



CITY OF IOWA CITY, IOWA COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011



The homes featured on the cover of this report have been restored through the UniverCity Neighborhood Partnership, a cooperative effort between the City of Iowa City and the University of Iowa. Other partners include Friends of Historic Preservation, The Greater Iowa City Area Home Builders Association, Iowa City Housing Authority, Iowa City Area Association of Realtors, ReStore/Iowa Valley Habitat for Humanity, Hawkeye Title Services, First American Bank, Hills Bank and Trust Co, MidWestOne Bank, University of Iowa Community Credit Union and US Bank.

The program preserves and builds upon the unique character of residential neighborhoods adjacent to the University of Iowa campus and downtown Iowa City by ensuring that these neighborhoods remain vital, safe, affordable and attractive places to live and work. Using a combination of funds from I-Jobs, City of Iowa City, University of Iowa and local lenders, the City purchased 26 rental properties to renovate and restore to affordable owner-occupied homes. After renovations are complete, homes are sold to income-qualified buyers who agree to keep the property owner-occupied for 20 years. If the homebuyer is an employee of the University of Iowa, they may be eligible for downpayment assistance.



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF IOWA CITY, IOWA

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

PREPARED BY:

FINANCE DEPARTMENT
CITY OF IOWA CITY, IOWA



CITY OF IOWA CITY, IOWA

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December 14, 2011



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, 2011 is submitted herewith in accordance with the provisions of Chapter 11 of the Code of Iowa. The City's Finance Department prepared this report. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rest with the City. I believe the information, as presented, is accurate in all material respects and presented in a manner designed to fairly present the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

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

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

The City implemented GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective with these June 30, 2011 financial statements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent. The classifications include: nonspendable amounts that are not in spendable form or the City is legally or contractually required to be maintained intact; restricted amounts contain restraint on their use externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation; committed amounts can only be used for specific purposes imposed by formal action of the government's highest level of decision-making authority; assigned amounts

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

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

While, the financial statements are the responsibility of the City, the responsibility of the auditor is to express an opinion on the City's financial statements based on their audit. The goal of the independent audit is to provide reasonable assurance that the City's financial statements for the fiscal year ended, June 30, 2011 are free of material misstatement. The audit is conducted in accordance with generally accepted auditing standards and involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement preparation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Iowa City's financial statements for the fiscal year ended, June 30, 2011, are fairly presented in conformity with GAAP. The independent auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

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

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

Profile of the Government

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

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

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

The City Manager is the chief administrative officer for the City and is appointed by the City Council. The City Manager implements policy decisions of the City Council and enforces City ordinances. In addition, the City Manager appoints and directly supervises the directors of the City's operating departments and supervises the administration of the City's personnel system. The Manager supervises 565 full-time and 74 part-time permanent municipal employees and 356 temporary employees, including a police force of 79 sworn personnel and a fire department of 64 firefighters. The City provides a full range of services including police and fire protection, construction and maintenance of roads, streets and infrastructure, inspection and licensing functions, maintenance of grounds and buildings, municipal airport, library, recreational activities, and cultural events. The City owns and operates its water supply and distribution system and sewage collection and treatment system with secondary treatment also provided. Virtually the entire City has separate storm and sanitary sewer systems. The City operates a municipal off-street and on-street parking system in the downtown area. The City also operates a transit system.

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

The City adopts a three-year financial plan that includes both operations and capital improvements. This three-year plan permits a more comprehensive review of the City's financial condition, allowing analysis of the current and future needs and requirements. During preparation of the plan, careful review is made of property tax levy rates, utility and user fee requirements, ending cash balances by fund, debt service obligations, bond financing needs, capital outlay for equipment purchases and major capital improvement projects. The state requires at least a one-year operating budget. While legal spending control is exercised at a state mandated function level, management control is set at the Department Manager level. Encumbrance accounting is utilized in all funds for budgetary control. Appropriations that are not 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 and the University of Iowa Hospital and Clinics is the City's largest employer with over 26,000 employees. The University of Iowa Hospitals and Clinics is the largest university-owned teaching medical center in the United States. The City also has a significant number of private employers who have a history of providing stable and increasing employment in the community. The relative stability of the University of Iowa, coupled with the City's multi-sector base of industrial and commercial interests, has helped insulate the City from the significant negative economic impacts related to unemployment.

The City continues to see sustained production in our major local industries, such as ACT and NCS Pearson. Continued economic development efforts involving the Iowa City and Coralville Chambers of Commerce, local private interests, the University of Iowa and other surrounding communities through participation as members of the Iowa City Area Development Group, have proved positive with the retention and expansion of businesses.

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

There have been budget challenges faced by the State of Iowa; however, the City's economy as a whole continues to grow. The major employers have had only minimal reductions in their workforce size as evidence in the unemployment rate for Iowa City, which continues to remain low at 4.8% for the month of June 2011, as compared to 6.0% for the State of Iowa, and 9.2% for the national average. The City has experienced modest increases in assessed property valuations. The rate of new housing construction increased in comparison to the prior year. This consisted of 108 new single-family houses in 2010, as compared to 127 in 2009; multi-family dwelling units added to the tax rolls for the year ended December 31, 2010 increased to 88, compared to 81 in 2009; and a mixed commercial and residential development added in 2010 that included 16 residential units. Altogether these additions totaled \$43,957,000 in FY10, an increase of \$2,807,000 from prior year. This, along with the low unemployment rate, continues to be indicative of the City's relative economic stability.

According to the 2010 census, the population of Iowa City is 67,892. This is an increase of 5,672 or 9.1% as compared to the 2000 census.

In response to national economic recession, the City has been able to utilize state and federal stimulus programs that were designed to preserve and create jobs and promote economic recovery, assist people impacted by the recession, provide investments needed to increase economic efficiency, and stabilize state and local government budgets. While Iowa City's housing market and unemployment have not felt the impact as greatly as other areas of the country, the City has been able to take advantage of stimulus funds to complete projects and strengthen the local economy. Iowa City applied for funds totaling \$58,575,000 and has been approved for \$11,487,000.

Current projects funded with stimulus funds include the UniverCity Neighborhood Partnership, a joint project between the City and the University of Iowa to ensure the neighborhoods around the university remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners by acquiring and rehabilitating homes near the University of Iowa campus for resale as affordable owner-occupied housing. The South Wastewater Treatment Plant expansion and relocation and demolition of the North Wastewater Treatment Plant and construction of a fourth fire station are additional projects funded through stimulus programs.

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

Major Initiatives

Iowa City continues to deal with the recovery efforts from the flood experienced in 2008. The City of Iowa City was among several cities in Iowa that received a Presidential Disaster declaration, which brought the Federal Emergency Management Agency (FEMA) technical and

financial assistance to Iowa City. These on-going efforts include expansion of the South Wastewater Treatment Plant and demolition of the North Wastewater Treatment Plant, elevating Dubuque Street and rebuilding Park Road Bridge, constructing levees to prevent future flooding, as well as, rebuilding the City's Animal Shelter. In addition, the City received \$23,293,000 in Hazard Mitigation Grants and Community Development Block Grants and is in the process of acquiring properties in the flood-impacted neighborhoods.

The City is developing a general industrial park on the southeast side. This project involves annexing and rezoning 180 acres of land and building the street, water, and sewer infrastructure needed to support industrial businesses. This project is estimated to cost \$7,300,000 and will be funded with cash on hand, bonds, grants and Tax Increment Financing (TIF). This project is scheduled to be completed in phases, with the land being "shovel ready" for industries to build.

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

The City has received grants totaling \$3,950,000 to construct new single family homes in Iowa City to replace homes lost during the 2008 flood. These funds can be used to assist the homebuyer with the downpayment of up to 25% of the home cost. A total of 77 new homes were constructed in the first two rounds of the Single Family New Construction (SFNC) Program and round three is currently in progress and will include an additional 31 homes in Iowa City by December 31, 2012.

The City and the University of Iowa have joined together in a cooperative effort to acquire and rehabilitate 26 homes in the neighborhoods surrounding the University of Iowa Campus to ensure the neighborhoods remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners. The City has secured a \$1,250,000 state I-JOBS grant to help fund the UniverCity Neighborhood Partnership.

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

Long-term Financial Planning

In preparing the financial plan for the three years ending June 30, 2015, the process of budget balancing has been difficult. With the continued tax limitations imposed by the state (specifically the residential rollback factor), increased federal and state regulations and mandates, rising costs, including retirement funding, and fewer opportunities for grants and outside funding sources, 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 unassigned fund balances between the contingency and working capital. The contingency balance is available during the fiscal year for unanticipated and unbudgeted expenditures, while the working capital is used for the General Fund since property tax revenues are received only twice a year. The City is committed to drawing from the contingency balance only in emergency situations. This unassigned fund balance allocation along with specific budgeting techniques has allowed the City to increase or maintain fund balances over the past year.

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (the Certificate) to the City of Iowa City, Iowa for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. 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-six consecutive years. I believe our current report continues to conform to the Certificate requirements and I am submitting it to GFOA to determine its eligibility for another certificate.

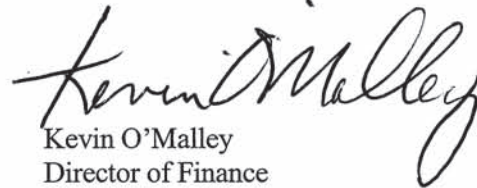
Responsibility and Acknowledgments

The Department of Finance prepared the Comprehensive Annual Financial Report of the City of Iowa City, Iowa for the fiscal year ended June 30, 2011. 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.

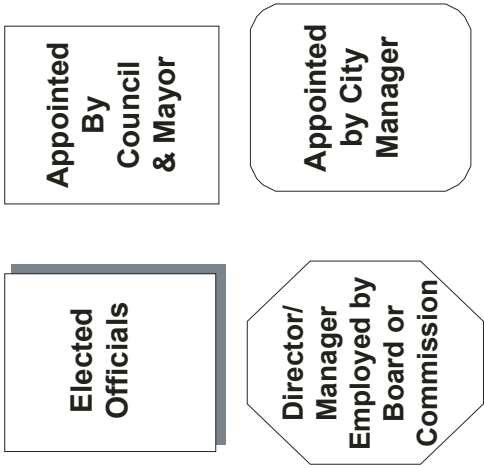
Respectfully submitted,



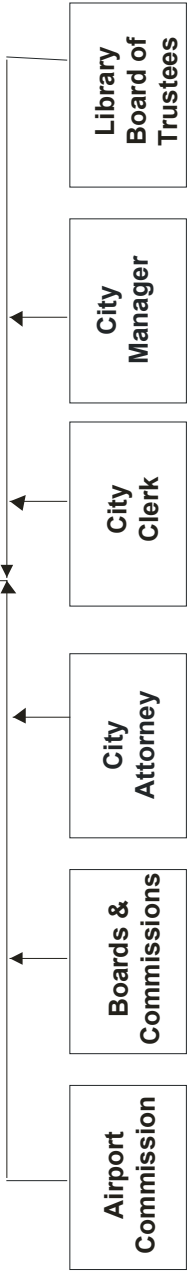
Kevin O'Malley
Director of Finance

Citizens of Iowa City

Key

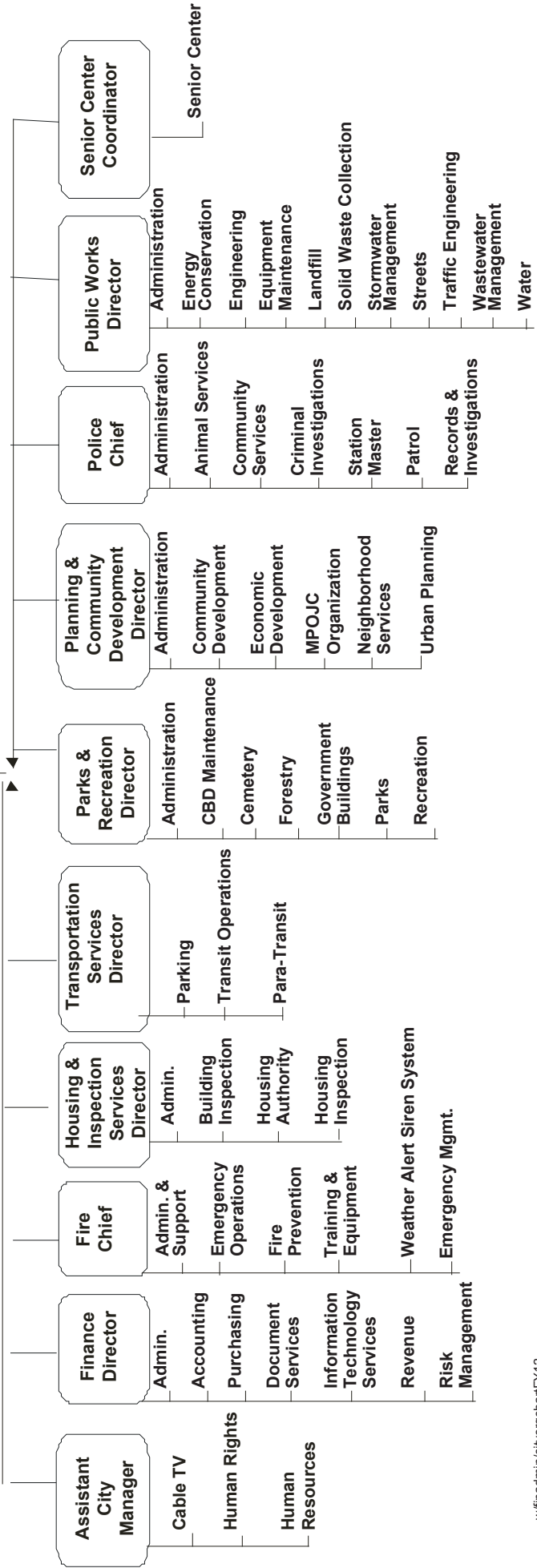


Mayor & City Council



Airport Operations Specialist

Library Director



CITY OF IOWA CITY, IOWA
LISTING OF CITY OFFICIALS

June 30, 2011

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

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

DEPARTMENT DIRECTORS

Assistant 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 Transportation Services	Chris O'Brien	December, 29, 1997
Senior Center Coordinator	Linda Kopping	March 20, 1995
Fire Chief	Andrew Rocca	July 14, 1978
Parks and Recreation Director	Mike Moran	September 26, 1983
Director of Finance	Kevin O'Malley	August 19, 1985
Chief of Police	Sam Hargadine	August 29, 2005

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Iowa City
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.



Linda C. Dandison

President

Jeffrey R. Emer

Executive Director



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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Iowa City, Iowa. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Eide Bailly LLP

Dubuque, Iowa
December 14, 2011

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, 2011. 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, 2011 by \$459,843,000 (net assets). Of this amount, \$97,894,000 (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 \$34,160,000 during the fiscal year. Governmental activities increased by \$22,207,000 and business-type activities increased by \$11,953,000.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$69,220,000, an increase of \$18,489,000 in comparison with the prior year. Of this total amount, approximately \$14,190,000 or 20% was unassigned and is available for spending at the City's discretion.
- At the end of the current fiscal year, the City's unassigned fund balance for the General Fund was \$15,931,000 or 34% of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Proprietary funds financial statements 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 90 – 92. 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 – 78 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 \$459,843,000 at the close of the fiscal year ended June 30, 2011.

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, 2011

(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 161,648	\$ 142,590	\$ 100,399	\$ 100,458	\$ 262,047	\$ 243,048
Capital assets	184,036	173,071	265,165	255,613	449,201	428,684
Total Assets	345,684	315,661	365,564	356,071	711,248	671,732
Long-term liabilities outstanding	82,352	75,466	91,812	95,080	174,164	170,546
Current and other liabilities	71,356	70,426	5,885	5,077	77,241	75,503
Total Liabilities	153,708	145,892	97,697	100,157	251,405	246,049
Net assets:						
Invested in capital assets, net of						
related debt	123,935	111,703	186,177	172,601	310,112	284,304
Restricted	31,179	25,588	20,658	17,588	51,837	43,176
Unrestricted	36,862	32,478	61,032	65,725	97,894	98,203
Total Net Assets	\$ 191,976	\$ 169,769	\$ 267,867	\$ 255,914	\$ 459,843	\$ 425,683

A portion of the City's net assets, \$51,837,000 or 11.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net assets, \$97,894,000 or 21.3%, 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, 2011, 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 \$22,207,000. The increase in net assets of governmental activities is primarily due to receiving grants to fund expenditures in capital assets for flood recovery and mitigation and community development projects and collection of a local option sales tax to be used to fund future capital improvement projects.

The following is a more detailed review of FY11's operation.

City of Iowa City's Changes in Net Assets (amounts expressed in thousands)						
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 8,199	\$ 7,388	\$ 36,334	\$ 35,943	\$ 44,533	\$ 43,331
Operating grants and contributions	13,517	15,554	7,448	7,777	20,965	23,331
Capital grants and contributions	6,048	8,291	4,145	6,570	10,193	14,861
General Revenues:						
Property taxes	48,011	49,467	-	-	48,011	49,467
Road use tax	6,068	5,525	-	-	6,068	5,525
Local option sales tax	8,911	8,141	-	-	8,911	8,141
Other taxes	2,464	1,535	-	-	2,464	1,535
Earnings on investments	1,539	1,766	954	1,311	2,493	3,077
Gain on disposal of capital assets	761	-	314	230	1,075	230
Other	6,230	3,893	381	464	6,611	4,357
Total revenues	101,748	101,560	49,576	52,295	151,324	153,855
Expenses:						
Public safety	18,867	19,955	-	-	18,867	19,955
Public works	19,145	16,806	-	-	19,145	16,806
Culture and recreation	10,811	12,238	-	-	10,811	12,238
Community and economic development	16,501	16,913	-	-	16,501	16,913
General government	7,356	7,549	-	-	7,356	7,549
Interest on long-term debt	2,841	2,970	-	-	2,841	2,970
Wastewater treatment	-	-	10,971	11,274	10,971	11,274
Water	-	-	8,523	8,309	8,523	8,309
Sanitation	-	-	7,461	7,705	7,461	7,705
Housing authority	-	-	7,448	7,838	7,448	7,838
Parking	-	-	4,135	4,536	4,135	4,536
Airport	-	-	1,049	724	1,049	724
Stormwater	-	-	1,418	1,187	1,418	1,187
Cable television	-	-	638	645	638	645
Total expenses	75,521	76,431	41,643	42,218	117,164	118,649
Change in net assets before transfers	26,227	25,129	7,933	10,077	34,160	35,206
Transfers	(4,020)	(625)	4,020	625	-	-
Change in net assets	22,207	24,504	11,953	10,702	34,160	35,206
Net assets beginning of year	169,769	145,265	255,914	245,212	425,683	390,477
Net assets end of year	\$ 191,976	\$ 169,769	\$ 267,867	\$ 255,914	\$ 459,843	\$ 425,683

The total revenues for governmental activities for FY11 were \$101,748,000. Governmental activities are primarily funded through taxes, \$65,454,000 or 64.3%, and grants and contributions, \$19,565,000 or 19.2%. Grants and contributions decreased from prior year by \$4,280,000 as the City received less funding from federal ARRA grants. However, the City continued to receive state I-JOBS grants, and Community Development Block Grants used to fund capital projects and flood mitigation.

Expenses for governmental activities totaled \$75,521,000. Governmental activities are tracked by function including Public Safety, Public Works, Community and Economic Development, Culture and Recreation, and General Government. In FY11, Public Works accounted for the highest portion of governmental expenses, \$19,145,000 or 25.4%, and increased over the prior year due to large street improvement projects to help develop areas on the southeastern edge of the City. Public Safety, \$18,867,000 or 25.0%, and Community and Economic Development, \$16,501,000 or 21.8%, made up another large portion of governmental expenses and each decreased from the prior year due fewer flood recovery and mitigation projects.

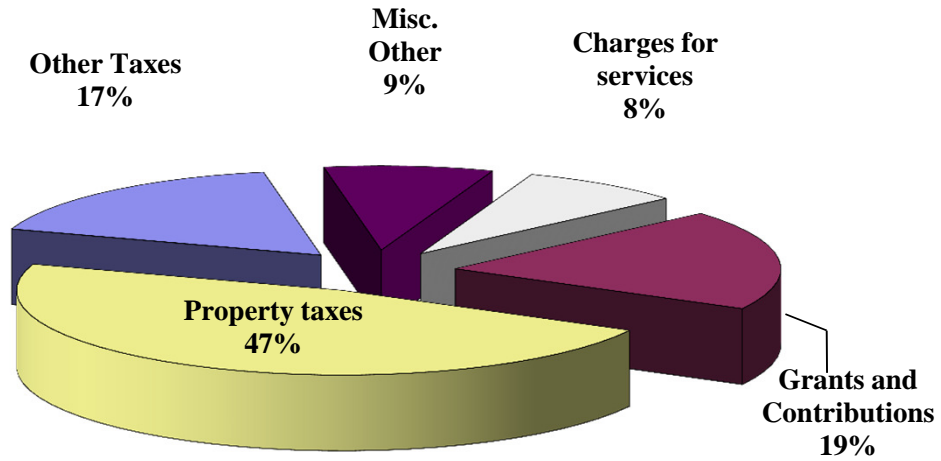
Business-type Activities: Business-type activities increased the City's total net assets by \$11,953,000. The increases in net assets were primarily in the Wastewater, Parking, and Water funds and are due to an increase in capital assets not funded with debt. The City has been able to utilize federal and state grants to fund flood recovery and mitigation projects rather than have to issue new debt to pay for these projects. For all business-type activities, revenues exceeded expenses by \$7,933,000.

Revenues for business-type activities totaled \$49,576,000. The primary revenue source for business-type activities is charges for services, \$36,334,000 or 73.3%. In addition for FY11, the City's business type-activities had a significant portion of their revenues from grants and contributions used to help fund capital and flood recovery projects for business-type activities, \$11,593,000 or 23.4%. This is a decrease of \$2,754,000 from the prior year due to fewer flood mitigation projects and completion of federal ARRA grant fund projects.

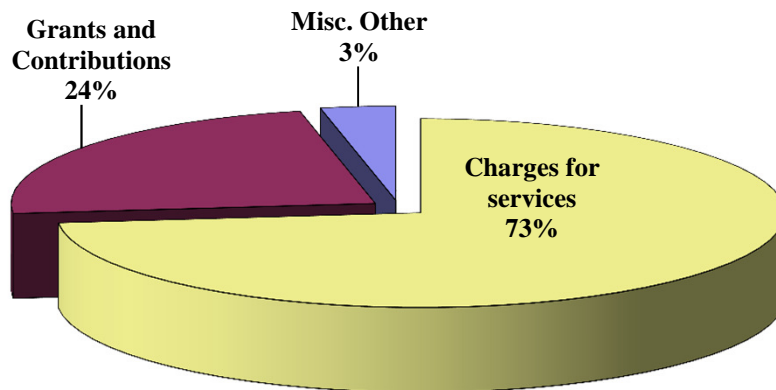
The total expenses for business-type activities in FY11 were \$41,643,000. Wastewater Treatment represented the highest portion of business-type activities, \$10,971,000 or 26.3%, with Water, \$8,523,000 or 20.5%, Sanitation, \$7,461,000 or 17.9%, and Housing Authority, \$7,448,000 or 17.9%, making up the remainder of the majority of business-type activities expenses.

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

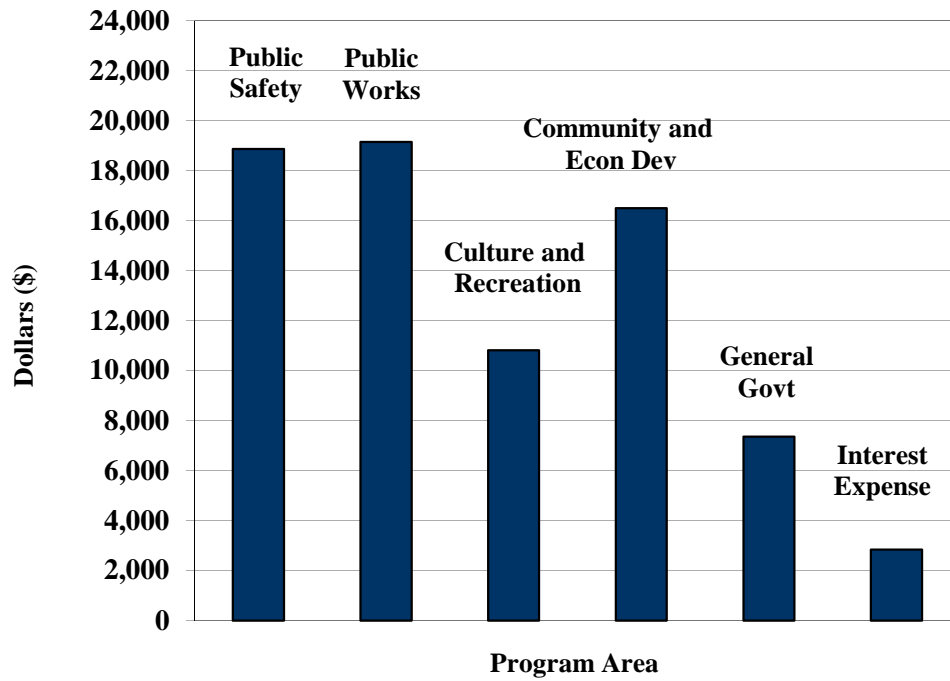
**Governmental Activities
FY2011 Revenue
by Source**



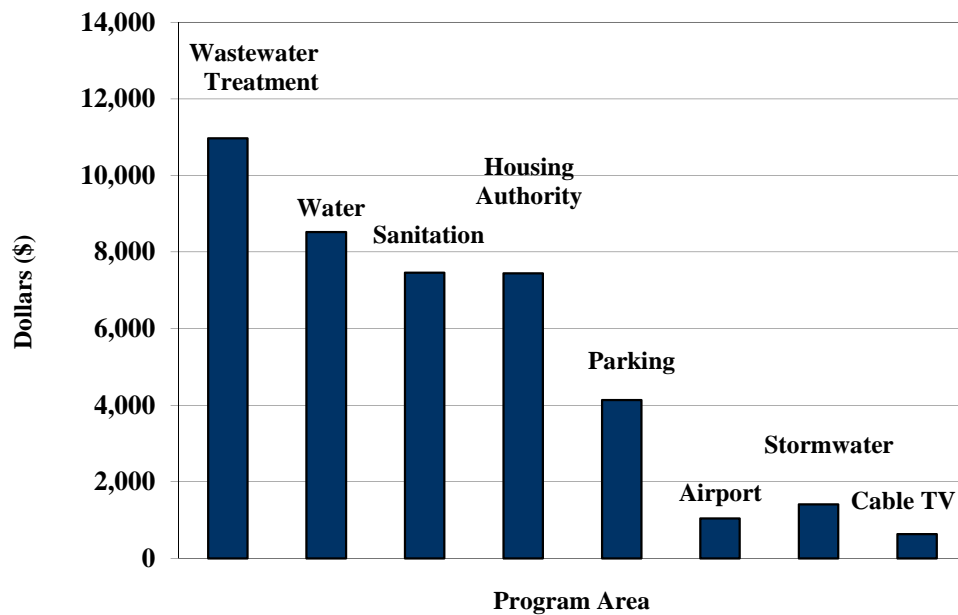
**Business-Type Activities
FY2011 Revenue
by Source**



**Governmental Activities
FY2011 Expenditures
by Program Area**
(amounts expressed in thousands)



**Business-Type Activities
FY2011 Expenditures
by Program Area**
(amounts expressed in thousands)



Financial Analysis of the Government's Funds

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

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

The City implemented GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective with the June 30, 2011 financial statements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

As of the fiscal year ended June 30, 2011, the City's governmental funds reported combined ending fund balances of \$69,220,000, an increase of \$18,489,000 in comparison with the prior year. Of this total amount, \$14,190,000 constitutes unassigned fund balance, which is available to use as working capital for the General Fund since property tax revenues are received only twice a year and the remainder is available to meet the future needs of the City. The remainder of the fund balance is not available for new spending because of constraints imposed externally by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed internally on the specific purposes for which these amounts can be spent. The restricted fund balance of \$51,157,000 or 73.9% contains external restraints on its use. The assigned fund balance of \$3,542,000 or 5.1% has been identified by the City to be used for specific purposes. The nonspendable fund balance is \$331,000 or 0.5%, which the City is contractually required to maintain intact or cannot be spent because it is in a nonspendable format, such as inventories.

The General Fund is the chief operating fund of the City. As of the fiscal year ended June 30, 2011, the unassigned fund balance of the General Fund was \$15,931,000 while General Fund's total fund balance was \$36,072,000. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33.9% of total General Fund expenditures of \$47,028,000, while total fund balance represents 76.7% of that same amount.

The fund balance of the City's General Fund increased by \$9,565,000 during the current fiscal year. This was due to collection of a local option sales tax that took effect in FY10 to be used to fund future capital improvement projects. This tax will be collected through FY13.

The Bridge, Street, and Traffic Control Construction Fund had a deficit fund balance of (\$1,741,000) as compared to a deficit balance of (\$1,207,000) 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 FY12 to cover the capital expenditures.

The Other Construction Fund accounts for the construction or replacement of other City general fixed assets, such as administrative buildings with various funding sources, including general obligation bonds, intergovernmental revenues, and contributions. This fund balance increased by \$6,273,000 during the fiscal year due to bond proceeds that will be used to fund upcoming capital improvement projects.

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 \$258,788,000, an increase in net asset of \$10,779,000. This was primarily due to capital contributions of federal and state grants to fund capital improvement projects to help with flood recovery and mitigation and transfer of business-type capital assets from

governmental capital project funds. Of the enterprise funds' net assets, \$186,177,000 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$51,953,000, a decrease of \$5,867,000 compared to the previous year due to additional funds being classified as restricted by bond ordinance or grant agreements.

The Internal Service funds showed net assets totaling \$26,115,000 as of June 30, 2011, an increase of \$3,669,000 primarily due to an operating income in the Loss Reserve Fund as claims were less than anticipated.

Budgetary Highlights

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

The City had two budget amendments during the fiscal year. These amendments increased budgeted revenues by \$53,450,000 or 37.3% and the expenditure budget by \$116,569,000 or 71.0% to a total of \$280,670,000. These increases were due primarily to capital projects in governmental and business-type funds because of timing of completion of projects, ongoing recovery from the flood of 2008 and the associated grants, and an advance refunding of general obligation bonds to reduce total future debt service payments.

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, 2011 amounts to \$449,201,000, 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, 2011 increased by \$10,965,000 for governmental activities compared to the prior year and increased by \$9,552,000 for business-type activities over the prior year.

The following table reflects the \$449,201,000 investment in capital assets, net of accumulated depreciation.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 23,887	\$ 21,838	\$ 25,824	\$ 25,847	\$ 49,711	\$ 47,685
Buildings	44,748	45,041	69,146	72,293	113,894	117,334
Improvements other than buildings	3,584	3,580	6,561	6,846	10,145	10,426
Machinery and equipment	16,647	15,908	8,070	8,773	24,717	24,681
Infrastructure	79,162	80,863	136,031	130,545	215,193	211,408
Construction in progress	16,008	5,841	19,533	11,309	35,541	17,150
Total	<u>\$ 184,036</u>	<u>\$ 173,071</u>	<u>\$ 265,165</u>	<u>\$ 255,613</u>	<u>\$ 449,201</u>	<u>\$ 428,684</u>

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

- Completion of several airport projects included runway design, grading, lighting, paving, and runway extension. Total project costs for prior years and current year were capitalized for \$6,279,000.

- Continued work on the South Wastewater Plant Expansion. This project will relocate the North Wastewater Treatment Plant and consolidate operations into the South Wastewater Treatment Plant through expansion of south plant facilities and demolition of the north plant facilities. Funding for the project includes \$22,000,000 in federal EDA grants, \$13,546,000 in local options sales tax, \$5,500,000 in I-JOBS grant monies, \$5,000,000 in CDBG Public Infrastructure grants, as well as, \$1,890,000 from Wastewater user fees. Expenses totaling \$2,780,000 were moved into construction in progress at the end of FY11. This project is scheduled to be complete in FY14.
- Completed work on the Inverted Siphon Sewer Project to construct a horizontal directional drilled inverted siphon sewer, inlet and outlet structures, sanitary manholes, and sanitary sewer. Expenses of \$1,176,000 were capitalized.
- Continued construction on a new landfill cell. \$3,482,000 in FY11 expenses were added to prior years' expenses for a total of \$5,375,000 in construction in progress at the end of the fiscal year.
- Work continued on the construction of the Eastside Recycling Center. Additional expenses for FY11 of \$3,661,000 were added to prior years' for a total in construction in progress at fiscal year-end of \$4,197,000.
- Construction continues on a fourth fire station. FY11 expenses of \$3,968,000 were added to prior year expenses for a total of \$4,309,000 in construction in progress at the end of the fiscal year. The new fire station has since been completed and began providing emergency services in October 2011.
- A variety of street and bridge construction projects in residential and new industrial areas and replacement and expansion of existing infrastructure amounted to \$10,713,000. This includes the Sycamore Street – Highway 6 to the City Limits project at \$2,500,000 and \$3,672,000 for the 420th Street – Highway 6 to Taft project to accommodate the 420th Street Industrial Park.

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 \$155,540,000. Of this amount, \$80,575,000 comprises debt backed by the full faith and credit of the City. However, \$3,146,000 or 3.9% of the general obligation bonds is debt that serves enterprise funds and is abated by their charges for services and \$5,965,000 or 7.4% of these bonds is debt that will be paid with Tax Increment Financing revenues. \$74,965,000 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	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 77,429	\$ 71,300	\$ 3,146	\$ 3,750	\$ 80,575	\$ 75,050
Revenue bonds	-	-	74,965	78,335	74,965	78,335
Total	<u>\$ 77,429</u>	<u>\$ 71,300</u>	<u>\$ 78,111</u>	<u>\$ 82,085</u>	<u>\$ 155,540</u>	<u>\$ 153,385</u>

The City did issue \$27,095,000 of General Obligation bonds during FY11. However, during the current fiscal year the City's total bonded debt still decreased by \$2,155,000.

The City continues to have the same excellent bond rating on its General Obligation bonds that it has had for the past several years. This rating is given to those bonds judged to be of the best quality and carrying the smallest degree of investment risks. The City's bond ratings by Moody's Investors Services, Inc. as of June 30, 2011 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 \$222,655,000. With outstanding General Obligation Debt applicable to this limit of \$80,575,000 we are utilizing 36.2% of this limit.

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

Economic Factors and Next Year's Budget and Rates

In May 2009, the voters of Iowa City approved a one cent local option sales tax. Collection of this tax began July 1, 2009 and will continue for four years. In FY11, the City collected \$8,912,000 in local option sales tax. The City Council has indicated that the priorities for use of this sales tax will be capital projects for the elevation of Dubuque Street, including the reconstruction of Park Road Bridge, and the expansion of the South Wastewater Plant and demolition of the North Wastewater Plant. Sales tax proceeds are used to provide local match for available state and federal funding and to reduce our reliance on property tax and increased user fees that would otherwise be needed to fund such projects.

During the 2009 session, the Iowa State Legislature passed a law allowing cities to utilize franchise fee tax as a revenue alternative to property tax. The Iowa City Council passed a local franchise fee tax of 1% on natural gas and electricity that became effective April 1, 2010. This revenue is being utilized to support additional public safety initiatives, including operating a fourth fire station. In FY11, the City collected \$868,000 in local franchise fee.

The City expects continued constraints by the State's property tax formula. The rollback on residential properties negatively affects the City's general operating funds and without the potential for new revenue sources, like those mentioned above, the City's opportunities for new initiatives are limited. The Council has established a balanced budget in the General Fund for FY12 that strives to maintain current service delivery levels. The tax levy rate per \$1,000 of taxable valuation for FY12 is provided below:

General Levy	\$ 8.100
Debt Service Levy	4.649
Employee Benefits Levy	3.526
Transit Levy	0.950
Liability Insurance Levy	0.347
Library Levy	0.270
Total City Levy	<u>\$ 17.842</u>

Requests for Information

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

CITY OF IOWA CITY, IOWA

STATEMENT OF NET ASSETS

June 30, 2011

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 60,873	\$ 44,743	\$ 105,616
Receivables:			
Property tax	49,879	-	49,879
Accounts and unbilled usage	311	2,975	3,286
Interest	228	764	992
Notes	16,135	883	17,018
Internal balances	(11,128)	11,128	-
Due from other governments	9,308	3,111	12,419
Prepaid insurance	6	-	6
Inventories	779	394	1,173
Assets held for resale	1,974	-	1,974
Restricted assets:			
Equity in pooled cash and investments	33,283	36,401	69,684
Capital assets:			
Land and construction in progress	39,895	45,357	85,252
Other capital assets (net of accumulated depreciation)	144,141	219,808	363,949
Total assets	<u>345,684</u>	<u>365,564</u>	<u>711,248</u>
Liabilities			
Accounts payable	2,068	455	2,523
Contracts payable	1,886	2,316	4,202
Accrued liabilities	3,409	476	3,885
Interest payable	261	1,505	1,766
Deposits	883	749	1,632
Due to other governments	2,901	104	3,005
Notes payable	1,616	-	1,616
Unearned revenue	58,851	280	59,131
Noncurrent liabilities:			
Due within one year:			
Employee vested benefits	1,181	290	1,471
Bonds payable	11,959	6,989	18,948
Due in more than one year:			
Employee vested benefits	992	229	1,221
Other Post Employment Benefits Obligation	1,705	550	2,255
Notes Payable	211	-	211
Bonds payable	65,785	71,999	137,784
Landfill closure/post-closure liability	-	11,755	11,755
Total liabilities	<u>153,708</u>	<u>97,697</u>	<u>251,405</u>

(continued)

CITY OF IOWA CITY, IOWA

STATEMENT OF NET ASSETS (continued)

June 30, 2011

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 123,935	\$ 186,177	\$ 310,112
Restricted for or by:			
Employee benefits	2,532	-	2,532
Capital projects	13,312	-	13,312
Debt service	13,151	-	13,151
Assets held for resale	1,974	-	1,974
Other purposes	210	-	210
Bond ordinance	-	16,219	16,219
State statute	-	1,004	1,004
Grant agreement	-	3,435	3,435
Unrestricted	36,862	61,032	97,894
	<u>36,862</u>	<u>61,032</u>	<u>97,894</u>
Total net assets	<u>\$ 191,976</u>	<u>\$ 267,867</u>	<u>\$ 459,843</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, 2011
(amounts expressed in thousands)

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety	\$ 18,867	\$ 3,279	\$ 154	\$ 1,321
Public works	19,145	1,117	1,754	2,579
Culture and recreation	10,811	872	-	364
Community and economic development	16,501	-	11,609	1,784
General government	7,356	2,931	-	-
Interest on long-term debt	2,841	-	-	-
Total governmental activities	75,521	8,199	13,517	6,048
Business-type activities:				
Wastewater Treatment	10,971	12,836	-	2,394
Water	8,523	8,054	-	973
Sanitation	7,461	8,259	10	-
Housing Authority	7,448	208	7,438	11
Parking	4,135	5,234	-	269
Airport	1,049	293	-	358
Stormwater	1,418	641	-	140
Cable television	638	809	-	-
Total business-type activities	41,643	36,334	7,448	4,145
Total	\$ 117,164	\$ 44,533	\$ 20,965	\$ 10,193

General revenues:

Property taxes, levied for general purposes

Road use tax

Hotel/motel tax

Gas and electric tax

Local option sales tax

Utility franchise tax

Earnings on investments

Gain on disposal of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (14,113)	\$ -	\$ (14,113)
(13,695)	-	(13,695)
(9,575)	-	(9,575)
(3,108)	-	(3,108)
(4,425)	-	(4,425)
(2,841)	-	(2,841)
(47,757)	-	(47,757)

-	4,259	4,259
-	504	504
-	808	808
-	209	209
-	1,368	1,368
-	(398)	(398)
-	(637)	(637)
-	171	171
-	6,284	6,284
(47,757)	6,284	(41,473)

48,011	-	48,011
6,068	-	6,068
776	-	776
820	-	820
8,911	-	8,911
868	-	868
1,539	954	2,493
761	314	1,075
6,230	381	6,611
(4,020)	4,020	-
69,964	5,669	75,633
22,207	11,953	34,160
169,769	255,914	425,683
\$ 191,976	\$ 267,867	\$ 459,843

CITY OF IOWA CITY, IOWA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2011
(amounts expressed in thousands)

	Special Revenue						
	General	Employee Benefits	Community Development	Other Shared	Debt Service	Other Governmental Funds	Total
			Block Grant	Revenue and Grants			
Assets							
Equity in pooled cash and investments	\$ 21,516	\$ 2,478	\$ 1,928	\$ -	\$ 12,227	\$ 2,067	\$ 40,216
Receivables:							
Property tax	26,965	9,834	-	-	13,080	-	49,879
Accounts and unbilled usage	221	-	-	18	-	72	311
Interest	82	-	4	-	78	25	189
Notes	376	-	12,657	1,529	1,573	-	16,135
Advances to other funds	444	-	18	-	197	-	659
Due from other governments	5,119	197	8	1,715	-	2,172	9,211
Inventories	262	-	-	-	-	-	262
Assets held for resale	195	-	-	1,614	-	165	1,974
Restricted assets:							
Equity in pooled cash and investments	16,240	-	-	52	-	16,991	33,283
Total assets	\$ 71,420	\$ 12,509	\$ 14,615	\$ 4,928	\$ 27,155	\$ 21,492	\$ 152,119

(continued)

CITY OF IOWA CITY, IOWA

**BALANCE SHEET (continued)
GOVERNMENTAL FUNDS**

June 30, 2011
(amounts expressed in thousands)

		Special Revenue					
			Community Development	Other Shared Revenue and Grants		Other Governmental Funds	
	General	Employee Benefits	Block Grant		Debt Service		Total
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 1,132	\$ 1	\$ 5	\$ 163	\$ 17	\$ 256	\$ 1,574
Contracts payable	-	-	-	-	-	1,886	1,886
Accrued liabilities	1,683	3	10	131	-	57	1,884
Advances from other funds	2,067	-	-	641	-	-	2,708
Due to other governments	19	-	-	48	-	2,834	2,901
Interest payable	-	-	-	14	-	-	14
Notes payable	-	-	-	1,616	-	-	1,616
Deferred revenue	29,569	9,973	12,675	1,830	13,987	1,399	69,433
Liabilities payable from restricted assets:							
Deposits	878	-	-	4	-	1	883
Total liabilities	<u>35,348</u>	<u>9,977</u>	<u>12,690</u>	<u>4,447</u>	<u>14,004</u>	<u>6,433</u>	<u>82,899</u>
Fund balances:							
Nonspendable	331	-	-	-	-	-	331
Restricted	16,268	2,532	1,925	481	13,151	16,800	51,157
Assigned	3,542	-	-	-	-	-	3,542
Unassigned	15,931	-	-	-	-	(1,741)	14,190
Total fund balances	<u>36,072</u>	<u>2,532</u>	<u>1,925</u>	<u>481</u>	<u>13,151</u>	<u>15,059</u>	<u>69,220</u>
Total liabilities and fund balances	<u><u>\$ 71,420</u></u>	<u><u>\$ 12,509</u></u>	<u><u>\$ 14,615</u></u>	<u><u>\$ 4,928</u></u>	<u><u>\$ 27,155</u></u>	<u><u>\$ 21,492</u></u>	<u><u>\$ 152,119</u></u>

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

CITY OF IOWA CITY

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

June 30, 2011
(amounts expressed in thousands)

Total governmental fund balances	\$ 69,220
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.	26,115
Prepaid insurance benefits future periods and is included in governmental activities in the statement of net assets.	6
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds: Notes, grants and other receivables - Earned but unavailable	10,582
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	177,077
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(2,059)
Accrued post employment benefit obligations are not due and payable in the current period and therefore are not reported in the funds.	(1,684)
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(77,744)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.	(211)
Accrued interest on bonds	(247)
Internal balance due to integration of internal service funds	<u>(9,079)</u>
Total net assets of governmental activities	<u><u>\$ 191,976</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, 2011
(amounts expressed in thousands)

	General	Special Revenue			Debt Service	Other Governmental Funds	Total
		Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants			
Revenues							
Taxes	\$ 36,533	\$ 9,651	\$ -	\$ -	\$ 12,079	\$ 1,124	\$ 59,387
Licenses and permits	1,412	-	-	-	-	-	1,412
Intergovernmental	4,570	-	1,509	19,306	-	4,485	29,870
Charges for services	2,335	154	-	26	-	-	2,515
Use of money and property	1,215	-	5	59	177	23	1,479
Miscellaneous	4,640	33	2,307	207	-	562	7,749
Total revenues	<u>50,705</u>	<u>9,838</u>	<u>3,821</u>	<u>19,598</u>	<u>12,256</u>	<u>6,194</u>	<u>102,412</u>
Expenditures							
Current:							
Public safety	18,149	168	-	-	-	400	18,717
Public works	7,127	-	-	5,404	-	2,235	14,766
Culture and recreation	11,743	-	-	-	-	755	12,498
Community and economic development	1,127	-	1,814	4,761	-	1,176	8,878
General government	7,078	427	-	-	51	139	7,695
Debt service:							
Principal	-	-	-	-	10,386	-	10,386
Interest	-	-	-	-	2,889	-	2,889
Capital outlay	1,804	-	2	8,058	-	12,009	21,873
Total expenditures	<u>47,028</u>	<u>595</u>	<u>1,816</u>	<u>18,223</u>	<u>13,326</u>	<u>16,714</u>	<u>97,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,677</u>	<u>9,243</u>	<u>2,005</u>	<u>1,375</u>	<u>(1,070)</u>	<u>(10,520)</u>	<u>4,710</u>
Other Financing Sources (Uses)							
Issuance of debt	-	-	-	-	-	16,165	16,165
Issuance of refunding debt	-	-	-	-	10,930	-	10,930
Sale of capital assets	130	-	-	715	-	-	845
Insurance Recoveries	427	-	-	-	-	167	594
Premium on issuance of bonds	-	-	-	-	213	181	394
Payment to refunded bond escrow	-	-	-	-	(11,085)	-	(11,085)
Transfers in	8,659	-	-	838	211	8,950	18,658
Transfers out	(3,328)	(8,835)	(80)	(1,774)	-	(8,705)	(22,722)
Total other financing sources and (uses)	<u>5,888</u>	<u>(8,835)</u>	<u>(80)</u>	<u>(221)</u>	<u>269</u>	<u>16,758</u>	<u>13,779</u>
Net change in fund balances	9,565	408	1,925	1,154	(801)	6,238	18,489
Fund Balances, Beginning	<u>26,507</u>	<u>2,124</u>	<u>-</u>	<u>(673)</u>	<u>13,952</u>	<u>8,821</u>	<u>50,731</u>
Fund Balances, Ending	<u>\$ 36,072</u>	<u>\$ 2,532</u>	<u>\$ 1,925</u>	<u>\$ 481</u>	<u>\$ 13,151</u>	<u>\$ 15,059</u>	<u>\$ 69,220</u>

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



CITY OF IOWA CITY

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

For the Year Ended June 30, 2011
(amounts expressed in thousands)

Net change in fund balances - total governmental funds	\$	18,489
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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	\$	15,699
Capital assets contributed		454
Depreciation expense		<u>(6,112)</u>
		10,041

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	(27,095)	
Discount / (premium) on bonds issued	112	
Repayments of debt	20,966	
Amortization of premium	<u>65</u>	(5,952)

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.		(2,344)
--	--	---------

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		(68)
Change in accrued post employment benefit obligations		(346)
Change in accrued interest on debt		(17)

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.		(84)
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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.		(7)
--	--	-----

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.		<u>2,495</u>
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Change in net assets of governmental activities	\$	<u><u>22,207</u></u>
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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, 2011
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities -
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	Internal Service Funds
Assets								
Current assets:								
Equity in pooled cash and investments	\$ 5,928	\$ 12,882	\$ 9,607	\$ 9,968	\$ 3,834	\$ 2,524	\$ 44,743	\$ 20,657
Receivables:								
Accounts and unbilled usage	23	1,311	792	577	17	255	2,975	-
Interest	17	258	394	50	40	5	764	39
Notes	-	-	-	-	883	-	883	-
Advances to other funds	-	-	-	4,325	-	-	4,325	-
Due from other governments	269	1,459	1,046	12	20	305	3,111	97
Inventories	-	-	394	-	-	-	394	517
Total current assets	<u>6,237</u>	<u>15,910</u>	<u>12,233</u>	<u>14,932</u>	<u>4,794</u>	<u>3,089</u>	<u>57,195</u>	<u>21,310</u>
Noncurrent assets:								
Restricted assets:								
Equity in pooled cash and investments	1,521	12,002	4,665	14,660	3,435	118	36,401	-
Capital assets:								
Land	6,798	758	6,296	1,787	732	9,453	25,824	45
Buildings	24,927	59,611	23,865	908	5,601	4,796	119,708	821
Improvements other than buildings	328	7,371	2,351	144	9	357	10,560	50
Machinery and equipment	812	9,835	10,458	415	121	665	22,306	15,396
Infrastructure	-	88,810	50,590	11,298	-	47,365	198,063	1,094
Accumulated depreciation	(14,825)	(66,781)	(23,350)	(9,837)	(3,752)	(12,284)	(130,829)	(10,823)
Construction in progress	1,278	4,597	1,198	9,635	-	2,825	19,533	376
Total noncurrent assets	<u>20,839</u>	<u>116,203</u>	<u>76,073</u>	<u>29,010</u>	<u>6,146</u>	<u>53,295</u>	<u>301,566</u>	<u>6,959</u>
Total assets	<u>27,076</u>	<u>132,113</u>	<u>88,306</u>	<u>43,942</u>	<u>10,940</u>	<u>56,384</u>	<u>358,761</u>	<u>28,269</u>

(continued)

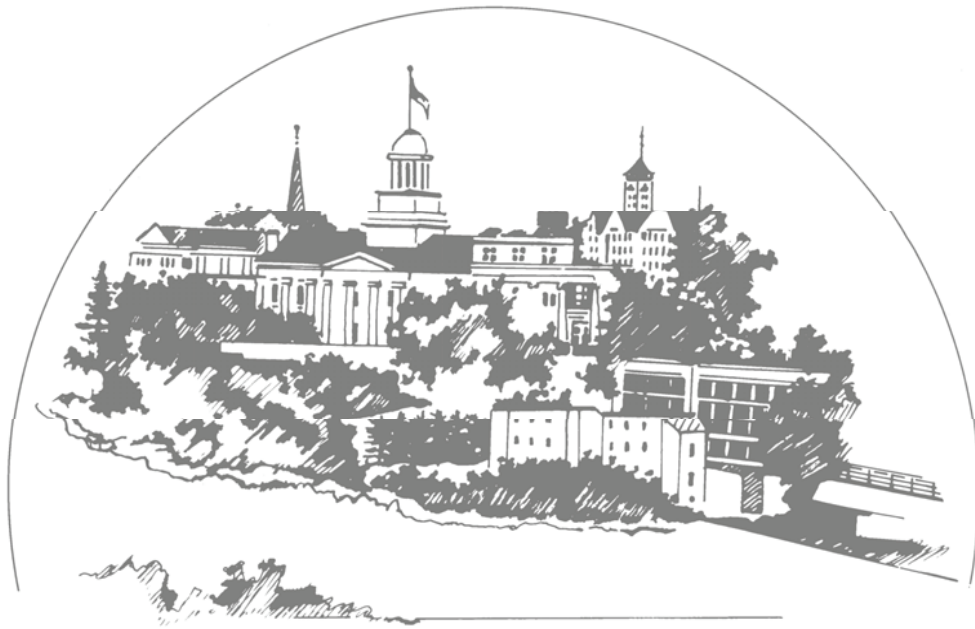
CITY OF IOWA CITY, IOWA

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

June 30, 2011
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities -
	Parking	Wastewater Treatment	Water	Sanitation	Housing Authority	Other Enterprise Funds	Total	Internal Service Funds
Liabilities								
Current liabilities:								
Accounts payable	\$ 86	\$ 64	\$ 128	\$ 26	\$ 15	\$ 136	\$ 455	\$ 494
Contracts payable	725	553	157	743	-	138	2,316	-
Accrued liabilities	77	88	119	118	39	35	476	1,525
Employee vested benefits	49	48	76	75	25	17	290	64
Due to other governments	-	-	21	66	17	-	104	-
Deferred revenue	280	-	-	-	-	-	280	-
Interest payable	173	881	451	-	-	-	1,505	-
Bonded debt payable (net of unamortized discounts)	502	4,674	1,813	-	-	-	6,989	-
Total current liabilities	1,892	6,308	2,765	1,028	96	326	12,415	2,083
Noncurrent liabilities:								
Liabilities payable from restricted assets:								
Deposits	1	-	410	14	315	9	749	-
Advances from other funds	795	-	-	-	18	1,463	2,276	-
Employee vested benefits	35	39	63	60	18	14	229	50
Bonded debt payable (net of unamortized discounts)	8,222	40,928	22,849	-	-	-	71,999	-
Other Post Employment Benefits Obligation	117	108	117	145	37	26	550	21
Landfill closure/postclosure liability	-	-	-	11,755	-	-	11,755	-
Total noncurrent liabilities	9,170	41,075	23,439	11,974	388	1,512	87,558	71
Total liabilities	11,062	47,383	26,204	13,002	484	1,838	99,973	2,154
Net Assets								
Invested in capital assets, net of related debt	10,594	58,599	46,746	14,350	2,711	53,177	186,177	6,959
Restricted by bond ordinance	1,347	11,120	3,752	-	-	-	16,219	-
Restricted by state statute	-	-	-	1,004	-	-	1,004	-
Restricted by grant agreement	-	-	-	-	3,435	-	3,435	-
Unrestricted	4,073	15,011	11,604	15,586	4,310	1,369	51,953	19,156
Total net assets	\$ 16,014	\$ 84,730	\$ 62,102	\$ 30,940	\$10,456	\$54,546	258,788	\$ 26,115
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							9,079	
Net assets of business-type activities							<u>\$ 267,867</u>	

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



CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2011
(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	
Operating Revenues:								
Charges for services	\$ 5,234	\$ 12,836	\$ 8,054	\$ 8,259	\$ 208	\$ 1,743	\$ 36,334	\$ 17,374
Miscellaneous	104	63	42	48	122	-	379	8
Total operating revenues	<u>5,338</u>	<u>12,899</u>	<u>8,096</u>	<u>8,307</u>	<u>330</u>	<u>1,743</u>	<u>36,713</u>	<u>17,382</u>
Operating Expenses:								
Personal services	1,662	1,961	2,407	2,573	957	668	10,228	2,117
Commodities	75	895	929	210	18	423	2,550	2,533
Services and charges	1,183	2,621	2,128	4,968	6,382	592	17,874	7,917
	<u>2,920</u>	<u>5,477</u>	<u>5,464</u>	<u>7,751</u>	<u>7,357</u>	<u>1,683</u>	<u>30,652</u>	<u>12,567</u>
Depreciation	908	4,017	2,230	261	137	1,447	9,000	1,404
Total operating expenses	<u>3,828</u>	<u>9,494</u>	<u>7,694</u>	<u>8,012</u>	<u>7,494</u>	<u>3,130</u>	<u>39,652</u>	<u>13,971</u>
Operating income (loss)	<u>1,510</u>	<u>3,405</u>	<u>402</u>	<u>295</u>	<u>(7,164)</u>	<u>(1,387)</u>	<u>(2,939)</u>	<u>3,411</u>
Nonoperating Revenues (Expenses):								
Gain (loss) on disposal of capital assets	-	(40)	-	-	-	354	314	132
Insurance Recoveries	-	-	2	-	-	-	2	-
Operating grants	-	-	-	10	7,438	-	7,448	-
Interest income	51	382	256	217	40	8	954	61
Interest expense	(408)	(1,704)	(1,032)	-	-	-	(3,144)	-
Total nonoperating revenues (expenses)	<u>(357)</u>	<u>(1,362)</u>	<u>(774)</u>	<u>227</u>	<u>7,478</u>	<u>362</u>	<u>5,574</u>	<u>193</u>
Income (loss) before capital contributions and transfers	1,153	2,043	(372)	522	314	(1,025)	2,635	3,604
Capital contributions	269	2,394	973	-	11	498	4,145	-
Transfers in	-	1,716	795	277	80	2,055	4,923	345
Transfers out	<u>-</u>	<u>(171)</u>	<u>(336)</u>	<u>(114)</u>	<u>(73)</u>	<u>(230)</u>	<u>(924)</u>	<u>(280)</u>
Change in net assets	1,422	5,982	1,060	685	332	1,298	10,779	3,669
Net Assets, Beginning	<u>14,592</u>	<u>78,748</u>	<u>61,042</u>	<u>30,255</u>	<u>10,124</u>	<u>53,248</u>		<u>22,446</u>
Net Assets, Ending	<u>\$ 16,014</u>	<u>\$ 84,730</u>	<u>\$ 62,102</u>	<u>\$ 30,940</u>	<u>\$ 10,456</u>	<u>\$ 54,546</u>		<u>\$ 26,115</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.							1,174	
Change in net assets of business-type activities							<u>\$ 11,953</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, 2011
(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	\$ 5,338	\$ 12,817	\$ 8,116	\$ 8,529	\$ 440	\$ 1,728	\$36,968	\$ 17,381
Payments to suppliers	(1,192)	(3,543)	(3,079)	(4,689)	(6,406)	(1,017)	(19,926)	(10,707)
Payments to employees	(1,600)	(1,914)	(2,375)	(2,528)	(936)	(675)	(10,028)	(2,991)
Net cash flows from operating activities	2,546	7,360	2,662	1,312	(6,902)	36	7,014	3,683
Cash Flows From Noncapital Financing Activities								
Grants received	-	-	27	4	7,466	-	7,497	-
Transfers from other funds	-	1,716	795	277	80	2,055	4,923	345
Transfers to other funds	-	(171)	(336)	(114)	(73)	(230)	(924)	(280)
Repayment/(payment) of notes receivable	-	-	-	-	114	-	114	-
Advances to other funds	-	-	-	(9)	-	-	(9)	-
Repayment of advances from other funds	(728)	-	-	-	-	(42)	(770)	-
Net cash flows from noncapital financing activities	(728)	1,545	486	158	7,587	1,783	10,831	65
Cash Flows From Capital and Related Financing Activities								
Capital grants received	-	1,355	17	5	11	357	1,745	-
Acquisition and construction of property and equipment	(699)	(4,051)	(2,508)	(6,900)	(11)	(2,942)	(17,111)	(2,422)
Proceeds from sale of property	-	9	-	-	-	377	386	142
Proceeds from insurance recoveries	-	-	2	-	-	-	2	-
Principal paid on bonded debt	(420)	(1,841)	(1,714)	-	-	-	(3,975)	-
Interest paid on bonded debt	(455)	(2,055)	(1,044)	-	-	-	(3,554)	-
Net cash flows from capital and related financing activities	(1,574)	(6,583)	(5,247)	(6,895)	-	(2,208)	(22,507)	(2,280)
Cash Flows From Investing Activities								
Interest on investments	42	302	140	208	29	7	728	49
Net increase (decrease) in cash and cash equivalents	286	2,624	(1,959)	(5,217)	714	(382)	(3,934)	1,517
Cash and Cash Equivalents, Beginning	7,163	22,260	16,231	29,845	6,555	3,024	85,078	19,140
Cash and Cash Equivalents, Ending	\$ 7,449	\$ 24,884	\$ 14,272	\$ 24,628	\$ 7,269	\$ 2,642	\$ 81,144	\$ 20,657

(continued)

(continued)

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2011
(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
Reconciliation of operating income (loss) to net cash flows from operating activities:								
Operating income (loss)	\$ 1,510	\$ 3,405	\$ 402	\$ 295	\$ (7,164)	\$ (1,387)	\$ (2,939)	\$ 3,411
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:								
Depreciation expense	908	4,017	2,230	261	137	1,447	9,000	1,404
Changes in:								
Receivables:								
Accounts and unbilled usage	1	(83)	3	198	25	(15)	129	24
Due from other governments	-	1	1	24	(2)	-	24	(25)
Inventories	-	-	24	-	-	-	24	(194)
Accounts payable	66	(27)	(35)	(102)	(7)	(2)	(107)	(63)
Accrued liabilities	4	10	10	7	-	6	37	(875)
Employee vested benefits	6	(6)	6	(10)	1	(1)	(4)	5
Due to other governments	-	-	(11)	(4)	1	-	(14)	-
Deposits	(1)	-	16	-	87	-	102	-
Other Post Employment Benefits Obligation	52	43	16	48	20	(12)	167	(4)
Landfill closure/postclosure liability	-	-	-	595	-	-	595	-
Total adjustments	1,036	3,955	2,260	1,017	262	1,423	9,953	272
Net cash flows from operating activities	<u>\$ 2,546</u>	<u>\$ 7,360</u>	<u>\$ 2,662</u>	<u>\$ 1,312</u>	<u>\$ (6,902)</u>	<u>\$ 36</u>	<u>\$ 7,014</u>	<u>\$ 3,683</u>
Noncash Investing, Capital, and Financing Activities:								
Contributions of capital assets from government and others	\$ -	\$ 157	\$ 67	\$ -	\$ -	\$ 140	\$ 364	\$ -

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, 2011

(amounts expressed in thousands)

	Agency Funds
	<hr/>
Assets	
Equity in pooled cash and investments	\$ 208
Accounts receivable	9
Interest receivable	1
Total assets	<hr/> <u>\$ 218</u> <hr/>
Liabilities	
Accrued liabilities	\$ 11
Due to agency	207
Total liabilities	<hr/> <u>\$ 218</u> <hr/>

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011

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, 2011

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

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

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

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

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

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

Uses of Estimates

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

Cash and Investments

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

For the purpose of the Statement of Cash Flows, restricted and 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, 2011

Inventories

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

Capital Assets

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

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

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

Bond Premiums and Discounts

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

Compensated Absences

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

Pensions

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

Landfill Closing Costs

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

Budgetary and Legal Appropriation and Amendment Policies

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

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

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, 2011

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 \$53,450,000 in revenues and other financing sources and by \$116,569,000 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.

Classification of Fund Balances

The City has changed accounting policies due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement redefines the elements of fund balance in governmental funds and more clearly describes the different types of governmental funds. Accordingly, the beginning fund balance of certain governmental funds has been restated.

2. Compliance and Accountability

At June 30, 2011 the Capital Project Fund for bridge, street, and traffic control construction reported a deficit fund balance of \$1,741,000. 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 2012 to cover the capital expenditures.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

3. Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance, national credit union administration, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

Investments are stated at fair value. In addition, the City had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$57,609,225 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, 2011

4. Interfund Balances and Transfers

Interfund balances for the year ended June 30, 2011, consisted of the following:

	Advances from				
	General	Community Development Block Grant	Debt Service	Sanitation	Total
<u>Advances to:</u>					
General	\$ -	\$ -	\$ -	\$ 2,066,571	\$ 2,066,571
Other Shared Revenue and Grants	444,162	-	197,297	-	641,459
Parking	-	-	-	795,399	795,399
Housing Authority	-	18,000	-	-	18,000
Nonmajor Enterprise	-	-	-	1,462,780	1,462,780
Total	<u>\$ 444,162</u>	<u>\$ 18,000</u>	<u>\$ 197,297</u>	<u>\$ 4,324,750</u>	<u>\$ 4,984,209</u>

Interfund balances at June 30, 2011, include advances due to/from other funds. Advances to/from other funds represent amounts for construction loans, land and negative cash balance funding. \$1,418,879 of the \$1,462,780 advances to the Nonmajor Enterprise Funds and \$631,473 of the \$795,399 advance to the Parking Fund are not expected to be repaid within the next year. \$1,945,901 of the \$2,066,571 advances to the General Fund and \$186,234 of the \$197,297 advance to the Other Shared Revenue and Grants Fund are not expected to be repaid within the next year. None of the \$18,000 advance to Housing Authority is expected to be repaid within the next year. The \$444,162 advance to the Other Shared Revenue and Grants Fund is expected to be repaid within the next year.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

Interfund transfers for the year ended June 30, 2011, consisted of the following:

	Transfer from				
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Nonmajor Governmental
<u>Transfer to:</u>					
General	\$ -	\$ 8,435,816	\$ -	\$ 68,900	\$ 4,776
Debt service	108,862	-	-	101,129	671
Other shared revenue and grants	169,680	398,954	-	-	269,270
Nonmajor governmental	1,973,586	-	-	1,492,386	4,823,948
Wastewater treatment	950,387	-	-	109,792	655,544
Water	197	-	-	-	794,789
Sanitation	-	-	-	-	-
Housing Authority	-	-	80,314	-	-
Nonmajor enterprise	100,000	-	-	-	1,955,216
Internal Service	25,640	-	-	1,530	201,126
Total Transfer to	<u>\$ 3,328,352</u>	<u>\$ 8,834,770</u>	<u>\$ 80,314</u>	<u>\$ 1,773,737</u>	<u>\$ 8,705,340</u>

(continued)

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

Transfer from						
<u>Wastewater Treatment</u>	<u>Water</u>	<u>Sanitation</u>	<u>Housing Authority</u>	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>	<u>Total Transfer from</u>
\$ 20,438	\$ 20,438	\$ -	\$ 43,000	\$ 65,219	\$ -	\$ 8,658,587
-	-	-	-	-	-	210,662
-	-	-	-	-	-	837,904
150,000	315,187	-	30,000	164,808	-	8,949,915
-	-	-	-	-	-	1,715,723
-	-	-	-	-	-	794,986
-	-	-	-	-	276,812	276,812
-	-	-	-	-	-	80,314
-	-	-	-	-	-	2,055,216
-	-	114,169	-	-	3,375	345,840
<u>\$ 170,438</u>	<u>\$ 335,625</u>	<u>\$ 114,169</u>	<u>\$ 73,000</u>	<u>\$ 230,027</u>	<u>\$ 280,187</u>	<u>\$ 23,925,959</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

5. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning July 1, 2010	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 21,837,937	\$ 2,049,535	\$ -	\$ 23,887,472
Construction in progress	5,841,271	12,053,462	1,886,979	16,007,754
Total capital assets, not being depreciated	<u>27,679,208</u>	<u>14,102,997</u>	<u>1,886,979</u>	<u>39,895,226</u>
Capital assets, being depreciated:				
Buildings	62,514,109	1,389,008	207,965	63,695,152
Improvements other than buildings	5,371,583	221,075	-	5,592,658
Machinery and equipment	42,207,488	4,073,278	1,460,037	44,820,729
Infrastructure	106,108,526	674,819	-	106,783,345
Total capital assets being depreciated	<u>216,201,706</u>	<u>6,358,180</u>	<u>1,668,002</u>	<u>220,891,884</u>
Less accumulated depreciation for:				
Buildings	17,472,931	1,609,095	134,046	18,947,980
Improvements other than buildings	1,792,263	217,163	-	2,009,426
Machinery and equipment	26,299,477	3,313,263	1,439,214	28,173,526
Infrastructure	25,245,478	2,375,760	-	27,621,238
Total accumulated depreciation	<u>70,810,149</u>	<u>7,515,281</u>	<u>1,573,260</u>	<u>76,752,170</u>
Total capital assets, being depreciated, net	<u>145,391,557</u>	<u>(1,157,101)</u>	<u>94,742</u>	<u>144,139,714</u>
Governmental activities capital assets, net	<u>\$ 173,070,765</u>	<u>\$ 12,945,896</u>	<u>\$ 1,981,721</u>	<u>\$ 184,034,940</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

	Beginning July 1, 2010	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2011
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 25,847,097	\$ -	\$ 23,292	\$ 25,823,805
Construction in progress	11,308,754	16,380,887	8,156,501	19,533,140
Total capital assets, not being depreciated	<u>37,155,851</u>	<u>16,380,887</u>	<u>8,179,793</u>	<u>45,356,945</u>
Capital assets, being depreciated:				
Buildings	119,681,841	83,175	58,250	119,706,766
Improvements other than buildings	10,397,761	162,090	-	10,559,851
Machinery and equipment	22,115,791	427,250	236,107	22,306,934
Infrastructure	189,682,707	9,726,668	1,345,720	198,063,655
Total capital assets being depreciated	<u>341,878,100</u>	<u>10,399,183</u>	<u>1,640,077</u>	<u>350,637,206</u>
Less accumulated depreciation for:				
Buildings	47,389,364	3,230,401	58,250	50,561,515
Improvements other than buildings	3,551,829	447,146	-	3,998,975
Machinery and equipment	13,342,442	1,081,540	187,212	14,236,770
Infrastructure	59,138,083	4,240,629	1,345,720	62,032,992
Total accumulated depreciation	<u>123,421,718</u>	<u>8,999,716</u>	<u>1,591,182</u>	<u>130,830,252</u>
Total capital assets, being depreciated, net	<u>218,456,382</u>	<u>1,399,467</u>	<u>48,895</u>	<u>219,806,954</u>
Business-type activities capital assets, net	<u>\$ 255,612,233</u>	<u>\$ 17,780,354</u>	<u>\$ 8,228,688</u>	<u>\$ 265,163,899</u>
Depreciation expense was charged to functions as follows:				
Governmental activities:				
Public safety				\$ 654,399
Public works				3,152,191
Culture and recreation				1,993,435
Community and economic development				37,061
General government				274,735
Internal service funds				<u>1,403,460</u>
Total depreciation expense - governmental activities				<u>\$ 7,515,281</u>
Business-type activities:				
Parking				\$ 907,606
Wastewater treatment				4,017,155
Water				2,230,328
Sanitation				261,204
Housing authority				136,622
Nonmajor enterprise				<u>1,446,801</u>
Total depreciation expense - business-type activities				<u>\$ 8,999,716</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

6. Long Term Debt

Changes in Debt for Bonds

Bond debt activity for the year ended June 30, 2011, was as follows:

	<u>July 1, 2010</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 71,299,622	\$ 27,095,000	\$ 20,965,840	\$ 77,428,782	\$ 11,892,143
Plus: Unamortized					
Premium (Discounts)	<u>492,115</u>	<u>(111,985)</u>	<u>64,955</u>	<u>315,175</u>	<u>66,512</u>
	<u>\$ 71,791,737</u>	<u>\$ 26,983,015</u>	<u>\$ 21,030,795</u>	<u>\$ 77,743,957</u>	<u>\$ 11,958,655</u>
Business-type activities:					
General obligation bonds	\$ 3,750,378	\$ -	\$ 604,160	\$ 3,146,218	\$ 622,857
Less: Unamortized					
Discounts	<u>19,211</u>	<u>-</u>	<u>3,842</u>	<u>15,369</u>	<u>3,842</u>
Total general obligation bonds	<u>3,731,167</u>	<u>-</u>	<u>600,318</u>	<u>3,130,849</u>	<u>619,015</u>
Revenue bonds	78,335,000	-	3,370,000	74,965,000	6,315,000
Plus: Unamortized					
Premium	<u>946,888</u>	<u>-</u>	<u>54,582</u>	<u>892,306</u>	<u>54,582</u>
Total revenue bonds	<u>79,281,888</u>	<u>-</u>	<u>3,424,582</u>	<u>75,857,306</u>	<u>6,369,582</u>
	<u>\$ 83,013,055</u>	<u>\$ -</u>	<u>\$ 4,024,900</u>	<u>\$ 78,988,155</u>	<u>\$ 6,988,597</u>

General Obligation Bonds

Various issues of general obligation bonds totaling \$80,575,000 are outstanding as of June 30, 2011. The bonds have interest rates ranging from 0.65% to 5.6% and mature in varying annual amounts ranging from \$100,000 to \$2,195,000 per issue, with the final maturities due in the year ending June 30, 2023. Interest and principal payments on all general obligation bonds, except tax abated portions recorded in the enterprise funds, are accounted for through the Debt Service Fund.

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

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
2012	\$ 11,892,143	\$ 3,069,732	\$ 622,857	\$ 119,247
2013	10,838,446	2,173,336	641,554	96,592
2014	10,173,445	1,853,080	636,555	71,997
2015	9,759,748	1,524,617	655,252	47,435
2016	9,140,000	1,208,933	295,000	22,125
2017-2021	24,340,000	2,461,131	295,000	11,063
2022-2026	1,285,000	104,405	-	-
Total	<u>\$ 77,428,782</u>	<u>\$ 12,395,234</u>	<u>\$ 3,146,218</u>	<u>\$ 368,459</u>

On June 8, 2011, the City issued \$10,930,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities for the purpose of generating resources for all future debt service payments of \$10,580,000 of general obligation bonds. As a result, the refunded general obligation bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The advance refunding was undertaken to reduce total future debt service payments. The result of the transaction is a reduction of \$1,018,250 in future debt service payments and an economic gain of \$900,103.

The City had defeased general obligation debt totaling \$10,580,00 that was still outstanding as of June 30, 2011.

Revenue Bonds

As of June 30, 2011, the following unmatured revenue bond issues are outstanding:

	Parking	Wastewater Treatment	Water
Original issue amount	\$ 9,110,000	\$ 48,020,000	\$ 25,365,000
Interest rates	3.0% to 5.0%	3.0% to 5.0%	2.0% to 4.65%
Annual maturities	\$ 500,000 to	\$ 290,000 to	\$ 360,000 to
	\$ 770,000	\$ 2,750,000	\$ 835,000
Amount outstanding	\$ 8,690,000	\$ 44,685,000	\$ 21,590,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2012	\$ 6,315,000	\$ 2,893,609
2013	6,625,000	2,688,717
2014	5,075,000	2,498,788
2015	5,255,000	2,319,945
2016	5,475,000	2,118,836
2017-2021	30,185,000	7,041,844
2022-2026	16,035,000	1,520,869
	<u>\$ 74,965,000</u>	<u>\$ 21,082,608</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 and \$5,000 per month until the reserve balance equals or exceeds \$450,000 for Water Revenue bonds, with no further deposits once the minimum balance is reached. If the reserve falls below the required minimum, monthly transfers in the aforementioned amounts will resume.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

Summary of Bond Issues

General obligation and revenue bonds payable at June 30, 2011, are comprised of the following issues:

	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2011
General Obligation Bonds:					
Multi-Purpose and Library					
Construction	May 2002	\$ 29,100,000	3.5 - 5.0	6/12	\$ 2,195,000
Refunded Multi-Purpose (1)	Oct. 2002	10,600,000	2.5 - 4.0	6/15	1,700,000
Multi-Purpose	Nov. 2003	5,570,000	2.5 - 3.6	6/14	1,680,000
Taxable-Urban Renewal	Mar. 2004	7,305,000	4.0 - 5.4	6/23	5,965,000
Multi-Purpose	Mar. 2005	7,020,000	3.0 - 4.0	6/15	3,110,000
Multi-Purpose	Jun. 2006	6,265,000	3.625 - 4.0	6/16	3,495,000
Multi-Purpose	Jun. 2006	1,000,000	5.5 - 5.6	6/16	580,000
Refunded Water					
Construction (2)	Sep. 2006	3,350,000	3.6 - 3.75	6/17	1,800,000
Multi-Purpose	May 2007	8,870,000	3.75	6/17	5,710,000
Multi-Purpose	June 2008	9,150,000	3.25 - 3.75	6/18	6,710,000
Refunded Multi-Purpose (3)	Oct. 2008	17,005,000	3.0 - 3.75	6/18	11,300,000
Multi-Purpose	June 2009	6,685,000	2.5 - 4.0	6/19	5,475,000
Taxable- Housing Improvements	June 2009	505,000	1.5 - 3.0	6/14	305,000
Refunded Multi-Purpose (4)	June 2009	5,840,000	2.0 - 4.0	6/16	4,270,000
Multi-Purpose	Aug. 2010	7,420,000	2.0 - 2.75	6/20	6,605,000
Multi-Purpose	June 2011	7,925,000	2.0 - 3.625	6/21	7,925,000
Taxable- Housing Improvements	June 2011	820,000	0.65 - 1.1	6/13	820,000
Refunded Multi-Purpose and Library Construction (5)	June 2011	10,930,000	2.0 - 3.625	6/21	10,930,000
Total General Obligation Bonds					<u>\$ 80,575,000</u>
Revenue Bonds:					
Refunded Parking Bonds (6)	Nov. 2009	\$ 9,110,000	3.0 - 5.0	7/24	\$ 8,690,000
Refunded Wastewater Treatment Bonds (7)	Oct. 2008	24,280,000	3.0 - 5.0	7/22	21,205,000
Refunded Wastewater Treatment Bonds (8)	May 2009	8,660,000	3.5 - 5.0	7/25	8,400,000
Refunded Wastewater Treatment Bonds (9)	Apr. 2010	15,080,000	3.0 - 4.0	7/20	15,080,000
Water Bonds	Oct. 2002	8,500,000	2.0 - 4.65	7/22	5,800,000
Refunded Water Bonds (10)	Oct. 2008	7,115,000	3.0 - 4.375	7/24	6,430,000
Refunded Water Bonds (11)	May 2009	9,750,000	4.0 - 4.5	7/25	9,360,000
Total Revenue Bonds					<u>\$ 74,965,000</u>
					<u><u>\$ 155,540,000</u></u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

- (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. Also, this bond issue refunded the October 1992, June 1994, April 1995, and March 1997 General Obligation Bonds.
- (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 refunded the November 1997 Water Construction General Obligation Bonds.
- (3) This bond issue refunded the April 1998, March 1999, and July 2000 General Obligation Bonds.
- (4) This bond issue refunded the June 2001 General Obligation Bonds.
- (5) This bond issue is an advance refunding of a portion of the May 2002 General Obligation Bonds.
- (6) This bond issue refunded the December 1999 Parking Revenue Bonds.
- (7) This bond issue refunded the March 1996, May 1997, and January 1999 Wastewater Revenue Bonds.
- (8) This bond issue refunded the October 2000 Wastewater Revenue Bonds.
- (9) This bond issue refunded the December 2001 and April 2002 Wastewater Revenue Bonds.
- (10) This bond issue refunded the May 1999 Water Revenue Bonds.
- (11) This bond issue refunded the December 2000 Water Revenue Bonds.

Conduit Debt Obligations

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

As of June 30, 2011, there were three series of Industrial Development Revenue Bonds, Facility Refunding Revenue Bonds, and Midwest Disaster Area Revenue Bonds outstanding, with an aggregate principal amount payable of \$39,183,764.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

Debt Legal Compliance

Legal Debt Margin:

As of June 30, 2011, the general obligation debt issued by the City did not exceed its legal debt limit computed as follows:

Assessed valuation:	
Real property	\$ 4,362,817,413
Utilities	<u>90,281,335</u>
Total valuation	<u>\$ 4,453,098,748</u>
Debt limit, 5% of total assessed valuation	\$ 222,654,937
Debt applicable to debt limit:	
General obligation bonds	<u>80,575,000</u>
Legal debt margin	<u>\$ 142,079,937</u>

7. Other Long-term Liabilities

Notes Payable

Changes in Long-Term Liabilities - Notes Payable

Note Payable activity for the year ended June 30, 2011, was as follows:

	<u>July 1, 2010</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:	<u>\$ 211,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,000</u>	<u>\$ -</u>

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

Employee Vested Benefits

Changes in Long-Term Liabilities - Employee Vested benefits

Employee Vested Benefits activity for the year ended June 30, 2011, was as follows:

	<u>July 1, 2010</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:	<u>\$ 2,099,762</u>	<u>\$ 1,206,797</u>	<u>\$ 1,133,652</u>	<u>\$ 2,172,907</u>	<u>\$ 1,180,751</u>
Business-type activities:	<u>\$ 523,018</u>	<u>\$ 284,662</u>	<u>\$ 288,275</u>	<u>\$ 519,405</u>	<u>\$ 290,601</u>

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

Landfill Closure / Post-Closure Care Costs

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

Landfill Closure Post-closure care activity for the year ended June 30, 2011, was as follows:

	<u>July 1, 2010</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2011</u>	<u>Due Within One Year</u>
Business-type activities:	<u>\$ 11,159,929</u>	<u>\$ 594,725</u>	<u>\$ -</u>	<u>\$ 11,754,654</u>	<u>\$ -</u>

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, 2011, is approximately \$11,754,654, which is based on 88.1% usage (filled) of the landfill and is included in accrued liabilities within the Sanitation Fund. It is estimated that an additional amount of approximately \$1,587,746 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, 2011, was determined by engineers from Howard R. Green Company and approximated \$13,342,400. 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, 2011. These amounts are based on an estimated post-closure care and monitoring period of 30 years, consistent with current State Department of Natural Resources regulations. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

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, 2011, the Sanitation Fund had \$13,641,828 in related equity in pooled cash and investments, at fair value designated for satisfaction of post-closure costs. The City estimates that these cash reserves will only provide a fraction of the dollars needed to close and monitor the landfill. The remaining portion of post-closure care costs, anticipated future inflation costs and additional costs that might arise from changes in post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users as well as City taxpayers.

Other Post Employment Benefits

Changes in Long-Term Liabilities - Other Post Employment Benefits

	Net OPEB Obligation		
	July 1, 2010	Current Year	June 30, 2011
Governmental activities:	\$ 1,350,150	\$ 355,481	\$ 1,705,631
Business-type activities:	\$ 396,338	\$ 155,372	\$ 551,710

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

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

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

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

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

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

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

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 591,292
Interest on net OPEB obligation	69,860
Adjustment to annual required contribution	<u>(62,376)</u>
Annual OPEB costs	598,776
Contributions made	<u>(87,922)</u>
Increase in net OPEB obligation	510,854
Net OPEB obligation beginning of year	<u>1,746,488</u>
Net OPEB obligation end of year	\$2,257,342

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation as of June 30, 2011 are summarized as follows:

	Annual	Percentage of Annual	Net OPEB
<u>Year Ended</u>	<u>OPEB Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>
		<u>Contributed from City</u>	
June 30, 2009	\$1,288,466	48.3%	\$ 665,791
June 30, 2010	\$1,291,319	16.3%	\$1,746,488
June 30, 2011	\$ 598,776	14.7%	\$2,257,342

Funded Status and Funding Progress: As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$6,893,438, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,893,438. The covered payroll (annual payroll of active employees covered by the plans) was \$29,842,842 and the ratio of the UAAL to covered payroll was 23.1%. As of June 30, 2011, there were no trust fund assets.

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

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

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

As of the July 1, 2010 actuarial valuation date, the actuarial cost method used is the entry age normal method. The actuarial assumption includes a 4% discount rate. The projected annual medical trend rate is 2.2%. The ultimate medical trend rate is 6%. The medical trend rate is increased to 10.0% for year two and then reduced by 0.5% each year until reaching the 6% ultimate trend rate. The projected annual dental trend rate is 2.9%. The ultimate dental trend rate is 4%. The dental trend rate is increased to 5.5% for year two and then reduced by 0.5% each year until reaching the 4% ultimate trend rate.

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

Projected claim costs of the health and dental plans are \$765.61 per month. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expenses over 30 years on an open basis.

8. Short Term Debt

Changes in Short-Term Liabilities - Notes Payable

Notes Payable activity for the year ended June 30, 2011, was as follows:

	<u>July 1, 2010</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2011</u>	<u>Due Within One Year</u>
Governmental activities:	<u>\$ 497,500</u>	<u>\$ 1,795,500</u>	<u>\$ 677,500</u>	<u>\$ 1,615,500</u>	<u>\$ 1,615,500</u>

During FY11, the City issued multiple short term loans totaling \$1,795,500 and repaid multiple short term loans totaling \$677,500. The loans mature one year from the date of the loan and bear interest rates ranging from 2% to 3.25%. The loans were used to fund the acquisition and rehabilitation of single family homes as part of the UniverCity Neighborhood Partnership Program (UniverCity). UniverCity is a cooperative effort of the City of Iowa City and the University of Iowa dedicated to ensuring that the University of Iowa Campus and surrounding neighborhoods remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners. The City secured a \$1.25 million I-JOBS grant that allows the program to acquire and rehabilitate 25 homes in the designated UniverCity

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

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

9. Fund Equity

The City implemented GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective with the June 30, 2011 financial statements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

Components of Fund Balance

	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Debt Service	Other Governmental Funds	Total
Nonspendable:							
Inventory	\$ 261,534	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 261,534
Perpetual Care Principal	69,000	-	-	-	-	-	69,000
Total Nonspendable	<u>330,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,534</u>
Restricted for:							
Public Safety	440,995	-	-	-	-	-	440,995
Local Option Sales Tax	15,582,610	-	-	-	-	-	15,582,610
Assets Held for Resale	195,000	-	-	-	-	-	195,000
Debt Service	-	-	-	-	13,150,718	-	13,150,718
GO Bond Projects	-	-	-	-	-	16,059,630	16,059,630
State Funding	-	-	-	481,043	-	-	481,043
Grant Agreement	-	-	1,925,290	-	-	-	1,925,290
Public Safety Employee Benefits	-	2,532,011	-	-	-	-	2,532,011
Economic Development	-	-	-	-	-	645,405	645,405
Other Restricted	49,882	-	-	-	-	95,235	145,117
Total Restricted	<u>16,268,487</u>	<u>2,532,011</u>	<u>1,925,290</u>	<u>481,043</u>	<u>13,150,718</u>	<u>16,809,270</u>	<u>51,157,819</u>
Assigned to:							
Library Programs	578,276	-	-	-	-	-	578,276
Senior Center Programs	58,264	-	-	-	-	-	58,264
Replacement and Acquisition Reserves	2,818,365	-	-	-	-	-	2,818,365
Other Assigned	87,048	-	-	-	-	-	87,048
Total Assigned	<u>3,541,953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,541,953</u>
Unassigned:	<u>15,930,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,741,187)</u>	<u>14,189,734</u>
Total Fund Balances	<u>\$ 36,071,895</u>	<u>\$ 2,532,011</u>	<u>\$ 1,925,290</u>	<u>\$ 481,043</u>	<u>\$ 13,150,718</u>	<u>\$ 15,059,083</u>	<u>\$ 69,220,040</u>

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; workplace accidents, errors and omissions; and natural disasters. During fiscal year 1988 the City established the Loss Reserve Fund, an internal service fund, to account for and finance its uninsured risks of loss. During the year ended June 30, 2011 the City purchased property, liability, and workers' compensation insurance under the program that provides for a \$100,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$400,000 self-insured retention on workers' compensation losses. The liability insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$21,000,000 annual aggregate of losses paid. The operating funds pay annual premiums to the Loss Reserve Fund. Accumulated monies in the Loss Reserve Fund are available to cover the self-insured retention amounts and any uninsured losses. Settled claims have not exceeded this commercial coverage in any of the past twenty four 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, 2011 based on the requirements of GASB Statement No.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

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, 2011 and 2010 are as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2009 – 2010	\$ 1,237,000	\$ 1,127,000	\$ 762,000	\$ 1,602,000
2010 – 2011	1,602,000	92,000	994,000	700,000

Also, the City is partially self-insured, through stop-loss insurance, for employee health care coverage, which is available to all of its permanent employees. This insurance provides stop-loss coverage for claims in excess of \$100,000 per employee with an aggregate stop-loss of \$9,316,713. The operating funds are charged premiums by the Loss Reserve Fund. The City reimburses a health insurance provider for actual medical costs incurred, plus a claims processing\administrative fee. Changes in the Loss Reserve Fund's claims liability amount for health care coverage for the years ended June 30, 2011 and 2010 are as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2009 – 2010	\$ 837,000	\$ 5,879,000	\$ 6,002,000	\$ 714,000
2010 – 2011	714,000	6,259,000	6,245,000	728,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

11. Commitments and Contingencies

The total outstanding contractual commitments as of June 30, 2011 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	\$ 4,878,023
Other construction	Public works construction, culture & recreation construction, and fire station construction	1,513,751
Parking	Garage improvements and repair & maintenance	669,778
Wastewater	Facility consolidation consulting and wastewater main repairs	472,898
Water	Water main construction and flood mitigation construction	103,374
Sanitation	Landfill consulting and recycling facility construction	2,376,409
Airport	Runway grading and paving	1,311,923
Stormwater	Stormwater system improvements	114,045
		<u>\$ 11,440,201</u>

The total significant encumbrances as of June 30, 2011 are as follows:

<u>Fund</u>	<u>Project</u>	<u>Amount</u>
Other Governmental Other Construction	Transit buses, fire equipment, and police equipment	\$ 841,717
		<u>\$ 841,717</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

12. Contingent Liabilities

Litigation

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

13. Pension and Retirement Systems

Municipal Fire and Police Retirement System of Iowa

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

Member contribution rates are established by state statute. For the fiscal year ended June 30, 2011, members contributed 9.40%. The City's contribution rate is based upon an actuarially determined normal contribution rate. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, the total then being divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions. Legislatively appropriated contributions from the state to the plan may further reduce the City's contribution rate. However, the City's contribution rate may not be less than 17% of earnable compensation.

The City was required to contribute 19.90% of earnable compensation of each member in 2011, 17.0% of earnable compensation in 2010, and 18.75% of earnable compensation in 2009. The contributions paid by the City for the years ended June 30, 2009, 2010, and 2011, were \$1,434,031, \$1,349,558, and \$1,826,791 respectively, and was equal to the required contributions for each year.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

Iowa Public Employees Retirement System

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

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

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

Plan members are required to contribute 4.5% of their annual covered salary and the City is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2010, and 2011, were \$1,659,955, \$1,767,350, and \$1,969,422 respectively, and were equal to the required contributions for each year.

14. 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 67,862 people and has over 23,000 customers. The average daily use for 2011 was 5.51 million gallons per day (MGD). A peak flow of 8.23 MGD was experienced during the summer of 2005.

Water Sources: The primary source of water for the City is the alluvial aquifer collector wells along the Iowa River. Four collector wells can provide approximately 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 1.5 MGD; a river intake that can provide 3.0 MGD; for a total of approximately 18.5 MGD maximum capacity.

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

Distribution System: The water flows through approximately 290 miles of water mains and includes over 25,000 service connections. The distribution piping consists of cast iron, ductile and PVC main that ranges in size from 2" to 30". The treatment plant site has effective water storage capacity of 1.75 million gallons of water; in addition there are four remote ground storage reservoirs (with pumping stations) that add up to remote effective storage capacity of 6.0 million gallons of water. The water system also provides for fire protection with approximately 3,100 hydrants located throughout the community.

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, 2010.

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

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

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

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

Single Purpose Meter Charges

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

Changes in water rates over the last ten fiscal years.

2002	0%
2003	- 5%
2004	- 5%
2005	0%
2006	0%
2007	- 5%
2008	0%
2009	0%
2010	0%
2011	0%

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

Financial Information: The following table summarizes the results of operations for the Water System for the fiscal years ended June 30, 2011, 2010, and 2009.

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

Last Three Fiscal Years
(amounts expressed in thousands)

	2011	2010	2009
Operating Revenues:			
Charges for services	\$ 8,054	\$ 7,957	\$ 8,107
Miscellaneous	42	28	86
Total operating revenues	<u>8,096</u>	<u>7,985</u>	<u>8,193</u>
Operating Expenses:			
Personal services	2,407	2,246	2,316
Commodities	929	987	768
Services and charges	<u>2,128</u>	<u>1,920</u>	<u>2,642</u>
	5,464	5,153	5,726
Depreciation	<u>2,230</u>	<u>2,180</u>	<u>2,124</u>
Total operating expenses	<u>7,694</u>	<u>7,333</u>	<u>7,850</u>
Operating income	<u>402</u>	<u>652</u>	<u>343</u>
Nonoperating Revenues (Expenses):			
Gain (Loss) on disposal of capital assets	-	5	-
Insurance Recoveries	2	33	-
Operating Grants	-	6	15
Interest income	256	312	625
Interest expense	<u>(1,032)</u>	<u>(1,092)</u>	<u>(1,351)</u>
Total nonoperating revenues (expenses)	<u>(774)</u>	<u>(736)</u>	<u>(711)</u>
Income before capital contributions and transfers	(372)	(84)	(368)
Capital contributions	973	572	132
Transfers in	795	756	469
Transfers out	<u>(336)</u>	<u>(343)</u>	<u>(698)</u>
Change in net assets	1,060	901	(465)
Net Assets, Beginning	<u>61,042</u>	<u>60,141</u>	<u>60,606</u>
Net Assets, Ending	<u>\$ 62,102</u>	<u>\$ 61,042</u>	<u>\$ 60,141</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

The following table summarizes the budget and actual figures for the Water System for the fiscal year ended June 30, 2011 and the budget for the fiscal year ended June 30, 2012 on a cash basis.

WATER SYSTEM BUDGET AND ACTUALS (CASH BASIS)

For the Year Ended June 30, 2011

(amounts expressed in thousands)

	Actual	Budget	Percentage	FY12 Budget
Charges for services	\$ 8,032	\$ 8,366	96.01%	\$ 8,502
Interest income	141	190	74.21%	173
Miscellaneous	78	49	159.18%	28
Operating grants	44	2,272	1.94%	2,445
Transfers from other funds	-	336	0.00%	336
Bond sales	-	-	0.00%	-
Total Receipts	<u>\$ 8,295</u>	<u>\$ 11,213</u>	<u>73.98%</u>	<u>\$ 11,484</u>
Personal services	\$ 2,513	\$ 2,481	101.29%	\$ 2,715
Commodities	591	782	75.58%	749
Services and charges	2,307	2,857	80.75%	2,274
Capital outlay	1,749	5,273	33.17%	5,527
Transfer to capital project funds	315	982	32.08%	942
Operating subsidy	20	20	100.00%	23
Debt service payments	2,757	2,757	100.00%	2,803
Total Disbursements	<u>\$ 10,252</u>	<u>\$ 15,152</u>	<u>67.66%</u>	<u>\$ 15,033</u>

Sewer System

The City of Iowa City operates a municipal Sewer Utility System consisting of approximately 254 miles of sanitary sewers, 15 sanitary sewer lift stations, 2 storm water pumping stations, and 2 treatment plants. There are a total of 25.60 (FTE) employees who work in the Wastewater Division. This division serves 67,862 people and has over 23,000 customers. The average daily combined treatment flow for 2011 was 10.37 million gallons per day (MGD).

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

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, 2010.

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.

2002	5%
2003	0%
2004	0%
2005	0%
2006	0%
2007	8%
2008	0%
2009	5%
2010	0%
2011	0%

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

Financial Information: The following table summarizes the results of operations for the Sewer System for the fiscal years ended June 30, 2011, 2010, and 2009.

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

Last Three Fiscal Years
(amounts expressed in thousands)

	2011	2010	2009
Operating Revenues:			
Charges for services	\$ 12,836	\$ 12,637	\$ 12,557
Miscellaneous	63	73	84
Total operating revenues	<u>12,899</u>	<u>12,710</u>	<u>12,641</u>
Operating Expenses:			
Personal services	1,961	1,874	1,848
Commodities	895	645	853
Services and charges	<u>2,621</u>	<u>2,531</u>	<u>2,501</u>
	5,477	5,050	5,202
Depreciation	<u>4,017</u>	<u>4,178</u>	<u>4,155</u>
Total operating expenses	<u>9,494</u>	<u>9,228</u>	<u>9,357</u>
 Operating income	 <u>3,405</u>	 <u>3,482</u>	 <u>3,284</u>
Nonoperating Revenues (Expenses):			
Gain (loss) on disposal of capital assets	(40)	-	131
Operating grants	-	-	1
Interest income	382	464	820
Interest expense	<u>(1,704)</u>	<u>(2,173)</u>	<u>(2,578)</u>
Total nonoperating revenues (expenses)	<u>(1,362)</u>	<u>(1,709)</u>	<u>(1,626)</u>
 Income before capital contributions and transfers	 <u>2,043</u>	 <u>1,773</u>	 <u>1,658</u>
 Capital contributions	 2,394	 2,115	 266
Transfers in	1,716	167	148
Transfers out	<u>(171)</u>	<u>(202)</u>	<u>(296)</u>
 Change in net assets	 5,982	 3,853	 1,776
 Net Assets, Beginning	 <u>78,748</u>	 <u>74,895</u>	 <u>73,119</u>
 Net Assets, Ending	 <u><u>\$ 84,730</u></u>	 <u><u>\$ 78,748</u></u>	 <u><u>\$ 74,895</u></u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

The following table summarizes the budget and actual figures for the Sewer System for the fiscal year ended June 30, 2011 and the budget for the fiscal year ended June 30, 2012 on a cash basis.

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

For the Year Ended June 30, 2011

(amounts expressed in thousands)

	Actual	Budget	Percentage	FY12 Budget
Charges for services	\$ 12,759	\$ 13,427	95.02%	\$ 12,752
Interest income	301	100	301.00%	100
Miscellaneous	67	57	117.54%	57
Operating grants	1,355	5,700	23.77%	9,491
Local option sales tax	950	9,286	10.23%	12,596
Bond sales	-	-	0.00%	-
Total Receipts	<u>\$ 15,432</u>	<u>\$ 28,570</u>	<u>54.01%</u>	<u>\$ 34,996</u>
Personal services	\$ 2,003	\$ 1,962	102.09%	\$ 2,160
Commodities	591	547	108.04%	558
Services and charges	4,852	2,879	168.53%	2,783
Capital outlay	1,582	19,396	8.16%	26,150
Transfer to capital project funds	(135)	774	-17.44%	725
Operating subsidy	20	20	100.00%	23
Debt service payments	23,014	23,375	98.46%	6,308
Total Disbursements	<u>\$ 31,927</u>	<u>\$ 48,953</u>	<u>65.22%</u>	<u>\$ 38,707</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2011

15. Subsequent events

On November 14, 2011, the Midwest Disaster Area Revenue Bonds, Conduit Debt of the City of Iowa City, in the amount of \$1,840,000 was paid in full by the private sector entity directly to the bond trustee, a third party financial institution.

16. New Governmental Accounting Standards Board (GASB) Standards

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

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; issued November 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; issued December 2010, will be effective for the fiscal year ending June 30, 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the fiscal year ending June 30, 2013. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment to GASB Statement No. 53*, issued June 2011, will be effective for the fiscal year ending June 30, 2012. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider.

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, 2011
(dollar amounts expressed in thousands)

	Governmental Fund Types Actual Budgetary Basis	Enterprise Fund Types Actual Budgetary Basis	Total Actual Budgetary Basis
Revenues:			
Property taxes	\$ 47,826	\$ -	\$ 47,826
Delinquent property taxes	8	-	8
Tax increment financing taxes	846	-	846
Other city taxes	10,865	-	10,865
Licenses and permits	1,409	5	1,414
Intergovernmental	30,184	9,430	39,614
Charges for services	6,025	34,628	40,653
Use of money and property	374	1,131	1,505
Miscellaneous	5,690	1,720	7,410
Total revenues	103,227	46,914	150,141
Expenditures/Expenses:			
Public safety	18,703	-	18,703
Public works	13,434	-	13,434
Culture and recreation	11,805	-	11,805
Community and economic development	19,120	-	19,120
General government	7,460	-	7,460
Debt service	14,053	-	14,053
Capital outlay	18,655	-	18,655
Business-type	-	69,838	69,838
Total expenditures/expenses	103,230	69,838	173,068
Excess (deficiency) of revenues over (under) expenditures/expenses	(3)	(22,924)	(22,927)
Other financing sources and uses, net	30,911	(433)	30,478
Net change in fund balances	30,908	(23,357)	7,551
Balances, beginning of year	52,877	103,091	155,968
Balances, end of year	83,785	79,734	163,519

See Note to Required Supplementary Information.

Budgeted Amounts			
Original	Final	Final to Actual Variance - Positive (Negative)	
\$ 47,789	\$ 47,789	\$ 37	
-	-	8	
840	840	6	
10,265	11,011	(146)	
1,335	1,342	72	
37,636	85,782	(46,168)	
39,621	41,385	(732)	
2,187	1,124	381	
3,785	7,635	(225)	
143,458	196,908	(46,767)	
20,149	20,813	2,110	
13,579	14,422	988	
11,981	12,380	575	
4,796	40,153	21,033	
8,350	8,512	1,052	
14,045	14,196	143	
17,292	68,902	50,247	
73,909	101,292	31,454	
164,101	280,670	107,602	
(20,643)	(83,762)	60,835	
10,971	38,551	(8,073)	
(9,672)	(45,211)	52,762	
103,163	315,974		
93,491	270,763		

CITY OF IOWA CITY

BUDGETARY COMPARISON SCHEDULE BUDGET TO GAAP RECONCILIATION REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2011
(dollar amounts expressed in thousands)

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 103,227	\$ (815)	\$ 102,412
Expenditures	103,230	(5,528)	97,702
Net	(3)	4,713	4,710
Other financing sources (uses)	30,911	(17,132)	13,779
Beginning Fund Balances	\$ 52,877	\$ (2,146)	\$ 50,731
Ending Fund Balances	\$ 83,785	\$ (14,565)	\$ 69,220

	Enterprise Fund Types		
	Budget Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 46,914	\$ (1,483)	\$ 45,431
Expenditures	69,838	(27,042)	42,796
Net	(22,924)	25,559	2,635
Other financing sources (uses)	(433)	8,577	8,144
Beginning Fund Balances	103,091	\$ 144,918	248,009
Ending Fund Balances	\$ 79,734	\$ 179,054	\$ 258,788

See Note to Required Supplementary Information.

City of Iowa City, Iowa
Note to Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2011

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

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

During the year, budget amendments increased budgeted revenues by \$53,450,000 and expenditures by \$116,569,000. The budget amendments were primarily due to changes in the breadth and timing of capital improvement projects, which the City budgets in full during the initial year of the projects and amends future year budgets for carryover. Additional amendments are related to flood recovery and mitigation costs and the associated grants from flooding in the summer of 2008.

City of Iowa City, Iowa**Note to Required Supplementary Information – Schedule of Funding Progress for Health and Dental Plans****For the Year Ended June 30, 2011**

Actuarial Valuation Date	Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
July 1, 2008	June 30, 2009	\$ -	\$ 15,235,196	\$ 15,235,196	0.00%	\$ 32,804,905	46.44%
July 1, 2008	June 30, 2010	\$ -	\$ 15,235,196	\$ 15,235,196	0.00%	\$ 32,804,905	46.44%
July 1, 2010	June 30, 2011	\$ -	\$ 6,893,438	\$ 6,893,438	0.00%	\$ 29,842,842	23.10%

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

CAPITAL 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, 2011
(amounts expressed in thousands)

	Special Revenue		Capital Projects		
	Economic Development	Metropolitan Planning Organization of Johnson County	Bridge, Street, and Traffic Control Construction	Other Construction	Total
Assets					
Equity in pooled cash and investments	\$ 657	\$ 74	\$ 1,336	\$ -	\$ 2,067
Receivables:					
Accounts and unbilled usage	-	-	63	9	72
Interest	2	-	-	23	25
Due from other governments	-	47	1,320	805	2,172
Assets held for resale	-	-	165	-	165
Restricted assets:					
Equity in pooled cash and investments	-	-	1	16,990	16,991
Total assets	\$ 659	\$ 121	\$ 2,885	\$ 17,827	\$ 21,492
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 14	\$ -	\$ 48	\$ 194	\$ 256
Contracts payable	-	-	782	1,104	1,886
Accrued liabilities	-	26	16	15	57
Due to other governments	-	-	2,834	-	2,834
Deferred revenue	-	-	945	454	1,399
Liabilities payable from restricted assets:					
Deposits	-	-	1	-	1
Total liabilities	14	26	4,626	1,767	6,433
Fund balances:					
Restricted	645	95	-	16,060	16,800
Unassigned	-	-	(1,741)	-	(1,741)
Total fund balances	645	95	(1,741)	16,060	15,059
Total liabilities and fund balances	\$ 659	\$ 121	\$ 2,885	\$ 17,827	\$ 21,492

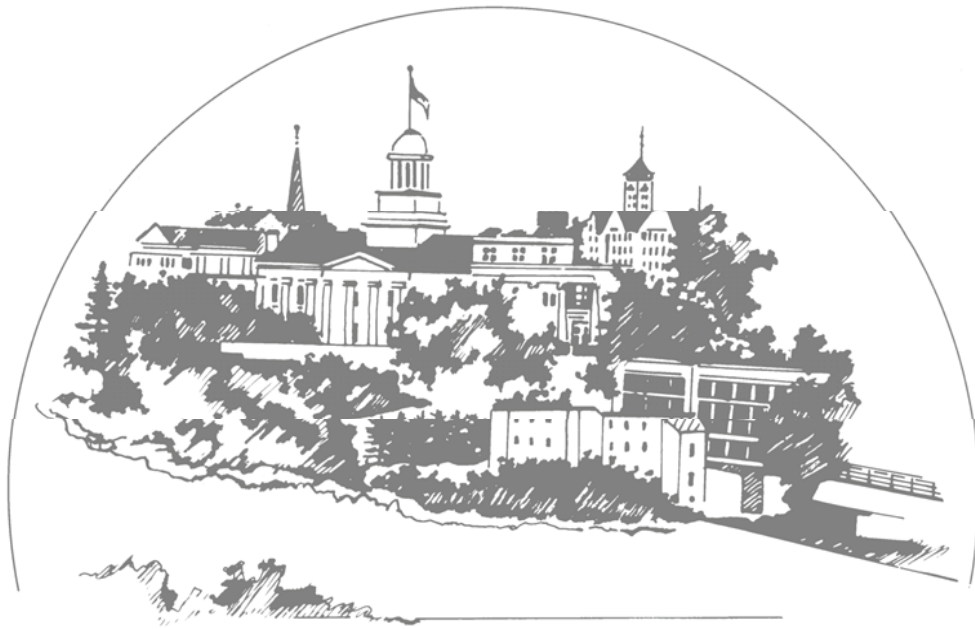
CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2011

(amounts expressed in thousands)

	Special Revenue		Capital Projects		
		Metropolitan	Bridge,		
		Planning	Street, and		
		Organization	Traffic		
	Economic	of Johnson	Control	Other	
	Development	County	Construction	Construction	Total
Revenues					
Property taxes	\$ 838	\$ -	\$ 286	\$ -	\$ 1,124
Intergovernmental	-	308	2,354	1,823	4,485
Use of money and property	-	-	10	13	23
Miscellaneous	-	6	413	143	562
Total revenues	838	314	3,063	1,979	6,194
Expenditures					
Current:					
Public safety	-	-	-	400	400
Public works	-	-	1,902	333	2,235
Culture and recreation	-	-	-	755	755
Community and economic development	388	668	-	120	1,176
General government	-	-	-	139	139
Capital outlay	-	6	5,971	6,032	12,009
Total expenditures	388	674	7,873	7,779	16,714
Excess (deficiency) of revenues over (under) expenditures	450	(360)	(4,810)	(5,800)	(10,520)
Other Financing Sources (Uses)					
Issuance of bonds	-	-	-	16,165	16,165
Insurance Recoveries	-	-	-	167	167
Premium on issuance of bonds	-	-	-	181	181
Transfers in	92	368	7,594	896	8,950
Transfers out	(51)	-	(3,318)	(5,336)	(8,705)
Total other financing sources and (uses)	41	368	4,276	12,073	16,758
Net change in fund balances	491	8	(534)	6,273	6,238
Fund Balances, Beginning	154	87	(1,207)	9,787	8,821
Fund Balances, Ending	\$ 645	\$ 95	\$ (1,741)	\$ 16,060	\$ 15,059



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, 2011

(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 465	\$ 665	\$ 1,394	\$ 2,524
Receivables:				
Accounts and unbilled usage	-	71	184	255
Interest	1	1	3	5
Due from other governments	305	-	-	305
Total current assets	771	737	1,581	3,089
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and investments	9	-	109	118
Capital assets:				
Land	7,286	2,167	-	9,453
Buildings	4,055	-	741	4,796
Improvements other than buildings	357	-	-	357
Machinery and equipment	281	259	125	665
Infrastructure	12,270	35,095	-	47,365
Accumulated depreciation	(3,521)	(8,426)	(337)	(12,284)
Construction in progress	350	2,475	-	2,825
Total noncurrent assets	21,087	31,570	638	53,295
Total assets	21,858	32,307	2,219	56,384
Liabilities				
Current liabilities:				
Accounts payable	2	25	109	136
Contracts payable	87	51	-	138
Accrued liabilities	3	9	23	35
Employee vested benefits	1	2	14	17
Total current liabilities	93	87	146	326
Noncurrent liabilities:				
Liabilities payable from restricted assets:				
Deposits	9	-	-	9
Advances from other funds	1,463	-	-	1,463
Employee vested benefits	1	1	12	14
Other Post Employment Benefits Obligation	3	4	19	26
Total noncurrent liabilities	1,476	5	31	1,512
Total liabilities	1,569	92	177	1,838
Net Assets				
Invested in capital assets, net of related debt	21,078	31,570	529	53,177
Unrestricted	(789)	645	1,513	1,369
Total net assets	\$ 20,289	\$ 32,215	\$ 2,042	\$ 54,546

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, 2011
(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
Operating Revenues:				
Charges for services	\$ 293	\$ 641	\$ 809	\$ 1,743
Total operating revenues	<u>293</u>	<u>641</u>	<u>809</u>	<u>1,743</u>
Operating Expenses:				
Personal services	39	182	447	668
Commodities	20	385	18	423
Services and charges	<u>272</u>	<u>172</u>	<u>148</u>	<u>592</u>
	331	739	613	1,683
Depreciation	<u>728</u>	<u>679</u>	<u>40</u>	<u>1,447</u>
Total operating expenses	<u>1,059</u>	<u>1,418</u>	<u>653</u>	<u>3,130</u>
Operating income (loss)	<u>(766)</u>	<u>(777)</u>	<u>156</u>	<u>(1,387)</u>
Nonoperating Revenues (Expenses):				
Gain on disposal of capital assets	353	-	1	354
Interest income	<u>2</u>	<u>2</u>	<u>4</u>	<u>8</u>
Total nonoperating revenues (expenses)	<u>355</u>	<u>2</u>	<u>5</u>	<u>362</u>
Income (loss) before capital contributions and transfers	(411)	(775)	161	(1,025)
Capital contributions	358	140	-	498
Transfers in	199	1,856	-	2,055
Transfers out	<u>(136)</u>	<u>(39)</u>	<u>(55)</u>	<u>(230)</u>
Change in net assets	10	1,182	106	1,298
Net Assets, Beginning	<u>20,279</u>	<u>31,033</u>	<u>1,936</u>	<u>53,248</u>
Net Assets, Ending	<u><u>\$ 20,289</u></u>	<u><u>\$ 32,215</u></u>	<u><u>\$ 2,042</u></u>	<u><u>\$ 54,546</u></u>

CITY OF IOWA CITY, IOWA

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2011

(amounts expressed in thousands)

	Airport	Stormwater	Cable Television	Total
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 293	\$ 630	\$ 805	\$ 1,728
Payments to suppliers	(313)	(534)	(170)	(1,017)
Payments to employees	(42)	(185)	(448)	(675)
Net cash flows from operating activities	<u>(62)</u>	<u>(89)</u>	<u>187</u>	<u>36</u>
Cash Flows From Noncapital Financing Activities				
Transfers from other funds	199	1,856	-	2,055
Transfers to other funds	(136)	(39)	(55)	(230)
Repayment of advances from other funds	(42)	-	-	(42)
Net cash flows from noncapital financing activities	<u>21</u>	<u>1,817</u>	<u>(55)</u>	<u>1,783</u>
Cash Flows From Capital and Related Financing Activities				
Capital grants received	357	-	-	357
Acquisition and construction of property and equipment	(521)	(2,380)	(41)	(2,942)
Proceeds from sale of property	376	-	1	377
Net cash flows from capital and related financing activities	<u>212</u>	<u>(2,380)</u>	<u>(40)</u>	<u>(2,208)</u>
Cash Flows From Investing Activities				
Interest on investments	<u>1</u>	<u>3</u>	<u>3</u>	<u>7</u>
Net increase (decrease) in cash and cash equivalents	172	(649)	95	(382)
Cash and Cash Equivalents, Beginning	<u>302</u>	<u>1,314</u>	<u>1,408</u>	<u>3,024</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 474</u></u>	<u><u>\$ 665</u></u>	<u><u>\$ 1,503</u></u>	<u><u>\$ 2,642</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ (766)	\$ (777)	\$ 156	\$ (1,387)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation expense	728	679	40	1,447
Changes in:				
Receivables:				
Accounts and unbilled usage	-	(11)	(4)	(15)
Accounts payable	(21)	23	(4)	(2)
Accrued liabilities	2	(1)	5	6
Employee vested benefits	-	(2)	1	(1)
Other Post Employment Benefits Obligation	(5)	-	(7)	(12)
Total adjustments	<u>704</u>	<u>688</u>	<u>31</u>	<u>1,423</u>
Net cash flows from operating activities	<u><u>\$ (62)</u></u>	<u><u>\$ (89)</u></u>	<u><u>\$ 187</u></u>	<u><u>\$ 36</u></u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets from government and others	\$ -	\$ 140	\$ -	\$ 140

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, 2011

(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 7,275	\$ 694	\$ 10,218	\$ 2,470	\$ 20,657
Receivables:					
Interest	14	1	19	5	39
Due from other governments	97	-	-	-	97
Inventories	517	-	-	-	517
Total current assets	7,903	695	10,237	2,475	21,310
Noncurrent assets:					
Capital assets:					
Land	45	-	-	-	45
Buildings	578	-	-	243	821
Improvements other than buildings	50	-	-	-	50
Machinery and equipment	13,492	205	14	1,685	15,396
Infrastructure	-	-	-	1,094	1,094
Accumulated depreciation	(8,905)	(128)	(7)	(1,783)	(10,823)
Construction in progress	-	-	-	376	376
Total noncurrent assets	5,260	77	7	1,615	6,959
Total assets	13,163	772	10,244	4,090	28,269
Liabilities					
Current liabilities:					
Accounts payable	425	1	36	32	494
Accrued liabilities	39	2	1,435	49	1,525
Employee vested benefits	36	1	3	24	64
Total current liabilities	500	4	1,474	105	2,083
Noncurrent liabilities:					
Employee vested benefits	28	-	3	19	50
Other Post Employment Benefits Obligation	(3)	3	(26)	47	21
Total noncurrent liabilities	25	3	(23)	66	71
Total liabilities	525	7	1,451	171	2,154
Net Assets					
Invested in capital assets, net of related debt	5,260	77	7	1,615	6,959
Unrestricted	7,378	688	8,786	2,304	19,156
Total net assets	\$ 12,638	\$ 765	\$ 8,793	\$ 3,919	\$ 26,115

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, 2011

(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Operating Revenues:					
Charges for services	\$ 5,364	\$ 239	\$ 9,970	\$ 1,801	\$ 17,374
Miscellaneous	-	-	2	6	8
Total operating revenues	<u>5,364</u>	<u>239</u>	<u>9,972</u>	<u>1,807</u>	<u>17,382</u>
Operating Expenses:					
Personal services	865	56	153	1,043	2,117
Commodities	2,114	7	28	384	2,533
Services and charges	<u>370</u>	<u>130</u>	<u>6,995</u>	<u>422</u>	<u>7,917</u>
	3,349	193	7,176	1,849	12,567
Depreciation	<u>1,166</u>	<u>23</u>	<u>3</u>	<u>212</u>	<u>1,404</u>
Total operating expenses	<u>4,515</u>	<u>216</u>	<u>7,179</u>	<u>2,061</u>	<u>13,971</u>
Operating income (loss)	<u>849</u>	<u>23</u>	<u>2,793</u>	<u>(254)</u>	<u>3,411</u>
Nonoperating Revenues (Expenses):					
Gain (loss) on disposal of capital assets	124	(4)	2	10	132
Interest income	<u>21</u>	<u>2</u>	<u>31</u>	<u>7</u>	<u>61</u>
Total nonoperating revenues (expenses)	<u>145</u>	<u>(2)</u>	<u>33</u>	<u>17</u>	<u>193</u>
Income (loss) before capital contributions and transfers	994	21	2,826	(237)	3,604
Transfers in	14	-	-	331	345
Transfers out	<u>(277)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>(280)</u>
Change in net assets	731	18	2,826	94	3,669
Net Assets, Beginning	<u>11,907</u>	<u>747</u>	<u>5,967</u>	<u>3,825</u>	<u>22,446</u>
Net Assets, Ending	<u>\$ 12,638</u>	<u>\$ 765</u>	<u>\$ 8,793</u>	<u>\$ 3,919</u>	<u>\$ 26,115</u>

CITY OF IOWA CITY, IOWA

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2011
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 5,342	\$ 239	\$ 9,972	\$ 1,828	\$ 17,381
Payments to suppliers	(2,376)	(139)	(7,198)	(994)	(10,707)
Payments to employees	(893)	(44)	(1,052)	(1,002)	(2,991)
Net cash flows from operating activities	<u>2,073</u>	<u>56</u>	<u>1,722</u>	<u>(168)</u>	<u>3,683</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	14	-	-	331	345
Operating transfers to other funds	(277)	(3)	-	-	(280)
Net cash flows from noncapital financing activities	<u>(263)</u>	<u>(3)</u>	<u>-</u>	<u>331</u>	<u>65</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of property and equipment	(1,879)	(1)	(6)	(536)	(2,422)
Proceeds from sale of property	130	-	2	10	142
Net cash flows from capital and related financing activities	<u>(1,749)</u>	<u>(1)</u>	<u>(4)</u>	<u>(526)</u>	<u>(2,280)</u>
Cash Flows From Investing Activities					
Interest on investments	<u>17</u>	<u>2</u>	<u>24</u>	<u>6</u>	<u>49</u>
Net increase in cash and cash equivalents	78	54	1,742	(357)	1,517
Cash and Cash Equivalents, Beginning	<u>7,197</u>	<u>640</u>	<u>8,476</u>	<u>2,827</u>	<u>19,140</u>
Cash and Cash Equivalents, Ending	<u>\$ 7,275</u>	<u>\$ 694</u>	<u>\$ 10,218</u>	<u>\$ 2,470</u>	<u>\$ 20,657</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 849	\$ 23	\$ 2,793	\$ (254)	\$ 3,411
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation expense	1,166	23	3	212	1,404
Changes in:					
Receivables:					
Accounts and unbilled usage	19	-	-	5	24
Due from other governments	(41)	-	-	16	(25)
Inventories	(194)	-	-	-	(194)
Accounts payable	302	(2)	(175)	(188)	(63)
Accrued liabilities	2	-	(888)	11	(875)
Employee vested benefits	(3)	(1)	1	8	5
Other Post Employment Benefits Obligation	(27)	13	(12)	22	(4)
Total adjustments	<u>1,224</u>	<u>33</u>	<u>(1,071)</u>	<u>86</u>	<u>272</u>
Net cash flows from operating activities	<u>\$ 2,073</u>	<u>\$ 56</u>	<u>\$ 1,722</u>	<u>\$ (168)</u>	<u>\$ 3,683</u>

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, 2011
(amounts expressed in thousands)

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Project Green				
Assets				
Equity in pooled cash and investments	\$ 229	\$ 59	\$ 82	\$ 206
Interest receivable	1	1	1	1
Total assets	<u>\$ 230</u>	<u>\$ 60</u>	<u>\$ 83</u>	<u>\$ 207</u>
Liabilities				
Accounts payable	\$ 19	\$ -	\$ 19	\$ -
Due to agency	211	60	64	207
Total liabilities	<u>\$ 230</u>	<u>\$ 60</u>	<u>\$ 83</u>	<u>\$ 207</u>
Library Foundation				
Assets				
Equity in pooled cash and investments	\$ 6	\$ 7	\$ 11	\$ 2
Accounts receivable	5	4	-	9
	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ 11</u>
Liabilities				
Accrued liabilities	\$ 11	\$ 11	\$ 11	\$ 11
Total liabilities	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ 11</u>
Total Agency Funds				
Assets				
Equity in pooled cash and investments	\$ 235	\$ 66	\$ 93	\$ 208
Accounts receivable	5	4	-	9
Interest receivable	1	1	1	1
Total assets	<u>\$ 241</u>	<u>\$ 71</u>	<u>\$ 94</u>	<u>\$ 218</u>
Liabilities				
Accounts payable	\$ 19	\$ -	\$ 19	\$ -
Accrued liabilities	11	11	11	11
Due to agency	211	60	64	207
Total liabilities	<u>\$ 241</u>	<u>\$ 71</u>	<u>\$ 94</u>	<u>\$ 218</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.	101
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	106
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.	116
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.	126
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.	128

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 Nine Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$ 73,447	\$ 67,090	\$ 84,768	\$ 95,227	\$ 101,027	\$ 104,833	\$ 100,741	111,703	123,935
Restricted	22,499	17,705	16,973	6,852	8,181	23,741	26,586	25,588	31,179
Unrestricted	16,926	11,700	3,793	10,827	11,043	1,119	17,938	32,478	36,862
Total governmental activities net assets	<u>\$ 112,872</u>	<u>\$ 96,495</u>	<u>\$ 105,534</u>	<u>\$ 112,906</u>	<u>\$ 120,251</u>	<u>\$ 129,693</u>	<u>\$ 145,265</u>	<u>\$ 169,769</u>	<u>\$ 191,976</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ 111,487	\$ 150,817	\$ 150,797	\$ 155,346	\$ 172,518	\$ 156,075	\$ 162,211	172,601	186,177
Restricted	24,420	14,932	15,038	15,682	23,893	21,320	19,159	17,588	20,658
Unrestricted	33,339	36,246	40,780	42,988	33,695	60,225	63,842	65,725	61,032
Total business-type activities net assets	<u>\$ 169,246</u>	<u>\$ 201,995</u>	<u>\$ 206,615</u>	<u>\$ 214,016</u>	<u>\$ 230,106</u>	<u>\$ 237,620</u>	<u>\$ 245,212</u>	<u>\$ 255,914</u>	<u>\$ 267,867</u>
Primary government									
Invested in capital assets, net of related debt	\$ 184,934	\$ 217,907	\$ 235,565	\$ 250,573	\$ 273,545	\$ 260,908	\$ 262,952	284,304	310,112
Restricted	46,919	32,637	32,011	22,534	32,074	45,061	45,025	43,176	51,837
Unrestricted	50,265	47,946	44,573	53,815	44,738	61,344	82,500	98,203	97,894
Total primary government net assets	<u>\$ 282,118</u>	<u>\$ 298,490</u>	<u>\$ 312,149</u>	<u>\$ 326,922</u>	<u>\$ 350,357</u>	<u>\$ 367,313</u>	<u>\$ 390,477</u>	<u>\$ 425,683</u>	<u>\$ 459,843</u>

CITY OF IOWA CITY, IOWA

CHANGES IN NET ASSETS

Last Nine Fiscal Years
(Accrual basis of accounting)
(amounts expressed in thousands)

	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
Public safety	\$ 13,844	\$ 15,015	\$ 15,286	\$ 16,690	\$ 16,694	\$ 20,504	\$ 20,730	\$ 19,955	\$ 18,867
Public works	11,539	10,423	11,521	12,723	13,560	13,727	15,177	16,806	19,145
Culture and recreation	10,131	12,051	11,341	11,458	11,970	13,460	9,574	12,238	10,811
Community and economic development	3,133	2,580	6,960	6,264	4,680	1,850	8,726	16,913	16,501
General government	6,251	6,527	6,500	6,892	7,258	7,433	7,600	7,549	7,356
Debt service	3,662	3,440	3,602	3,404	3,459	3,517	3,264	2,970	2,841
Total governmental activities expenses	48,560	50,036	55,210	57,431	57,621	60,491	65,071	76,431	75,521
Business-type activities:									
Wastewater	12,086	12,344	12,214	11,710	11,537	11,757	11,925	11,274	10,971
Water	7,861	8,011	8,313	9,324	8,823	8,804	9,185	8,309	8,523
Sanitation	4,082	6,103	6,031	6,101	6,684	6,868	7,296	7,705	7,461
Housing authority	6,519	7,219	7,466	7,026	6,884	7,374	7,238	7,838	7,448
Parking	3,554	3,898	3,989	3,884	4,403	3,913	4,489	4,536	4,135
Airport	431	515	520	512	418	560	693	724	1,049
Stormwater	-	652	1,452	817	932	1,072	1,223	1,187	1,418
Cable television	687	549	607	576	525	598	633	645	638
Total business-type activities expenses	35,220	39,291	40,592	39,950	40,206	40,946	42,682	42,218	41,643
Total primary government expenses	\$ 83,780	\$ 89,327	\$ 95,802	\$ 97,381	\$ 97,827	\$ 101,437	\$ 107,753	\$ 118,649	\$ 117,164
Program Revenues									
Governmental activities:									
Charges for services	\$ 2,507	\$ 3,038	\$ 2,928	\$ 2,971	\$ 3,088	\$ 3,019	\$ 2,968	\$ 2,980	\$ 3,279
Public safety	1,118	1,006	1,076	1,062	1,229	1,047	1,392	1,061	1,117
Public works	1,145	630	653	707	712	680	715	773	872
Culture and recreation	192	-	-	-	-	-	-	-	-
Community and economic development	1,416	1,428	1,482	1,556	1,569	1,633	1,626	2,574	2,931
General government	2,965	2,150	2,592	2,937	3,215	3,611	8,185	15,554	13,517
Operating grants and contributions	2,205	6,198	7,679	3,849	4,283	1,747	3,773	8,291	6,048
Capital grants and contributions	11,548	14,450	16,410	13,082	14,096	11,737	18,659	31,233	27,764
Total governmental activities program revenues									
Business-type activities:									
Charges for services:									
Wastewater	12,445	12,580	12,145	12,145	12,535	12,318	12,557	12,637	12,836
Water	9,677	9,164	8,602	9,012	8,240	8,195	8,107	7,957	8,054
Sanitation	6,531	7,111	7,154	7,133	7,204	7,853	8,286	8,096	8,259
Housing authority	221	219	181	168	132	149	181	180	208
Parking	3,636	4,011	4,045	3,936	4,704	4,673	5,438	5,377	5,234
Airport	180	213	220	264	234	258	248	289	293
Stormwater	-	104	592	597	622	616	622	617	641
Cable Television	298	673	708	718	726	814	788	790	809

(continued)

CITY OF IOWA CITY, IOWA

CHANGES IN NET ASSETS (continued)

Last Nine Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011
Capital grants and contributions: Wastewater	1,077	968	761	773	1,539	577	266	2,115	2,394
Capital grants and contributions: Water	640	452	588	606	845	314	132	572	973
Capital grants and contributions: Sanitation	-	-	-	46	-	-	-	6	-
Capital grants and contributions: Airport	-	116	283	1,125	1,231	1,580	3,239	3,311	358
Capital grants and contributions: Stormwater	-	717	755	468	1,251	302	68	541	140
Capital grants and contributions: Housing authority	-	-	-	-	-	17	-	25	11
Capital grants and contributions: Parking	-	-	-	-	-	8	-	-	269
Operating grants and contributions: Housing authority	6,291	6,950	7,012	7,414	7,165	6,281	6,668	7,765	7,438
Operating grants and contributions: Water	131	-	-	-	-	-	15	6	-
Operating grants and contributions: Airport	36	-	-	-	-	-	2	-	-
Operating grants and contributions: Sanitation	201	9	-	3	6	-	607	6	10
Operating grants and contributions: Wastewater	-	-	-	-	1	-	1	-	-
Total business-type activities program revenues	41,364	43,287	43,046	44,408	46,435	43,955	47,225	50,290	47,927
Total primary government revenues	\$ 52,912	\$ 57,737	\$ 59,456	\$ 57,490	\$ 60,531	\$ 55,692	\$ 65,884	\$ 81,523	\$ 75,691
Net (Expense) / Revenues									
Governmental activities	\$ (37,012)	\$ (35,586)	\$ (38,800)	\$ (44,349)	\$ (43,525)	\$ (48,754)	\$ (46,412)	\$ (45,198)	\$ (47,757)
Business-type activities	6,144	3,996	2,454	4,458	6,229	3,009	4,543	8,072	6,284
Total primary government net expense	\$ (30,868)	\$ (31,590)	\$ (36,346)	\$ (39,891)	\$ (37,296)	\$ (45,745)	\$ (41,869)	\$ (37,126)	\$ (41,473)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
General revenues:									
Property taxes	\$ 32,257	\$ 34,173	\$ 35,327	\$ 37,770	\$ 41,492	\$ 43,400	\$ 47,085	\$ 49,467	\$ 48,011
Road use tax	5,144	5,311	5,269	5,303	5,305	5,432	5,254	5,525	6,068
Local Sales Option tax	-	-	-	-	-	-	-	8,911	8,911
Other taxes	1,399	1,609	1,351	1,240	1,412	1,435	1,489	1,535	2,464
Earnings on investments	1,207	1,056	1,576	2,678	4,045	3,932	3,057	1,766	1,539
Miscellaneous	3,174	3,746	3,994	4,422	3,656	3,516	4,894	3,893	6,230
Gain on sale of assets	(1,726)	65	95	100	281	(7)	-	-	761
Transfers	1,444	(1,840)	645	208	(5,321)	488	205	(625)	(4,020)
Total governmental activities	42,899	44,120	48,257	51,721	50,870	58,196	61,984	69,702	69,964
Business-type activities:									
General revenues:									
Earnings on investments	1,305	991	1,771	2,575	3,606	3,279	2,577	1,311	954
Gain on sale of assets	315	1,009	304	185	591	1,260	360	230	314
Miscellaneous	994	335	418	391	343	454	317	464	381
Transfers	(1,444)	1,840	(645)	(208)	5,321	(488)	(205)	625	4,020
Total business-type activities	1,170	4,175	1,848	2,943	9,861	4,505	3,049	2,630	5,669
Total primary government	\$ 44,069	\$ 48,295	\$ 50,105	\$ 54,664	\$ 60,731	\$ 62,701	\$ 65,033	\$ 72,332	\$ 75,633
Change in Net Assets									
Governmental activities	\$ 5,887	\$ 8,534	\$ 9,457	\$ 7,372	\$ 7,345	\$ 9,442	\$ 15,572	\$ 24,504	\$ 22,207
Business-type activities	7,314	8,171	4,302	7,401	16,090	7,514	7,592	10,702	11,953
Total primary government	\$ 13,201	\$ 16,705	\$ 13,759	\$ 14,773	\$ 23,435	\$ 16,956	\$ 23,164	\$ 35,206	\$ 34,160

CITY OF IOWA CITY, IOWA

FUND BALANCES, GOVERNMENTAL FUNDS

Last Nine Fiscal Years

(Modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011 ¹
General Fund									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 331
Restricted	-	-	-	-	-	-	-	-	16,268
Assigned	-	-	-	-	-	-	-	-	3,542
Reserved	1,094	396	362	570	568	446	555	406	-
Unassigned	-	-	-	-	-	-	-	-	15,931
Unreserved	13,012	14,301	15,525	16,551	18,528	14,488	15,362	26,101	-
Total general fund	\$ 14,106	\$ 14,697	\$ 15,887	\$ 17,121	\$ 19,096	\$ 14,934	\$ 15,917	\$ 26,507	\$ 36,072
All other Governmental Funds									
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,889
Reserved	11,536	1,677	2,198	1,592	1,984	3,107	5,339	3,903	-
Designated for long-term debt	4,448	6,930	3,067	2,725	4,289	8,691	11,759	13,952	-
Unassigned	-	-	-	-	-	-	-	-	(1,741)
Unreserved, reported in:									
Special revenue funds	3,819	9,379	6,222	3,422	3,366	2,571	(1,852)	(1,674)	-
Capital projects funds	1,047	3,882	6,143	7,093	7,894	11,118	10,960	8,043	-
Total all other governmental funds	\$ 20,850	\$ 21,868	\$ 17,630	\$ 14,832	\$ 17,533	\$ 25,487	\$ 26,206	\$ 24,224	\$ 33,148

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

CITY OF IOWA CITY, IOWA

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Nine Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011
Revenues:									
Property taxes and assessments	\$ 31,966	\$ 35,538	\$ 36,677	\$ 39,011	\$ 42,905	\$ 44,835	\$ 48,572	\$ 59,143	\$ 59,387
Licenses and permits	961	1,361	1,255	1,279	1,404	1,270	1,284	1,211	1,412
Intergovernmental	12,193	12,058	15,546	14,260	13,455	12,764	19,521	31,404	29,870
Charges for services	4,674	3,240	3,301	2,227	2,423	2,228	2,498	2,433	2,515
Use of money and property	997	1,002	1,354	2,203	3,378	3,206	2,645	1,599	1,479
Miscellaneous	2,558	4,377	4,121	4,176	3,858	3,977	5,302	4,784	7,749
Total governmental activities revenues	\$ 53,349	\$ 57,576	\$ 62,254	\$ 63,156	\$ 67,423	\$ 68,280	\$ 79,822	\$ 100,574	\$ 102,412
Expenditures									
Current									
Public safety	\$ 13,115	\$ 14,025	\$ 14,601	\$ 15,819	\$ 16,412	\$ 18,705	\$ 18,752	\$ 19,108	\$ 18,717
Public works	8,149	9,156	9,698	10,351	12,452	12,108	12,405	13,311	14,766
Culture and recreation	8,061	9,392	9,183	10,122	10,261	10,703	10,849	11,266	12,498
Community and economic development	3,715	3,486	6,375	4,698	3,445	4,437	8,037	10,520	8,878
General government	5,887	6,080	6,282	6,510	7,194	7,207	7,300	7,191	7,695
Debt service									
Principal	4,742	5,172	9,349	6,099	6,700	7,323	8,418	9,354	10,386
Interest	3,683	3,336	3,676	3,458	3,464	3,556	3,364	3,064	2,889
Capital projects	20,095	16,065	13,939	15,153	13,000	11,811	17,096	17,690	21,873
Total expenditures	\$ 67,447	\$ 66,712	\$ 73,103	\$ 72,210	\$ 72,928	\$ 75,850	\$ 86,221	\$ 91,504	\$ 97,702
Excess (deficiency) of revenues over (under) expenditures	\$ (14,098)	\$ (9,136)	\$ (10,849)	\$ (9,054)	\$ (5,505)	\$ (7,570)	\$ (6,399)	\$ 9,070	\$ 4,710
Other financing sources (uses):									
Issuance of long-term debt	\$ 10,600	\$ 12,875	\$ 7,020	\$ 7,265	\$ 8,870	\$ 9,150	\$ 30,035	\$ -	\$ 16,165
Issuance of refunding debt	-	-	-	-	-	-	-	-	10,930
Sale of capital assets	-	384	406	109	470	111	554	222	845
Insurance Recoveries	-	-	-	-	-	-	-	20	594
Issuance of note payable	-	-	211	-	-	-	-	-	-
Premium (discount) on issuance of bonds	93	(19)	43	29	-	16	552	-	394
Payment of refunded bonds	(6,415)	-	0	-	-	-	(23,140)	-	(11,085)
Transfers in	15,172	14,614	15,776	21,627	21,552	25,413	16,486	16,742	18,658
Transfers out	(14,554)	(16,733)	(15,237)	(21,540)	(20,711)	(23,328)	(16,386)	(17,446)	(22,722)
Total other financing sources (uses)	\$ 4,896	\$ 11,121	\$ 8,219	\$ 7,490	\$ 10,181	\$ 11,362	\$ 8,101	\$ (462)	\$ 13,779
Net change in fund balances	\$ (9,202)	\$ 1,985	\$ (2,630)	\$ (1,564)	\$ 4,676	\$ 3,792	\$ 1,702	\$ 8,608	\$ 18,489
Debt service as a percentage of noncapital expenditures	17.0%	16.3%	21.5%	16.6%	17.0%	16.6%	17.0%	15.3%	16.2%

CITY OF IOWA CITY, IOWA

GENERAL GOVERNMENT TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(Modified accrual basis of accounting)
(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Road Use Tax</u>	<u>Hotel/Motel Tax</u>	<u>Local Option</u>		<u>Utility</u>	
				<u>Sales Tax¹</u>		<u>Franchise Fee²</u>	<u>Total</u>
2002	\$ 28,623	\$ 5,077	\$ 646	\$ -	\$ -	-	\$ 34,346
2003	31,966	5,103	559	-	-	-	37,628
2004	34,958	5,311	580	-	-	-	40,849
2005	36,076	5,269	611	-	-	-	41,956
2006	38,336	5,303	674	-	-	-	44,313
2007	42,221	5,305	683	-	-	-	48,209
2008	44,101	5,432	734	-	-	-	50,267
2009	47,861	5,254	713	-	-	-	53,828
2010	50,256	5,525	699	8,141		47	64,668
2011	48,831	6,068	776	8,912		868	65,455

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

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

CITY OF IOWA CITY, IOWA

ASSESSED AND TAXABLE VALUE OF PROPERTY

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	Taxable Property Assessed Value ¹			Exempt Property		Total Assessed Value	Total Taxable Value ³	Taxable Value as a Percentage of Assessed Value	Total Direct Tax Rate
	Residential	Commercial	Agricultural	Assessed Value ²	Property				
2002	\$ 1,985,686	\$ 974,592	\$ 2,227	\$ 159,109	\$ 3,121,614	\$ 1,991,283	63.79	%	14.850
2003	2,154,801	1,038,402	1,968	179,816	3,374,987	2,072,923	61.42		16.813
2004	2,236,610	1,057,573	1,802	184,670	3,480,656	2,122,779	60.99		17.596
2005	2,647,345	1,166,455	1,582	208,199	4,023,580	2,362,936	58.73		17.314
2006	2,733,046	1,197,203	1,534	215,627	4,147,411	2,426,433	58.50		17.729
2007	3,011,803	1,253,641	1,565	219,351	4,486,360	2,565,360	57.18		17.302
2008	3,089,816	1,288,159	1,499	221,229	4,600,703	2,677,552	58.20		17.297
2009	3,123,398	1,327,385	2,315	219,706	4,672,804	2,756,451	58.99		17.717
2010	3,183,933	1,343,029	2,317	228,783	4,758,062	2,846,600	59.83		17.853
2011	3,265,583	1,352,951	2,456	229,147	4,850,137	2,967,668	61.19		17.853

Sources:

¹Johnson County Abstract Assessment

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

³ Johnson County Auditor Office

Notes:

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

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

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

CITY OF IOWA CITY, IOWA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

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

Fiscal Year	City of Iowa City			Overlapping Rates				Total Direct & Overlapping Rates	
	Operating Millage	Debt Service Millage	Total City Millage	Johnson County ¹	Iowa City		Kirkwood		
					School District	State of Iowa	Community College		
2002	11.905	2.945	14.850	5.802	11.540	0.005	0.607	32.803	
2003	12.652	4.161	16.813	6.061	12.210	0.004	0.666	35.754	
2004	13.026	4.570	17.596	6.102	12.865	0.004	0.679	37.247	
2005	13.360	3.954	17.314	6.166	12.875	0.004	0.668	37.027	
2006	13.580	4.149	17.729	6.391	13.582	0.004	0.649	38.355	
2007	13.423	3.879	17.302	6.415	13.632	0.004	0.872	38.225	
2008	13.511	3.786	17.297	7.803	14.192	0.004	0.852	40.148	
2009	13.498	4.219	17.717	7.708	14.191	0.003	0.840	40.459	
2010	13.319	4.438	17.757	7.540	14.690	0.003	0.926	40.916	
2011	13.193	4.649	17.842	7.320	14.590	0.003	0.999	40.754	

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

Note:

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

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>
2002	\$ 27,920	\$ 28,423	101.8 %	\$ 5	\$ 28,428	101.8 %
2003	31,975	31,863	99.6	16	31,879	99.7
2004	34,073	34,009	99.8	23	34,032	99.9
2005	34,403	34,814	101.2	15	34,829	101.2
2006	36,460	36,654	100.5	44	36,698	100.7
2007	39,094	38,947	99.6	13	38,960	99.7
2008	39,973	39,768	99.5	70	39,838	99.7
2009	43,168	43,118	99.9	18	43,136	99.9
2010	45,393	45,318	99.8	17	45,335	99.9
2011	47,789	47,826	100.1	8	47,834	100.1

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

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

CITY OF IOWA CITY, IOWA

PRINCIPAL TAXPAYERS

Current Year and Nine Years Ago

(amounts expressed in thousands)

	<u>Type of Business</u>	2002			2011		
		<u>Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Assessed Valuation</u>	<u>Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Assessed Valuation</u>
<u>Ten largest taxpayers</u> ¹							
ACT Inc. (formerly American College Testing Program)	Educational Testing Service	\$ 18,456	3	0.68 %	\$ 45,558	1	1.40 %
Mid-American Energy Company ²	Public Gas and Electric Utility	44,924	1	1.66	44,821	2	1.37
Southgate Development Company	Real Estate Developer	14,821	6	0.55	21,337	3	0.65
Russell Gerdin	Trucking Company	-	-	N/A	20,053	4	0.61
MEHSM LC (Sycamore Mall)	Shopping Center	-	-	N/A	16,411	5	0.50
Alpha Inc	Industrial	-	-	N/A	15,461	6	0.47
NCS Pearson	Information Services	15,048	5	0.56	14,601	7	0.45
Plaza Towers LLC/Meristar	Condo/Hotel/Commercial space	-	-	N/A	14,341	8	0.44
Proctor & Gamble LLC	Manufacturing Company	17,333	4	0.64	14,132	9	0.43
United Natural Foods	Wholesale Distribution Company	-	-	N/A	13,095	10	0.40
Jame A and Lorretta Clark	Apartments	25,155	2	0.93	-	-	N/A
Old Capitol Mall Associates LP	Old Capitol Mall Town Center	13,196	7	0.49	-	-	N/A
Hy-Vee	Grocery Stores	13,031	8	0.48	-	-	N/A
Sheraton Hotel	Hotel	11,843	10	0.44	-	-	N/A
Edwin&Ethel Barker &Barker Partnership	Apartments	12,001	9	0.44	-	-	N/A
Total		\$ 185,808		6.87 %	\$ 219,810		6.73 %

Sources:

¹City of Iowa City Assessor's Office - 2010 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>	2002			2011		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
Proctor & Gamble	\$ 526,885	1	5.56 %	\$ 570,948	1	7.45 %
Veterans Administration Medical Center	264,956	2	2.80	95,107	2	1.24
Mercy Hospital	107,160	4	1.13	68,656	3	0.90
Campus Apartments	91,225	5	0.96	66,689	4	0.87
Rus Property Management/Lakeside Manor	110,150	3	0.75	60,725	5	0.79
Mark IV Apts	60,363	8	0.64	56,604	6	0.74
Robert's Hometown Dairy	62,179	7	0.66	51,270	7	0.67
University of Iowa/Mayflower Apartments	60,169	9	0.64	41,526	8	0.54
International Automotive Components formerly Lear Corp	-	-	N/A	38,615	9	0.50
Seville Apts	-	-	N/A	32,340	10	0.42
United Technology Automotive	71,066	6	0.75	-	-	N/A
Holiday Inn/ MPI Lease	50,925	10	0.54	-	-	N/A
	<u>\$ 1,405,078</u>		<u>14.43 %</u>	<u>\$ 1,082,480</u>		<u>14.13 %</u>
Total Water System Charges	\$ 9,049,700			\$ 7,661,898		

Sources:

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

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>
2002	253,409,874	\$ 9,049,700
2003	257,788,030	9,308,824
2004	253,454,012	8,850,608
2005	254,560,239	8,315,719
2006	267,107,998	8,844,993
2007	261,072,632	8,414,310
2008	249,361,929	7,976,536
2009	234,804,167	7,497,903
2010	234,342,825	7,568,378
2011	236,838,370	7,661,898

Sources:

City of Iowa City Revenue Department

CITY OF IOWA CITY, IOWA

PRINCIPAL SEWER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	2002			2011		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	\$ 2,061,479	1	18.55 %	\$ 2,098,962	1	16.46 %
Proctor & Gamble	836,403	2	7.53	1,201,595	2	9.43
Robert's Dairy	112,074	4	1.01	162,147	3	1.27
Iowa City Landfill Division	-	-	N/A	129,177	4	1.01
Veterans Administration Medical Center	280,222	3	2.52	119,386	5	0.94
Mercy Hospital	94,030	6	0.85	117,814	6	0.92
Dolphin Lake Point (Lakeside Apts)	105,822	5	0.95	102,190	7	0.80
Campus Apartments	89,027	7	0.80	92,193	8	0.72
Mark IV Apartments	59,321	10	0.53	79,654	9	0.62
University of Iowa/Mayflower Apartments	84,933	8	0.76	72,997	10	0.57
United Tech Auto	79,004	9	0.71	-	-	N/A
	<u>\$ 3,802,315</u>		<u>34.21 %</u>	<u>\$ 4,176,115</u>		<u>32.76 %</u>
Total Sewer System Charges	\$ 11,111,313			\$ 12,748,695		

Sources:

City of Iowa City Revenue Department

April 2002 Sewer Revenue Bond Transcript Official Statement

Principal sewer system customers not available for 2003, so used information from 2002 to be able to provide comparative information.

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>
2002	292,323,306	\$ 11,431,949
2003	297,084,229	12,015,122
2004	294,683,685	12,482,393
2005	297,714,953	12,557,646
2006	302,925,357	12,373,762
2007	315,199,203	11,084,369
2008	285,492,596	12,221,769
2009	276,455,246	12,499,949
2010	265,375,857	12,541,905
2011	280,303,237	12,748,695

Sources:

City of Iowa City Revenue Department

CITY OF IOWA CITY, IOWA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Capital Loan Note	General Obligation Bonds	Revenue Bonds					
2002	\$ 72,198,652	\$ -	\$ 13,061,348	\$ 141,410,000		\$ 226,670,000	5.50%	\$ 3,643	
2003	71,641,169	-	11,358,831	120,310,000		203,310,000	4.80%	3,259	
2004	79,344,600	-	9,640,400	115,710,000		204,695,000	4.49%	3,281	
2005	77,015,379	211,000	8,274,622	110,930,000		196,431,001	4.18%	3,149	
2006	78,181,155	211,000	6,878,845	105,915,000		191,186,000	3.78%	3,040	
2007	80,350,630	211,000	5,489,370	100,760,000		186,811,000	3.43%	2,786	
2008	82,177,395	211,000	4,912,605	95,345,000		182,646,000	3.20%	2,693	
2009	80,654,160	211,000	4,340,840	87,815,000		173,021,000	2.99%	2,504	
2010	71,299,622	211,000	3,750,378	78,335,000		153,596,000	2.54%	2,263	
2011	77,428,782	211,000	3,146,218	74,965,000		155,751,000	2.47%	2,295	

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 126.

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 Value ²	Gross Bonded Debt	Debt		Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita ³
			Payable from Proprietary	Debt Service Fund Balance			
2002	\$ 2,962,505	\$ 85,260	\$ 13,061	\$ 464	\$ 71,735	24.21:1000	\$ 1,153
2003	3,195,171	83,000	11,359	4,448	67,193	21.03:1000	1,077
2004	3,295,986	88,985	9,640	6,930	72,415	21.97:1000	1,161
2005	3,815,381	85,290	8,275	3,067	73,948	19.38:1000	1,185
2006	3,931,784	85,060	6,879	2,725	75,456	19.19:1000	1,200
2007	4,267,009	85,840	5,489	4,289	76,062	17.83:1000	1,134
2008	4,379,475	87,090	4,913	8,691	73,486	16.78:1000	1,083
2009	4,453,099	84,995	4,341	11,759	68,895	15.47:1000	997
2010	4,529,279	75,050	3,750	13,952	57,348	12.66:1000	845
2011	4,620,990	80,575	3,146.22	13,151	64,278	13.91:1000	947

Notes:

¹ General Obligation bonds.

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

³ Population data can be found on page 126.

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>
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
2009	8,418	3,364	11,782	102,607	.11 : 1.00
2010	9,354	3,064	12,418	108,950	.11 : 1.00
2011	10,386	2,889	13,275	120,424	.11 : 1.00

Notes:

¹ General 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, 2011

(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	\$ 80,575	100.00%	\$ 80,575	\$ 1,187.34
Iowa City Community School District	21,505	59.23%	12,737	187.69
Total	<u>\$ 102,080</u>		<u>\$ 93,312</u>	<u>\$ 1,375</u>
Per capita assessed value				<u>\$ 68,094</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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ 134,997	\$ 145,482	\$ 148,125	\$ 159,759	\$ 164,799	\$ 190,769	\$ 196,589	\$ 213,350	\$ 218,974	\$ 222,655
Total net debt applicable to limit	85,260	83,000	88,985	85,290	85,060	85,840	87,090	84,995	75,050	80,575
Legal debt margin	\$ 49,737	\$ 62,482	\$ 59,140	\$ 74,469	\$ 79,739	\$ 104,929	\$ 109,499	\$ 128,355	\$ 143,924	\$ 142,080
Total net debt applicable to the limit as a percentage of debt limit	63.16%	57.05%	60.07%	53.39%	51.61%	45.00%	44.30%	39.84%	34.27%	36.19%

Legal Debt Margin Calculation for Fiscal Year 2011

Total Assessed Valuation	\$ 4,453,098,748
Debt Limit - 5% of Total Assessed Valuation	222,654,937
Less: Amount of Debt Applicable to Debt Limit	80,575,000
Legal Debt Margin	\$ 142,079,937

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	
2011 ¹	\$ 21,570,000	\$ 3,030,084	\$ 24,600,084	\$ 12,605,122	\$ 669,953	\$ 745,009	\$ 75,050,000
2012 ¹	12,515,000	3,188,979	15,703,979	13,766,322	668,978	742,104	80,575,000
2013	11,480,000	2,269,928	13,749,928	12,345,378	666,403	738,147	68,060,000
2014	10,810,000	1,925,078	12,735,078	11,358,411	668,115	708,552	56,580,000
2015	10,415,000	1,572,053	11,987,053	10,615,488	668,878	702,687	45,770,000
2016	9,435,000	1,231,058	10,666,058	9,675,243	673,690	317,125	35,355,000
2017	7,845,000	919,865	8,764,865	7,781,712	677,090	306,063	25,920,000
2018	6,705,000	667,365	7,372,365	6,693,431	678,934	-	18,075,000
2019	4,230,000	435,490	4,665,490	3,986,056	679,434	-	11,370,000
2020	3,590,000	289,015	3,879,015	3,195,831	683,184	-	7,140,000
2021	2,265,000	160,459	2,425,459	1,735,719	689,740	-	3,550,000
2022	625,000	68,765	693,765	-	693,765	-	1,285,000
2023	660,000	35,640	695,640	-	695,640	-	660,000
Total	\$ 102,145,000	\$ 15,793,779	\$ 117,938,779	\$ 93,758,713	\$ 8,813,804	\$ 4,259,687	

Notes:

¹ Additional principal and interest payments above the funding sources for 2011 & 2012 were funded through the refunding of bonds issued June 2011.

CITY OF IOWA CITY, IOWA
SCHEDULE OF REVENUE BOND COVERAGE

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	Revenue	Expenses¹	Net Revenue Available for Debt Service	Annual Debt Service²			Ratio of Coverage
				Principal	Interest	Total	
Parking Revenue³							
2002	\$ 4,272	\$ 1,960	\$ 2,312	\$ 510	\$ 746	\$ 1,256	1.84
2003	4,198	1,953	2,245	375	715	1,090	2.06
2004	4,164	2,319	1,845	395	687	1,082	1.71
2005	4,360	2,377	1,983	305	663	968	2.05
2006	4,161	2,380	1,781	320	645	965	1.85
2007	5,035	2,973	2,062	335	626	961	2.15
2008	4,995	2,454	2,541	355	606	961	2.64
2009	5,630	3,024	2,606	370	584	954	2.73
2010 ⁶	5,509	3,149	2,360	390	504	894	2.64
2011	5,389	2,920	2,469	420	391	811	3.04
Wastewater Treatment Revenue⁴							
2002	\$ 12,501	\$ 3,389	\$ 9,112	\$ 3,005	\$ 4,236	\$ 7,241	1.26
2003	13,000	4,463	8,537	3,060	4,385	7,445	1.15
2004	12,947	4,523	8,424	3,280	3,672	6,952	1.21
2005	12,600	4,432	8,168	3,630	3,537	7,167	1.14
2006	12,798	4,260	8,538	3,815	3,390	7,205	1.19
2007	13,708	4,236	9,472	3,905	3,234	7,139	1.33
2008	13,332	4,581	8,751	4,105	3,071	7,176	1.22
2009 ⁶	13,462	5,202	8,260	4,260	2,813	7,073	1.17
2010 ⁶	13,174	5,050	8,124	4,205	2,307	6,512	1.25
2011 ⁶	13,281	5,477	7,804	1,840	2,054	3,894	2.00
Water Revenue⁵							
2002	\$ 10,179	\$ 3,428	\$ 6,751	\$ 705	\$ 1,175	\$ 1,880	3.59
2003	10,241	4,361	5,880	500	1,088	1,588	3.70
2004	10,627	4,360	6,267	925	1,427	2,352	2.66
2005	9,287	4,783	4,504	845	1,340	2,185	2.06
2006	9,918	5,722	4,196	880	1,305	2,185	1.92
2007	9,220	5,356	3,864	915	1,268	2,183	1.77
2008	9,258	5,348	3,910	955	1,229	2,184	1.79
2009 ⁶	8,833	5,726	3,107	995	1,171	2,166	1.43
2010 ⁶	8,336	5,153	3,183	680	1,055	1,735	1.83
2011	8,354	5,464	2,890	1,110	902	2,012	1.44

Notes:

¹ Excludes depreciation and interest.

² Includes principal and interest of revenue bonds only.

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

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

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

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

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY SCHEDULE

Fiscal Year	Payments		Funding Source(s)				Principal Outstanding at Beginning of Fiscal Year
	Principal	Interest	Total	Sewer Revenue	Parking Revenue	Water Revenue	
2011	\$ 3,370,000	\$ 3,346,900	\$ 6,716,900	\$ 3,894,003	\$ 810,926	\$ 2,011,971	\$ 78,335,000
2012	6,315,000	2,893,609	9,208,609	6,308,000	839,200	2,061,409	74,965,000
2013	6,625,000	2,688,718	9,313,718	6,411,888	838,975	2,062,855	68,650,000
2014	5,075,000	2,498,787	7,573,787	4,668,681	838,300	2,066,806	62,025,000
2015	5,255,000	2,319,945	7,574,945	4,674,900	832,250	2,067,795	56,950,000
2016	5,475,000	2,118,837	7,593,837	4,695,119	832,950	2,065,768	51,695,000
2017	5,655,000	1,900,255	7,555,255	4,659,575	830,150	2,065,530	46,220,000
2018	5,895,000	1,669,306	7,564,306	4,661,575	831,450	2,071,281	40,565,000
2019	6,115,000	1,426,737	7,541,737	4,646,400	826,850	2,068,487	34,670,000
2020	6,385,000	1,161,332	7,546,332	4,647,463	826,350	2,072,519	28,555,000
2021	6,135,000	884,216	7,019,216	4,118,013	828,900	2,072,303	22,170,000
2022	4,980,000	633,225	5,613,225	2,717,288	824,469	2,071,468	16,035,000
2023	3,825,000	430,279	4,255,279	1,361,250	823,869	2,070,160	11,055,000
2024	2,795,000	276,097	3,071,097	793,250	824,000	1,453,847	7,230,000
2025	2,825,000	143,106	2,968,106	797,250	712,375	1,458,481	4,435,000
2026	1,610,000	38,163	1,648,163	794,375	-	853,788	1,610,000
Total	\$ 78,335,000	\$ 24,429,512	\$ 102,764,512	\$ 59,849,030	\$ 12,321,014	\$ 30,594,468	

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE

Parking

<u>Fiscal Year</u>	<u>Principal</u>	<u>Outstanding Interest</u>	<u>Total</u>
2011	\$ 420,000	\$ 390,926	\$ 810,926
2012	500,000	339,200	839,200
2013	515,000	323,975	838,975
2014	530,000	308,300	838,300
2015	540,000	292,250	832,250
2016	560,000	272,950	832,950
2017	580,000	250,150	830,150
2018	605,000	226,450	831,450
2019	625,000	201,850	826,850
2020	650,000	176,350	826,350
2021	680,000	148,900	828,900
2022	705,000	119,469	824,469
2023	735,000	88,869	823,869
2024	770,000	54,000	824,000
2025	695,000	17,375	712,375
Total	<u>\$ 9,110,000</u>	<u>\$ 3,211,014</u>	<u>\$ 12,321,014</u>

Sewer

<u>Fiscal Year</u>	<u>Principal</u>	<u>Outstanding Interest</u>	<u>Total</u>
2011	\$ 1,840,000	\$ 2,054,003	\$ 3,894,003
2012	4,615,000	1,693,000	6,308,000
2013	4,865,000	1,546,888	6,411,888
2014	3,250,000	1,418,681	4,668,681
2015	3,370,000	1,304,900	4,674,900
2016	3,520,000	1,175,119	4,695,119
2017	3,625,000	1,034,575	4,659,575
2018	3,775,000	886,575	4,661,575
2019	3,915,000	731,400	4,646,400
2020	4,090,000	557,463	4,647,463
2021	3,740,000	378,013	4,118,013
2022	2,485,000	232,288	2,717,288
2023	1,220,000	141,250	1,361,250
2024	700,000	93,250	793,250
2025	740,000	57,250	797,250
2026	775,000	19,375	794,375
Total	<u>\$ 46,525,000</u>	<u>\$ 13,324,030</u>	<u>\$ 59,849,030</u>

(continued)

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE (continued)

Water			
Fiscal Year	Principal	Outstanding Interest	Total
2011	\$ 1,110,000	\$ 901,971	\$ 2,011,971
2012	1,200,000	861,409	2,061,409
2013	1,245,000	817,855	2,062,855
2014	1,295,000	771,806	2,066,806
2015	1,345,000	722,795	2,067,795
2016	1,395,000	670,768	2,065,768
2017	1,450,000	615,530	2,065,530
2018	1,515,000	556,281	2,071,281
2019	1,575,000	493,487	2,068,487
2020	1,645,000	427,519	2,072,519
2021	1,715,000	357,303	2,072,303
2022	1,790,000	281,468	2,071,468
2023	1,870,000	200,160	2,070,160
2024	1,325,000	128,847	1,453,847
2025	1,390,000	68,481	1,458,481
2026	835,000	18,788	853,788
Total	<u>\$ 22,700,000</u>	<u>\$ 7,894,468</u>	<u>\$ 30,594,468</u>

CITY OF IOWA CITY, IOWA

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	<u>Population⁶</u>	Per Capita		School Enrollment ²	Unemployment Rate ³	Retail Sales ⁴
		<u>Personal Income¹</u>	<u>Personal Income¹</u>			
2002	62,220	\$ 4,121,142	\$ 30,182	11,697	3.2 %	\$ 766,901,892
2003	62,380	4,238,881	30,616	11,700	3.5	776,693,440
2004	62,380	4,556,578	32,372	11,885	4.0	854,156,442
2005	62,380	4,702,875	33,066	11,866	2.9	878,009,171
2006	62,887	5,054,903	35,038	11,988	2.4	901,481,066
2007	67,062	5,440,966	37,325	12,824	2.9	934,971,428
2008	67,831	5,716,364	38,892	12,911	3.1	958,509,729
2009	69,086	5,783,699	38,299	13,049	4.3	905,139,461
2010 ⁵	67,862	6,043,695	39,552	13,319	5.0	725,329,723
2011 ⁵	67,862	6,314,086	40,847	13,638	4.8	741,407,021

Sources and Notes:

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

² Iowa City Community School District and local private schools

³ Iowa Workforce Development Center

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

⁵ Personal Income and Per Capita Personal Income for 2010 and 2011 not available. Amounts projected based on average increase over previous 9 years.

⁶ US Census Bureau

PRINCIPAL EMPLOYERS

	2002		2011	
<u>Employers</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Percentage</u>
University of Iowa and University of Iowa Hospital and Clinics	22,189	1	26,277	29.0 %
Iowa City Community School District	1,407	2	1,676	1.9
Veterans Administration Medical Center	1,200	4	1,351	1.5
Mercy Hospital	1,225	3	1,266	1.4
ACT Inc. (formerly American College Testing Program)	1,127	6	1,254	1.4
NCS Pearson	1,198	5	1,200	1.3
Hy-Vee	927	7	1,166	1.3
City of Iowa City	625	9	1,140	1.3
System Unlimited	N/A	N/A	838	0.9
International Automotive Components formerly Lear Corp	863	8	774	0.9
Gillette Canada (Oral B Laboratories)	530	10	-	N/A
	31,291		36,942	40.8 %

Sources:

Note:

Total number of employees is not available for 2002; 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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Public Safety						
Police	97.25	97.25	97.25	94.25	94.25	96.25
Fire	58	58	58	56	57	57
Animal Shelter	5.5	6	6	6	6	6
Inspection Services	14.13	14.13	14.13	13.88	14.88	14.88
Public Works						
Public Works Admin	2	2	2	2	2	2
Engineering	13.6	13.6	13.6	11.6	11.6	11.6
Flood Recovery						
Culture and Recreation						
Parks and Rec Admin	2	2	2	2	2	2
Recreation	15.17	15.17	15.17	15.17	15.17	15.42
Parks	13	13	13	12	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	41.25	41.25	43.25	42.63	42.63	42.89
Senior Center	6	5.81	5.81	6.31	6.31	6.31
Community and Economic Development	9.05	8.35	9.45	8.45	8.45	8.45
General Government						
City Council	7	7	7	7	7	7
City Manager	3	3	3	3	3	3
City Clerk	4.5	4	4	4	4	4
City Attorney	6.6	6.6	6.6	6.6	6.6	6.6
Tort Liability, Insurance	-	-	-	-	-	-
Personnel	4	4	4	4	4	4
Finance	28.61	28.61	28.61	26.61	26.75	26.75
Government Buildings	4.96	4.96	4.96	4.96	4.96	4.96
Energy Conservation	0.5	0.5	0.5	0.5	0.5	0.5
Human Rights	2	2.5	2.5	2.5	2.5	2.5
Transit	48.5	48.5	48.5	50.5	50.5	50.5
Special Revenue						
Employee Benefits	0.4	0.34	0.34	0.34	0.39	0.39
CIP / Roads	7	7	7	3	2	2
Flood Mitigation Grants	-	-	-	-	-	-
Community Development	4.75	5.45	5.35	4.35	4.35	4.35
Traffic Engineering	4.15	5.65	5.65	5.65	4.15	4.15
Streets	23.5	22	22	22	23.5	23.5
MPOJC (formerly JCCOG)	6.1	6.1	6.1	6.1	6.6	6.6
Library Development	1.5	1.5	1.5	0.8	1	1
Internal Service Funds						
Information Technology	7.5	7.5	7.5	8	11.75	12
Equipment	10.25	11.25	11.26	11.25	11.26	11.26
Central Services	0.75	0.75	0.75	0.75	0.75	0.75
Risk Management	1.26	1.33	1.33	1.32	1.38	1.38
Business-Type Activities						
Parking	37	31.5	31.5	32.75	32.75	32.75
Wastewater Treatment	26.3	26.3	27.3	27.3	25.5	25.5
Water	28.2	30.7	31.7	31.7	32.5	32
Sanitation	32.35	32.35	32.35	34.35	33.85	33.85
Airport	2	2	2	2	1.6	1.6
Cable Television	5.25	6.19	6.19	6.19	6.19	6.19
Stormwater	-	-	-	-	0.5	1
Housing Authority	12.5	12.5	12.5	12.75	13.25	13.25
Total	<u>661.68</u>	<u>660.94</u>	<u>665.95</u>	<u>654.86</u>	<u>605.37</u>	<u>608.13</u>

Source: City's Financial Plans.

Full-Time Equivalent Employees as of June 30

2008	2009	2010	2011
96.25	103.25	103.25	98
57	57	57	66
6	6	6	6
15.38	15.55	15.55	15.55
2	2	2	2
11.35	11.35	11.35	12.1
			0.4
2	2	2	2
15.42	15.42	15.42	15.42
13	13	13	13
3	3	3	3
3	3	3	3
3	3	3	3
43.14	43.14	43.14	43.14
6.31	6.31	6.31	6.31
8.95	9.05	9.05	9.1
7	7	7	7
3	3	3	3
4	4	4	4
6.6	6	6	5.6
-	1	1	1
4	4	4	4
26.5	25.3	25.3	25.24
4.96	4.96	4.96	4.96
0.25	0.25	0.25	-
2.5	2.5	2.5	2.5
54.75	58.5	58.5	56.25
0.29	0.29	0.29	0.26
1	2	2	
-	-	-	1.6
3.98	3.88	3.88	3.83
4.15	4.15	4.15	4.15
23.5	25.5	25.5	25.5
6.6	6.6	6.6	6.6
1	1	1	1
12.3	12.3	12.3	11.3
11.26	11.26	11.26	11.26
0.75	0.75	0.75	0.75
1.73	1.93	1.93	2.01
32.75	33.25	33.25	32.75
25.5	25.6	25.6	25.6
32.75	32.75	32.75	32.75
34.85	34.85	35.85	37.85
1.6	1.75	1.75	1.75
6.19	6.44	6.44	6.69
2	1.9	1.9	1.9
13.25	13.25	13.25	13.25
614.81	629.03	630.03	632.37

CITY OF IOWA CITY, IOWA

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police ¹										
Physical arrests	8,929	8,016	7,288	7,528	6,895	6,505	6,434	6,486	5,639	5,033
Traffic Violations	7,639	7,428	8,515	7,428	8,198	6,684	5,827	4,460	4,446	3,403
Fire ²										
Number of calls answered	3,519	3,546	3,518	3,596	3,679	4,136	4,257	4,152	4,472	4,219
Inspections conducted	989	936	975	1,083	1,232	1,495	1,712	1,959	2,145	1,451
Parking										
Parking Violations ³	N/A	186,674	155,338	145,033	139,338	166,187	147,673	126,050	118,717	109,553
Wastewater Treatment										
Daily average treatment in gallons ⁴	5,110,000	4,530,000	4,960,000	4,870,000	4,580,000	9,430,000	12,810,000	12,340,000	12,860,000	10,370,000
Maximum daily capacity of plant in gallons	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	41,000,000	41,000,000	41,000,000	41,000,000
Number of sewer system customers	20,106	20,708	21,165	21,552	22,046	22,481	22,909	23,161	23,344	23,527
Water										
Daily average consumption in gallons	6,000,000	6,034,000	5,742,000	5,448,500	5,680,600	5,516,238	5,475,122	5,508,077	5,483,255	5,508,800
Maximum daily capacity of plant in gallons	10,500,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000	16,700,000
Water System Customers by Classification										
Residential	20,308	20,992	21,527	21,972	22,529	22,973	21,454	21,334	21,560	21,764
Commercial	1,341	1,358	1,377	1,400	1,408	1,448	1,378	1,385	1,372	1,385
Industrial	12	12	13	13	13	13	13	14	13	13
Other	124	127	125	129	134	137	139	142	148	146
Total Customers	21,785	22,489	23,042	23,514	24,084	24,571	22,984	22,875	23,093	23,308
Sanitation										
Number of Customers	13,668	13,806	13,983	14,158	14,371	14,556	14,574	14,700	14,831	14,926
Tonnage	8,138	8,062	8,716	8,667	8,463	8,722	8834	8,747	8,869	8,969
Landfill										
Tonnage	103,404	103,585	108,155	113,356	111,124	135,315	132,760	140,810	150,369	147,265

Sources: Various city divisions.

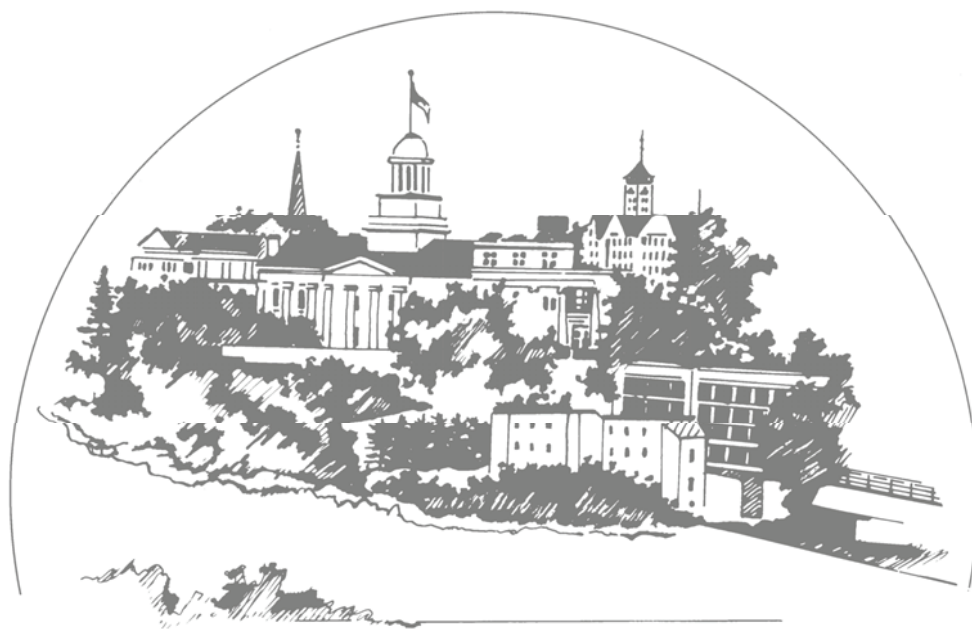
Notes:

¹ Numbers are based on a calendar year and 2011 figures are compiled through 10/20/11.

² Numbers are based on a calendar year and 2011 figures are compiled through 10/20/11 for inspection and 11/20/11 for calls.

³ Information on the number of parking violations not available for FY02.

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



CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	17	17	17	17	17	17	17	18	18
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire apparatus	8	8	8	8	8	8	9	9	9	9
Public Works										
Streets										
Miles	251	256	259	262	262	268	269	270	272	272
Street lights	2,920	2,919	3,352	3,357	3,378	3,395	3,403	3,408	3,410	3,412
Culture and Recreation										
Library	1	1	1	1	1	1	1	1	1	1
Cemetery										
Acreage	1	1	1	1	1	1	1	1	1	1
	40	40	40	40	40	40	40	40	40	40
Parks										
Acreage	50	50	61	61	61	61	61	61	40	41
	1,322	1,322	1,400	1,400	1,400	1,600	1,603	1,603	1,335	1,354
Recreation										
Recreation centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	3	3	3	3	3	3	3	3	3	3
Ball diamonds	29	29	29	29	29	29	31	30	30	30
Tennis courts	12	12	12	12	12	12	12	12	12	12
Soccer fields	25	25	25	25	25	25	25	20	20	20

(continued)

CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION (continued)

	Last Ten Fiscal Years									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Parking Facilities Spaces	4 2,537	4 2,537	4 2,537	4 2,537	5 3,137	5 3,100	5 3,085	5 3,086	5 3,086	5 3,086
Wastewater Treatment										
Miles of sanitary sewer	266	269	274	277	280	286	288	289	291	292
Miles of storm sewer	94	98	102	105	110	117	118	120	122	124
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of service connectors	21,785	22,514	23,077	23,558	24,113	24,903	25,104	23,161	23,344	23,527
Water										
Miles of water mains	260	265	269	272	277	283	284	288	290	290
Number of city owned fire hydrants	2,182	2,243	2,340	2,448	2,474	2,569	2,575	2,635	2,662	2,680
Sanitation										
Landfills	1	1	1	1	1	1	1	1	1	1
Acreage	200	200	200	200	200	200	395	395	395	395

Sources: Various city divisions.





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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined 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, 2011, 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.

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

Handwritten signature of Erik Bailly LLP in cursive script.

Dubuque, Iowa
December 14, 2011



CPAs & BUSINESS ADVISORS

**Independent Auditor's Report on Compliance with Requirements That Could Have
a Direct and Material Effect on Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the City of Iowa City, Iowa, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *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 of the City's compliance with those requirements.

In our opinion, the City of Iowa City, Iowa, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City of Iowa City, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item II-A-11. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Handwritten signature of Erik Sully in cursive script.

Dubuque, Iowa
December 14, 2011

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Commerce			
Direct Program			
Economic Adjustment Assistance	11.307		\$ 6,822
Economic Adjustment Assistance	11.307		520,262
Economic Adjustment Assistance	11.307		<u>2,563</u>
Total U.S. Department of Commerce			<u>529,647</u>
U.S. Department of Housing and Urban Development			
Direct Program			
Community Development Block Grants/ Entitlement Grants	14.218		582,586
Community Development Block Grants/ Entitlement Grants	14.218		<u>287,020</u>
			<u>869,606</u>
Pass-Through Program From			
Iowa Department of Economic Development			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRMH-215	93,469
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRB-204	54,165
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-210	3,107,357
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-071	108,510
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-225	6,758,597
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-010	26,147
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-273	109,023
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-271	157,752

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development (continued)			
Pass-Through Program from Iowa Department of Economic Development (continued)			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIEF-274	\$ 284
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIEF-276	19,233
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRMI-007	<u>26,127</u>
			<u>10,460,664</u>
Direct Program			
HOME Investment Partnerships Program	14.239		248,353
HOME Investment Partnerships Program	14.239		363,544
HOME Investment Partnerships Program	14.239		215,749
HOME Investment Partnerships Program	14.239		<u>196,645</u>
			<u>1,024,291</u>
Public and Indian Housing	14.850		187,800
Public and Indian Housing	14.850		<u>141,487</u>
			<u>329,287</u>
Section 8 Housing Choice Vouchers	14.871		<u>6,993,496</u>
Public Housing Funds Cluster			
Public Housing Capital Fund	14.872		12,469
Public Housing Capital Fund	14.872		2,933
Public Housing Capital Fund	14.872		<u>106,268</u>
			<u>121,670</u>
ARRA - Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885		<u>7,118</u>
Total Public Housing Funds Cluster			<u>128,788</u>
Total U.S. Department of Housing and Urban Development			<u>19,806,132</u>
U.S. Department of Justice			
Pass-Through Program From Iowa Department of Justice			
Violence Against Women Formula Grants	16.588	VW-11-34	<u>47,400</u>

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice (continued)			
Direct Program			
Bulletproof Vest Partnership Program	16.607		\$ 512
Bulletproof Vest Partnership Program	16.607		<u>11,477</u>
			<u>11,989</u>
Pass-Through Program From			
Governor's Office of Drug Control Policy			
Public Safety Partnership and Community		09-Hotspots/	
Policing Grants	16.710	Interdiction-09	<u>69,176</u>
JAG Cluster			
Direct Program			
Edward Byrne Memorial Justice Assistance			
Grant Program	16.738		<u>56,273</u>
Pass-Through Program From			
Governor's Office of Drug Control Policy			
ARRA – Recovery Act – Edward Byrne			
Memorial Justice Assistance Grant (JAG)			
Program/Grants to States and Territories	16.803	09JAG/ARRA-3413B	<u>122,475</u>
Direct Program			
ARRA – Recovery Act – Edward Byrne			
Memorial Justice Assistance Grant (JAG)			
Program/Grants to Units of Local Government	16.804		<u>83,979</u>
Total JAG Cluster			<u>262,727</u>
Total U.S. Department of Justice			<u>391,292</u>
U.S. Department of Transportation			
Direct Program			
ARRA - Airport Improvement Program	20.106		12,831
Airport Improvement Program	20.106		1,776
Airport Improvement Program	20.106		112,512
Airport Improvement Program	20.106		<u>120,486</u>
			<u>247,605</u>

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation (continued)			
Pass-Through Program From			
Highway Planning and Construction Cluster			
Iowa Department of Transportation and Johnson County Council of Governments			
Highway Planning and Construction	20.205	11MPO-JCCOG	\$ <u>145,775</u>
Iowa Department of Transportation			
Recreational Trails Program	20.219	NRT-3715(649)—9G-52	<u>43,848</u>
Total Highway Planning and Construction Cluster			<u>189,623</u>
Iowa Department of Transportation and Johnson County Council of Governments			
Federal Transit – Metropolitan Planning Grants	20.505	11MPO-JCCOG	<u>35,233</u>
Direct Program			
Federal Transit – Formula Grants	20.507		1,010,352
Federal Transit – Formula Grants	20.507		<u>181,023</u>
			<u>1,191,375</u>
Pass-Through Program From			
Iowa Department of Transportation			
Transit Services Program Cluster			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	IA-16-X001-371-11	<u>91,035</u>
Job Access – Reverse Commute	20.516	IA-37-X017-371-10	31,416
Job Access – Reverse Commute	20.516	IA-37-X017-371-11	<u>93,802</u>
			<u>125,218</u>
Total Transit Services Programs Cluster			<u>216,253</u>
Iowa Department of Public Safety, Governor's Traffic Safety Bureau			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP-11-410, Task 39	16,304
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	PAP-10-410, Task 36	<u>6,545</u>
			<u>22,849</u>
Total U.S. Department of Transportation			<u>1,902,938</u>

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Energy Pass-Through Program From Iowa Office of Energy Independence ARRA – State Energy Program	81.041	SEP09-005	\$ 269,154
Direct Program ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		269,202
Total U.S. Department of Energy			538,356
U.S. Department of Homeland Security Pass-Through Program From Iowa Homeland Security and Emergency Management Division Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763 DR-IA	721,903
Hazard Mitigation Grant (B)	97.039	DR-1763-0137-01	69,841
Hazard Mitigation Grant (B)	97.039	FEMA-DR-1763-0015 01	272,544
			342,385
Direct Program Assistance to Firefighters Grant	97.044		13,673
Assistance to Firefighters Grant	97.044		7,008
			20,681
Total U.S. Department of Homeland Security			1,084,969
Total			\$ 24,253,334

See Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Iowa City, Iowa, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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	\$ 584,414
HOME Investment Partnerships Program	14.239	826,785
Edward Byrne Memorial Justice Assistance Grant Program	16.738	29,971
ARRA – Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories	16.803	58,788

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

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiency	Yes
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii
14.871	Section 8 Housing Choice Vouchers
81.041	ARRA – State Energy Program
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs	\$727,600
Auditee qualified as low-risk auditee	No

Part II: Findings and Questioned Costs for Federal Awards:

SIGNIFICANT DEFICIENCY

CFDA Number 97.036: Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Pass-Through Agency Number: FEMA-1763 DR-IA
U.S. Department of Homeland Security
Passed through the Iowa Homeland Security and Emergency Division

II-A-11 Procurement and Suspension and Debarment

Criteria – The City is required to follow state procurement policies and procedures, as well as any additional requirements contained in the grant application.

Condition – During our audit, we noted one contract that was entered into following state procurement policies and procedures, but did not include certain federal government-mandated provisions contained in the grant application.

Cause – The Water Division personnel performing the procurement procedures were not aware of the additional federal requirements contained in the grant application. Federal grant contracts are usually reviewed by Public Works personnel. However, no review was performed due to staffing constraints caused by the large number of projects occurring in fiscal year 2011.

Effect – The contractor may not have complied with the regulations required by the grant application.

Recommendation – In the future, the City should ensure staff performing grant functions are aware of all grant requirements.

Response – This contract was amended to include the required federal government-mandated provisions. Public works personnel will review all future federal grant contracts and specifications to prevent this type of deficiency.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-11 **Certified Budget** – Disbursements during the year ended June 30, 2011, did not exceed the amount budgeted.

III-B-11 **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-11 **Travel Expense** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-D-11 **Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Art Bettis, Spouse of Brenda Nations, Environmental Coordinator, Landfill	Consulting Services	\$ 1,500
Matt Neumiller, member of Board of Appeals, owner of Neumiller Electric	Electric Supplies	90
Steve Ford, Spouse of Wendy Ford, Economic Development Coordinator, Part owner of Confluence	Consulting Services	111,487

In accordance with Chapter 362.5(3)j of the Code of Iowa, the transactions with Art Bettis and Matt Neumiller do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year. The transaction with Confluence does not appear to represent a conflict of interest since the related party’s ownership is less than 5% in accordance with Chapter 362.5(9) of the Code of Iowa.

III-E-11 **Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-11 **Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-11 **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-11 **Revenue Bonds** – No instances of non-compliance with the provisions of the City’s revenue bond resolutions were noted.