 : 1.00
2005	9,349	3,676	13,025	88,342	.15 : 1.00
2006	6,099	3,458	9,557	93,360	.10 : 1.00
2007	6,700	3,464	10,164	93,639	.11 : 1.00
2008	7,323	3,556	10,879	99,178	.11 : 1.00

Notes:

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

² Beginning in FY03, Capital Projects Funds are also included.

CITY OF IOWA CITY, IOWA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2008

(amounts expressed in thousands, except per capita)

<u>Name of Governmental Unit</u>	<u>Total General Long-Term Bonded Debt Outstanding</u>	<u>% Applicable to the City of Iowa City</u>	<u>Amount Applicable to the City of Iowa City</u>	<u>Per Capita</u>
City of Iowa City	\$ 87,090	100.00%	\$ 87,090	\$ 1,299
Iowa City Community School District	29,205	60.05%	17,537	262
Total	<u>\$ 116,295</u>		<u>\$ 104,627</u>	<u>\$ 1,561</u>
Per capita assessed value				<u>\$ 65,405</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)

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt Limit	\$ 118,676	\$ 121,178	\$ 129,891	\$ 134,997	\$ 146,029	\$ 148,763	\$ 160,749	\$ 186,630	\$ 191,722	\$ 197,689
Total net debt applicable to limit	46,165	41,190	61,565	85,260	83,000	85,085	85,290	85,060	85,840	87,090
Legal debt margin	\$ <u>72,511</u>	\$ <u>79,988</u>	\$ <u>68,326</u>	\$ <u>49,737</u>	\$ <u>63,029</u>	\$ <u>63,678</u>	\$ <u>75,459</u>	\$ <u>101,570</u>	\$ <u>105,882</u>	\$ <u>110,599</u>
Total net debt applicable to the limit as a percentage of debt limit	38.90%	33.99%	47.40%	63.16%	56.84%	57.20%	53.06%	45.58%	44.77%	44.05%

Legal Debt Margin Calculation for Fiscal Year 2008

Total Assessed Valuation	\$ 3,953,780,987
Debt Limit - 5% of Total Assessed Valuation	197,689,049
Less: Amount of Debt Applicable to Debt Limit	<u>87,090,000</u>
Legal Debt Margin	<u>\$ 110,599,049</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	
2008	\$ 7,900,000	\$ 3,756,511	\$ 11,656,511	\$ 10,209,708	\$ 669,353	\$ 777,451	\$ 85,840,000
2009	8,110,000	3,442,323	11,552,323	10,127,312	671,753	753,258	77,940,000
2010	8,285,000	3,117,950	11,402,950	9,982,109	668,553	752,288	69,830,000
2011	8,570,000	2,779,020	11,349,020	9,934,058	669,953	745,009	61,545,000
2012	8,880,000	2,422,833	11,302,833	9,891,751	668,978	742,104	52,975,000
2013	7,895,000	2,046,438	9,941,438	8,536,889	666,403	738,147	44,095,000
2014	7,600,000	1,704,493	9,304,493	7,927,826	668,115	708,552	36,200,000
2015	7,300,000	1,369,080	8,669,080	7,297,515	668,878	702,687	28,600,000
2016	6,300,000	1,040,250	7,340,250	6,349,435	673,690	317,125	21,300,000
2017	4,600,000	747,668	5,347,668	4,364,515	677,090	306,063	15,000,000
2018	3,405,000	531,046	3,936,046	3,257,113	678,934	-	10,400,000
2019	1,805,000	356,434	2,161,434	1,482,000	679,434	-	6,995,000
2020	1,900,000	266,184	2,166,184	1,483,000	683,184	-	5,190,000
2021	2,005,000	170,490	2,175,490	1,485,750	689,740	-	3,290,000
2022	625,000	68,765	693,765	-	693,765	-	1,285,000
2023	660,000	35,640	695,640	-	695,640	-	660,000
Total	\$ 85,840,000	\$ 23,855,125	\$ 109,695,125	\$ 92,328,981	\$ 10,823,463	\$ 6,542,684	

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>Expenses</u> ¹	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							
1999	\$ 3,653	\$ 1,713	\$ 1,940	\$ 415	\$ 168	\$ 583	3.33
2000	3,716	1,861	1,855	455	139	594	3.12
2001	4,309	2,176	2,133	485	836	1,321	1.61
2002	4,272	1,960	2,312	510	746	1,256	1.84
2003	4,198	1,953	2,245	375	715	1,090	2.06
2004	4,164	2,319	1,845	395	687	1,082	1.71
2005	4,360	2,377	1,983	305	663	968	2.05
2006	4,161	2,380	1,781	320	645	965	1.85
2007	5,035	2,973	2,062	335	626	961	2.15
2008	4,995	2,454	2,541	355	606	961	2.64
Wastewater Treatment Revenue⁴							
1999	\$ 11,362	\$ 2,987	\$ 8,375	\$ 2,065	\$ 3,519	\$ 5,584	1.50
2000	11,872	3,259	8,613	2,160	3,691	5,851	1.47
2001	12,824	3,248	9,576	2,505	3,589	6,094	1.57
2002	12,501	3,389	9,112	3,005	4,236	7,241	1.26
2003	13,000	4,463	8,537	3,060	4,385	7,445	1.15
2004	12,947	4,523	8,424	3,280	3,672	6,952	1.21
2005	12,600	4,432	8,168	3,630	3,537	7,167	1.14
2006	12,798	4,260	8,538	3,815	3,390	7,205	1.19
2007	13,708	4,236	9,472	3,905	3,234	7,139	1.33
2008	13,332	4,581	8,751	4,105	3,071	7,176	1.22
Water Revenue⁵							
1999	\$ 8,571	\$ 3,295	\$ 5,276	\$ -	\$ -	\$ -	0.00
2000	9,626	3,384	6,242	-	299	299	20.88
2001	10,629	3,410	7,219	140	445	585	12.34
2002	10,179	3,428	6,751	705	1,175	1,880	3.59
2003	10,241	4,361	5,880	500	1,088	1,588	3.70
2004	10,627	4,360	6,267	925	1,427	2,352	2.66
2005	9,287	4,783	4,504	845	1,340	2,185	2.06
2006	9,918	5,722	4,196	880	1,305	2,185	1.92
2007	9,220	5,356	3,864	915	1,268	2,183	1.77
2008	9,258	5,348	3,910	955	1,229	2,184	1.79

Note:

¹Excludes depreciation and interest.

²Includes principal and interest of revenue bonds only.

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

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

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

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	
2008	\$ 5,415,000	\$ 4,905,893	\$ 10,320,893	\$ 7,176,052	\$ 960,594	\$ 100,760,000
2009	5,625,000	4,668,765	10,293,765	7,156,949	954,298	95,345,000
2010	5,875,000	4,413,216	10,288,216	7,153,083	951,973	89,720,000
2011	6,195,000	4,139,939	10,334,939	7,205,109	948,473	83,845,000
2012	6,505,000	3,851,052	10,356,052	7,229,772	943,798	77,650,000
2013	6,640,000	3,548,294	10,188,294	7,059,487	942,801	71,145,000
2014	4,925,000	3,270,461	8,195,461	5,068,768	940,335	64,505,000
2015	5,185,000	3,016,299	8,201,299	5,076,744	936,401	59,580,000
2016	5,470,000	2,746,786	8,216,786	5,094,890	935,851	54,395,000
2017	5,745,000	2,460,824	8,205,824	5,087,734	933,468	48,925,000
2018	6,065,000	2,156,526	8,221,526	5,098,893	934,100	43,180,000
2019	6,365,000	1,833,193	8,198,193	5,082,558	927,815	37,115,000
2020	6,735,000	1,490,209	8,225,209	5,108,288	929,465	30,750,000
2021	6,560,000	1,138,071	7,698,071	4,582,400	928,400	24,015,000
2022	5,310,000	816,768	6,126,768	3,015,544	924,600	17,455,000
2023	4,215,000	556,432	4,771,432	1,662,975	923,250	12,145,000
2024	3,000,000	358,381	3,358,381	866,238	924,050	7,930,000
2025	3,175,000	186,200	3,361,200	868,475	921,850	4,930,000
2026	1,755,000	48,831	1,803,831	868,238	-	1,755,000
Total	\$ 100,760,000	\$ 45,606,140	\$ 146,366,140	\$ 90,462,197	\$ 16,861,522	\$ 39,042,430



CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE

Parking

<u>Fiscal Year</u>	<u>Outstanding</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 355,000	\$ 605,594	\$ 960,594
2009	370,000	584,298	954,298
2010	390,000	561,973	951,973
2011	410,000	538,473	948,473
2012	430,000	513,798	943,798
2013	455,000	487,801	942,801
2014	480,000	460,335	940,335
2015	505,000	431,401	936,401
2016	535,000	400,851	935,851
2017	565,000	368,468	933,468
2018	600,000	334,100	934,100
2019	630,000	297,815	927,815
2020	670,000	259,465	929,465
2021	710,000	218,400	928,400
2022	750,000	174,600	924,600
2023	795,000	128,250	923,250
2024	845,000	79,050	924,050
2025	895,000	26,850	921,850
Total	\$ 10,390,000	\$ 6,471,522	\$ 16,861,522

Sewer

<u>Fiscal Year</u>	<u>Outstanding</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 4,105,000	\$ 3,071,052	\$ 7,176,052
2009	4,260,000	2,896,949	7,156,949
2010	4,445,000	2,708,083	7,153,083
2011	4,700,000	2,505,109	7,205,109
2012	4,940,000	2,289,772	7,229,772
2013	4,995,000	2,064,487	7,059,487
2014	3,200,000	1,868,768	5,068,768
2015	3,375,000	1,701,744	5,076,744
2016	3,570,000	1,524,890	5,094,890
2017	3,750,000	1,337,734	5,087,734
2018	3,960,000	1,138,893	5,098,893
2019	4,155,000	927,558	5,082,558
2020	4,405,000	703,288	5,108,288
2021	4,105,000	477,400	4,582,400
2022	2,725,000	290,544	3,015,544
2023	1,490,000	172,975	1,662,975
2024	755,000	111,238	866,238
2025	800,000	68,475	868,475
2026	845,000	23,238	868,238
Total	\$ 64,580,000	\$ 25,882,197	\$ 90,462,197

(continued)

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE (continued)

Water

<u>Fiscal Year</u>	<u>Outstanding</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 955,000	\$ 1,229,246	\$ 2,184,246
2009	995,000	1,187,519	2,182,519
2010	1,040,000	1,143,160	2,183,160
2011	1,085,000	1,096,358	2,181,358
2012	1,135,000	1,047,483	2,182,483
2013	1,190,000	996,007	2,186,007
2014	1,245,000	941,359	2,186,359
2015	1,305,000	883,155	2,188,155
2016	1,365,000	821,045	2,186,045
2017	1,430,000	754,623	2,184,623
2018	1,505,000	683,534	2,188,534
2019	1,580,000	607,820	2,187,820
2020	1,660,000	527,456	2,187,456
2021	1,745,000	442,271	2,187,271
2022	1,835,000	351,624	2,186,624
2023	1,930,000	255,207	2,185,207
2024	1,400,000	168,094	1,568,094
2025	1,480,000	90,875	1,570,875
2026	910,000	25,594	935,594
Total	<u>\$ 25,790,000</u>	<u>\$ 13,252,430</u>	<u>\$ 39,042,430</u>

CITY OF IOWA CITY, IOWA

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population	Personal Income¹	Per Capita		School Enrollment²	Unemployment Rate³	Retail Sales⁴
			Personal Income¹	Income¹			
1999	60,148	\$ 3,486,324	\$ 26,737		11,479	2.5	\$ 733,403,377
2000	60,148	3,815,300	28,907		11,543	2.0	756,054,331
2001	62,220	3,934,971	29,388		11,603	2.4	780,591,426
2002	62,220	4,079,158	30,224		11,697	3.2	766,901,892
2003	62,380	4,197,024	30,831		11,700	3.5	776,693,440
2004	62,380	4,502,187	32,729		11,885	4.0	854,156,442
2005	62,380	4,662,000	32,706		11,866	2.9	878,009,171
2006	62,887	4,957,000	34,272		11,988	2.4	901,481,066
2007	67,062	5,303,000	36,069		12,824	2.9	934,971,428
2008 ⁵	67,062	5,575,995	37,235		12,911	3.1	958,509,729

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 Capital Personal Income for 2008 not available. Amounts projected based on average increase over previous 9 years.

CITY OF IOWA CITY, IOWA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

	1999		2008	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
University of Iowa	24,543	1	28,236	1
Iowa City Community School District	1,242	2	1,700	2
ACT Inc. (formerly American College Testing Program)	862	7	1,646	3
Mercy Hospital	1,150	4	1,383	4
Veterans Administration Medical Center	1,221	3	1,351	5
Hy-Vee	868	6	1,166	6
NCS Pearson	934	5	982	7
Lear Corporation	840	8	750	8
Systems Unlimited	-	-	681	9
Proctor & Gamble	-	-	664	10
Gillette Canada (Oral B Laboratories)	792	9	-	-
City of Iowa City	602	10	-	-
	<u>33,054</u>		<u>38,559</u>	
Total Employees				<u>42.7 %</u>

Total Employees

Sources:

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

Note:

Total number of employees is not available for 1999, 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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Public Safety						
Police	90.75	96.25	96.25	97.25	97.25	97.25
Fire	52	52	52	58	58	58
Animal Shelter	5.44	5.5	5.5	5.5	6	6
Inspection Services	14.13	14.13	14.13	14.13	14.13	14.13
Public Works						
Public Works Admin	2	2	3	2	2	2
Engineering	11	10.6	11.6	13.6	13.6	13.6
Traffic Engineering	3.75	4.15	4.15	4.15	5.65	5.65
Streets	23	23.5	23.5	23.5	22	22
Culture and Recreation						
Parks and Rec Admin	2	2	2	2	2	2
Recreation	13.17	14.67	15.17	15.17	15.17	15.17
Parks	12	13	13	13	13	13
Forestry	3	3	3	3	3	3
Cemetery	3	3	3	3	3	3
CBD Maintenance	3	3	3	3	3	3
Library	38	40.25	40.25	41.25	41.25	43.25
Senior Center	5.5	6	6	6	5.81	5.81
Community and Economic Development	8.45	8.55	8.55	9.05	8.35	9.45
General Government						
City Council	7	7	7	7	7	7
City Manager	3	3	3	3	3	3
City Clerk	4.5	5	4.5	4.5	4	4
City Attorney	6	6	6	6.6	6.6	6.6
Personnel	4	4	4	4	4	4
Finance	28.62	27.71	27.36	28.61	28.61	28.61
Government Buildings	4.08	4.08	4.97	4.96	4.96	4.96
Energy Conservation	0.5	0.5	0.5	0.5	0.5	0.5
Human Rights	2	2	2	2	2.5	2.5
Transit	48.75	48.25	48.25	48.5	48.5	48.5
Special Revenue						
Employee Benefits	0.38	0.45	0.45	0.4	0.34	0.34
CIP / Roads	-	7	6	7	7	7
Community Development	4.75	4.75	4.75	4.75	5.45	5.35
JCCOG	5.8	6.1	6.1	6.1	6.1	6.1
Library Development	1.5	1.5	1.5	1.5	1.5	1.5
Internal Service Funds						
Information Technology	5.5	7.95	7.5	7.5	7.5	7.5
Equipment	9.5	9.5	9.5	10.25	11.25	11.26
Central Services	1.7	2.1	2.25	0.75	0.75	0.75
Risk Management	1.59	1.56	1.46	1.26	1.33	1.33
Business-Type Activities						
Parking	30.5	30.5	37	37	31.5	31.5
Wastewater Treatment	30.3	25.3	25.3	26.3	26.3	27.3
Water	25.95	26.2	26.2	28.2	30.7	31.7
Sanitation	31	31.85	32.35	32.35	32.35	32.35
Airport	1.5	1.75	2	2	2	2
Cable television	4.75	5.25	5.25	5.25	6.19	6.19
Stormwater	-	-	-	-	-	-
Housing Authority	11.75	10.75	12.5	12.5	12.5	12.5
Total	565.11	581.65	591.79	606.38	605.64	610.65

Source: City's Financial Plans.

Full-Time Equivalent Employees as of June 30

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
94.25	94.25	96.25	96.25
56	57	57	57
6	6	6	6
13.88	14.88	14.88	15.38
2	2	2	2
11.6	11.6	11.6	11.35
5.65	4.15	4.15	4.15
22	23.5	23.5	23.5
2	2	2	2
15.17	15.17	15.42	15.42
12	13	13	13
3	3	3	3
3	3	3	3
3	3	3	3
42.63	42.63	42.89	43.14
6.31	6.31	6.31	6.31
8.45	8.45	8.45	8.95
7	7	7	7
3	3	3	3
4	4	4	4
6.6	6.6	6.6	6.6
4	4	4	4
26.61	26.75	26.75	26.5
4.96	4.96	4.96	4.96
0.5	0.5	0.5	0.25
2.5	2.5	2.5	2.5
50.5	50.5	50.5	54.75
0.34	0.39	0.39	0.29
3	2	2	1
4.35	4.35	4.35	3.98
6.1	6.6	6.6	6.6
0.8	1	1	1
8	11.75	12	12.3
11.25	11.26	11.26	11.26
0.75	0.75	0.75	0.75
1.32	1.38	1.38	1.73
32.75	32.75	32.75	32.75
27.3	25.5	25.5	25.5
31.7	32.5	32	32.75
34.35	33.85	33.85	34.85
2	1.6	1.6	1.6
6.19	6.19	6.19	6.19
-	0.5	1	2
12.75	13.25	13.25	13.25
<u>599.56</u>	<u>605.37</u>	<u>608.13</u>	<u>614.81</u>

CITY OF IOWA CITY, IOWA

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police ¹										
Physical arrests	7,835	7,835	7,339	8,929	8,016	7,288	7,528	6,861	5,948	5,838
Traffic Violations	5,355	8,061	8,047	7,639	7,428	8,515	7,428	8,207	6,091	5,571
Fire ²										
Number of calls answered	3,772	3,768	3,570	3,519	3,546	3,518	3,596	3,679	3,702	3,815
Inspections conducted	1,081	926	1,079	989	936	975	1,083	1,219	1,273	1,691
Parking										
Parking Violations ³	N/A	N/A	N/A	N/A	186,674	155,338	145,033	139,338	166,187	147,673
Wastewater Treatment										
Daily average treatment in gallons ⁴	5,340,000	4,500,000	5,710,000	5,110,000	4,530,000	4,960,000	4,870,000	4,580,000	9,430,000	12,810,000
Maximum daily capacity of plant in gallons	35,000,000	35,000,000	35,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	41,000,000
Number of sewer system customers	18,790	19,136	19,480	20,106	20,708	21,165	21,552	22,046	22,481	22,909
Water										
Daily average consumption in gallons	6,121,000	5,890,000	5,717,000	6,000,000	6,034,000	5,742,000	5,448,500	5,680,600	5,516,238	5,475,122
Maximum daily capacity of plant in gallons	10,500,000	10,500,000	10,500,000	10,500,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000
Water System Customers by Classification										
Residential	18,790	19,211	19,600	20,308	20,992	21,527	21,972	22,529	22,973	21,454
Commercial	1,275	1,289	1,325	1,341	1,358	1,377	1,400	1,408	1,448	1,378
Industrial	11	11	12	12	12	13	13	13	13	13
Other	119	124	124	124	127	125	129	134	137	139
Total Customers	20,195	20,635	21,061	21,785	22,489	23,042	23,514	24,084	24,571	22,984
Sanitation										
Number of Customers	13,274	13,457	13,555	13,668	13,806	13,983	14,158	14,371	14,556	14,574
Tons	7,873	7,869	7,905	8,138	8,062	8,716	8,667	8,463	8,722	8,834
Landfill										
Tonnage	81,707	84,704	97,208	103,404	103,585	108,155	113,356	111,124	135,315	132,760

Sources: Various city divisions.

Notes:

¹ Numbers are based on a calendar year and 2008 figures are compiled through 11/14/07.

² Numbers are based on a calendar year and 2008 figures are compiled through 11/23/07 for inspection and 11/19/08 for calls.

³ Information on the number of parking violations not available for years prior to FY03.

⁴ FY07 AND FY08 numbers are based on both the North and South Wastewater Plants.



CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	16	17	17	17	17	17	17	17	17	17
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire apparatus	8	8	8	8	8	8	8	8	8	9
Public Works										
Streets										
Miles	244	246	249	251	256	259	262	262	268	269
Street Lights	2,682	2,717	2,863	2,920	2,919	3,352	3,357	3,357	3,357	3,357
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	37	37	40	40	40	40	40	40	40	40
Parks	46	50	50	50	50	61	61	61	61	61
Acreage	1,008	1,322	1,322	1,322	1,322	1,400	1,400	1,400	1,600	1,603
Recreation										
Recreation center	2	2	2	2	2	2	2	2	2	2
Swimming pools	3	3	3	3	3	3	3	3	3	3
Ball diamonds	29	29	29	29	29	29	29	29	29	31
Tennis courts	12	12	12	12	12	12	12	12	12	12
Soccer fields	25	25	25	25	25	25	25	25	25	25

(continued)

CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION (continued)

	Last Ten Fiscal Years										
	3	4	4	4	4	4	4	4	5	5	
Parking Facilities Spaces	1,975	2,537	2,537	2,537	2,537	2,537	2,537	2,537	3,137	3,100	3,085
Wastewater Treatment											
Miles of sanitary sewer	240	263	266	269	274	277	280	286	288	286	288
Miles of storm sewer	N/A	91	94	98	102	105	110	117	118	117	118
Number of treatment plants	2	2	2	2	2	2	2	2	2	2	2
Number of service connectors	20,195	21,061	21,785	22,514	23,077	23,558	24,113	24,903	25,104	24,903	25,104
Water											
Miles of water mains	239	252	260	265	269	272	277	283	284	283	284
Number of city owned fire hydrants	1,935	2,109	2,182	2,243	2,340	2,448	2,474	2,569	2,575	2,569	2,575
Sanitation											
Landfills	1	1	1	1	1	1	1	1	1	1	1
Acreage	200	200	200	200	200	200	200	200	200	200	395

Sources: Various city divisions.

Note: Number of miles of storm sewer not tracked in prior years.





CPAs & BUSINESS ADVISORS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Iowa City, Iowa, and are reported in Part III of the accompanying Schedule of Findings and Questioned Costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

We noted certain matters that we reported to management of the City in a separate letter dated December 5, 2008.

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

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

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

Dubuque, Iowa
December 5, 2008



CPAs & BUSINESS ADVISORS

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

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

Compliance

We have audited the compliance of the City of Iowa City, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Iowa City, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item II-A-08.

Internal Control Over Compliance

The management of the City of Iowa City, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in the City's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Dubuque, Iowa
December 5, 2008

CITY OF IOWA CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Housing and Urban Development:			
Community Development Block Grants/ Entitlement Grants	14.218	B-05-MC-19-0009	\$ 35,255
Community Development Block Grants/ Entitlement Grants	14.218	B-06-MC-19-0009	654,983
Community Development Block Grants/ Entitlement Grants	14.218	B-07-MC-19-0009	<u>264,932</u>
			<u>955,170</u>
HOME Investment Partnerships Program	14.239	M-98-MC-19-0205	66
HOME Investment Partnerships Program	14.239	M-04-MC-19-0205	94,616
HOME Investment Partnerships Program	14.239	M-05-MC-19-0205	359,351
HOME Investment Partnerships Program	14.239	M-06-MC-19-0205	256,658
HOME Investment Partnerships Program	14.239	M-07-MC-19-0205	<u>177,900</u>
			<u>888,591</u>
Public and Indian Housing	14.850	IA-022-00000108D	103,490
Public and Indian Housing	14.850	IA-022-003-07D	<u>109,053</u>
			<u>212,543</u>
Resident Opportunity and Supportive Services	14.870	IA022REF010A003	<u>10,610</u>
Section 8 Housing Choice Vouchers	14.871	KC9033	<u>5,955,658</u>
Public Housing Capital Fund	14.872	IA05P02250107	<u>112,719</u>
Department of Justice:			
Bulletproof Vest Partnership Program	16.607	BUBX07037623	<u>540</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0484	7,972
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0415	<u>60,088</u>
			<u>68,060</u>
Department of Transportation:			
Airport Improvement Program	20.106	3-19-0047-10	10,091
Airport Improvement Program	20.106	3-19-0047-13	323,825
Airport Improvement Program	20.106	3-19-0047-14	1,033,871
Airport Improvement Program	20.106	3-19-0047-15	<u>90,657</u>
			<u>1,458,444</u>

(continued)

CITY OF IOWA CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct: (continued)			
Department of Transportation: (continued)			
Federal Transit – Formula Grants	20.507	IA-90-X334	\$ 877,791
Federal Transit – Formula Grants	20.507	IA-90-X338	<u>42,285</u>
			<u>920,076</u>
Department of Homeland Security:			
DVAP Rental Assistance and Administrative Expenditures	97.NA	IA022KC9033	<u>12,801</u>
Total direct			<u>10,595,212</u>
Indirect:			
Department of Justice:			
Iowa Department of Justice:			
Violence Against Women Formula Grants	16.588	VW-08-34	<u>45,185</u>
Governor's Office of Drug Control Policy:			
Public Safety Partnership and Community Policing Grants	16.710	07JAG/C06-A33	<u>14,624</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07JAG/C06-A33	<u>39,808</u>
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	HDP-3715(634)- -71-52	210,732
Highway Planning and Construction	20.205	HDP-3715(628)- -71-52	628,103
Highway Planning and Construction	20.205	08MPO-JCCOG	122,533
Highway Planning and Construction	20.205	STP-E-3715(635)- -8V-52	<u>38,986</u>
			<u>1,000,354</u>
Federal Transit – Capital Investment Grants	20.500	IA-04-0113-371-07	<u>72,000</u>
Federal Transit – Metropolitan Planning Grants	20.505	08MPO-JCCOG	<u>30,996</u>
Formula Grants for Other Than Urbanized Areas	20.509	IA-18-702X-371-07	<u>950</u>
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	IA-16-X001-371-08	<u>73,078</u>
Job Access – Reverse Commute	20.516	IA-37-X012-371-07	<u>13,449</u>
New Freedom Program	20.521	IA-57-X001-371-06	35,054
New Freedom Program	20.521	IA-57-X001-371-07	<u>56,392</u>
			<u>91,446</u>

(continued)

NA = Not Applicable

CITY OF IOWA CITY, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect: (continued)			
Department of Transportation: (continued)			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 07-02, Task 13	\$ 5,014
State and Community Highway Safety	20.600	PAP 08-02, Task 13	<u>12,002</u>
			<u>17,016</u>
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP 07-163, Task 37	<u>12,539</u>
Department of Homeland Security:			
Iowa Department of Homeland Security:			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1737DR-IA	83,189
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763DR-IA	<u>1,048,472</u>
			<u>1,131,661</u>
Total indirect			<u>2,543,106</u>
Total			<u>\$ 13,138,318</u>

See notes to the Schedule of Expenditures of Federal Awards.

CITY OF IOWA CITY, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUBRECIPIENTS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 624,053
HOME Investment Partnerships Program	14.239	754,253
Edward Byrne Memorial Justice Assistance Grant Program	16.738	68,114

**CITY OF IOWA CITY, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
 - CFDA 14.871 – Section 8 Housing Choice Vouchers
 - CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$394,150.
- (i) The City of Iowa City, Iowa, qualified as a low-risk auditee.

Part II: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NON-COMPLIANCE:

CFDA Number 14.871: Section 8 Housing Choice Vouchers
Agency Number: KC9033
Department of Housing and Urban Development

II-A-08 Reasonable Rent – Non-compliance

Criteria – As noted in the Compliance Supplement, 24 CFR sections 982.4, 982.54(2)(15), 982.158(f)(7) and 982.507 require that the Housing Authority determine that rent to an owner is reasonable at the time of initial leasing, as well as during the term of the contract before any increase in rent to the owner. The Housing Authority must maintain records to document the basis for the determination that the rent to the owner is a reasonable rent.

Condition – In reviewing tenant files, we noted two instances where the required documentation regarding reasonable rent was not present in the tenant file. One instance was at the initiation of a new lease, and the other was when a rent increase to the owner was granted.

Cause – Although Housing Authority personnel appear to be aware of the requirement to document rent reasonableness, it appears the cause of the non-compliance stems from a lack of final review of the specific tenant files for completeness.

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

Part II: Findings and Questioned Costs for Federal Awards: (continued)

Effect – By not documenting rent reasonableness, it is possible that an owner could be paid rent that is too high for the circumstances of the unit.

Recommendation – The Housing Authority should review their procedures used to verify the completeness of files for all required documentation to ensure that all documentation is present, in particular the requirement to document reasonable rent.

Response – The Housing Authority reviewed with staff the circumstances in which a rent reasonableness survey must be completed. The importance of documenting and placing this information in the file was also reviewed. Going forward the Section 8 Coordinator will take particular note of this finding when reviewing files to ensure compliance.

Conclusion – Response accepted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-08 Certified Budget – Disbursements at June 30, 2008, did not exceed the amount budgeted.
- III-B-08 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-08 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-08 Business Transactions – No business transactions between the City and City officials or employees were noted.
- III-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- III-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- III-H-08 Revenue Bonds – We noted no instances of non-compliance with the provisions of the City's revenue bond resolutions.