

**CITY OF CORALVILLE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004**

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Officials

Elected Officials

Name	Title	Term Expires
Jim L. Fausett	Mayor	January 1, 2006
Jean Schnake	Council Member	January 1, 2008
John Weihe	Council Member	January 1, 2008
Henry Herwig	Council Member	January 1, 2006
John Lundell	Council Member	January 1, 2006
Thomas Gill	Council Member	January 1, 2006

Appointed Officials

Kelly Hayworth	City Administrator	Indefinite
Nancy Beuter	City Clerk	Indefinite
Teresa Kaeding	City Finance Officer	Indefinite
Donald L. Diehl	City Attorney	Indefinite
Kevin Olson	Assistant City Attorney	Indefinite

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Coralville, Iowa, at and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Coralville, Iowa, at June 30, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2004 on our consideration of the City of Coralville, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on Page 4 through 11 and 44 and 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and
Members of the City Council
City of Coralville, Iowa
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coralville, Iowa's basic financial statements. The supplementary information on Pages 46 through 59, and the Schedule of Expenditures of Federal Awards on Pages 64 and 65 required by the U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
November 4, 2004

Management's Discussion and Analysis

As management of the City of Coralville, we offer readers of the City of Coralville's financial statements this narrative overview and analysis of the financial activities of the City of Coralville for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of the City of Coralville exceeded its liabilities at the close of June 30, 2004 and 2003, by \$36,761,091 and \$27,992,902 (as restated), respectively, (net assets). Of this amount, \$14,054,181 and \$15,481,541, respectively, (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City of Coralville's governmental funds reported combined ending fund balances of \$19,488,070, an increase of 36% as compared to the prior fiscal year. At June 30, 2003, combined fund balances were \$14,359,491 (as restated).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,324,910, or 38%, of the total general fund expenditures. At June 30, 2003, unreserved general fund balance was \$3,311,676, or 39%, of the 2003 total general fund expenditures.
- Total debt increased by approximately \$18.6 million (35%) during the current fiscal year. The City issued \$40,842,717 of new bonds and retired \$22,216,677 of existing bonds and other debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Coralville's basic financial statements. The City of Coralville'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.

Government-Wide Financial Statements

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

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

Statement of Net Assets

A condensed version of the Statement of Net Assets as of June 30, 2004 follows.

City of Coralville's Net Assets

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Current assets	\$ 34,909,951	\$ 3,314,160	\$ 38,224,111
Restricted assets	2,993,489	3,257,255	6,250,744
Capital assets	65,293,865	38,445,518	103,739,383
Other noncurrent assets	<u>3,899,200</u>	<u>—</u>	<u>3,899,200</u>
Total Assets	<u>\$ 107,096,505</u>	<u>\$ 45,016,933</u>	<u>\$ 152,113,438</u>
Current liabilities	\$ 26,386,792	\$ 2,621,512	\$ 29,008,304
Noncurrent liabilities	<u>68,355,602</u>	<u>17,988,441</u>	<u>86,344,043</u>
Total Liabilities	<u>\$ 94,742,394</u>	<u>\$ 20,609,953</u>	<u>\$ 115,352,347</u>
Net Assets			
Invested in capital assets, net of related debt	\$ (4,942,797)	\$ 20,128,981	\$ 15,186,184
Restricted	5,779,262	1,741,464	7,520,726
Unrestricted	<u>11,517,646</u>	<u>2,536,535</u>	<u>14,054,181</u>
Total Net Assets	<u>\$ 12,354,111</u>	<u>\$ 24,406,980</u>	<u>\$ 36,761,091</u>

\$7,520,726 of the City of Coralville's net assets (20%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets totaling \$14,054,181 (38%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Coralville is able to report positive balances in all three categories of net assets for the government as a whole. The same situation held true for the prior fiscal year.

The City's total net assets increased by \$10,009,384 and \$11,322,318 during the years ended June 30, 2004 and 2003, respectively. The governmental-type activities increased by \$5,828,565 and \$9,885,348 during the years ended June 30, 2004 and 2003, respectively.

The Statement of Activities presents information showing how the government'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 revenue 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). The government-wide statements include the Statement of Net Assets and the Statement of Activities and can be found on Pages 12 and 13 of this report.

Both of the government-wide financial statements distinguish functions of the City of Coralville that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Coralville include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. The business-type activities of the City of Coralville include water, sewer, solid waste, transit and golf activities.

Statement of Activities

A condensed version of the Statement of Activities as of June 30, 2004 follows:

City of Coralville's Governmental and Business-Type Activities

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Revenue			
Charges for services	\$ 2,515,195	\$ 5,359,930	\$ 7,875,125
Operating grants and contributions	1,466,318	319,895	1,786,213
Capital grants and contributions	3,890,682	—	3,890,682
Other General Revenue			
Property taxes	15,663,582	—	15,663,582
Other taxes	281,378	—	281,378
Other	421,641	132,933	554,574
Total Revenue	<u>24,238,796</u>	<u>5,812,758</u>	<u>30,051,554</u>
Expenses			
Public safety	3,163,957	—	3,163,957
Public works	1,767,958	—	1,767,958
Health and social services	79,762	—	79,762
Culture and recreation	3,727,019	—	3,727,019
Community and economic development	670,043	—	670,043
General government	1,574,399	—	1,574,399
Depreciation - unallocated	15,797	—	15,797
Debt service	3,084,476	—	3,084,476
Capital projects	1,487,992	—	1,487,992
Water	—	1,326,639	1,326,639
Sewer	—	1,964,991	1,964,991
Golf	—	699,977	699,977
Transit	—	1,180,102	1,180,102
Solid waste	—	540,253	540,253
Total Expenses	<u>15,571,403</u>	<u>5,711,962</u>	<u>21,283,365</u>
Increase in Net Assets Before Transfers	8,667,393	100,796	8,768,189
Transfers	(4,080,023)	4,080,023	—
Increase in Net Assets	4,587,370	4,180,819	8,768,189
Beginning net assets (as restated)	<u>7,766,741</u>	<u>20,226,161</u>	<u>27,992,902</u>
Ending Net Assets	<u>\$ 12,354,111</u>	<u>\$ 24,406,980</u>	<u>\$ 36,761,091</u>

Governmental Activities

Total governmental activities' general revenue was \$16,366,601 and \$14,547,453 for the years ended June 30, 2004 and 2003, respectively. The largest single revenue source for the City was property taxes of \$15,663,582 and \$12,349,177 recorded for the years ended June 30, 2004 and 2003, respectively, which includes property taxes paid in the Tax Increment Financing Areas of the City. Property taxes increased by \$3,314,405 (27%) during the year. The increase is a result of 12.15% increase in the assessed value of property and an 6.52% increase in the taxable value of property. The remaining revenue of the City comes from a Hotel/Motel tax, charges for services, grants, contributions, licenses and permits, interest revenue and miscellaneous sources.

Business-Type Activities

As expected, charges for services is the primary revenue source for business-type activities. Water, sewer, solid waste, transit, and golf fees are the primary charges for services.

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 functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows 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.

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

The City of Coralville maintains 33 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balance for the General Fund, Tax Increment Financing Fund, and First Avenue/Brownfields Fund, all of which are considered to be major funds. Data from the 30 other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report.

As of the end of the current fiscal year, the City of Coralville's governmental funds reported combined ending fund balances of \$19,488,070, an increase of \$5,128,579 in comparison with the prior year. Approximately 69% of this total amount (\$13,482,305) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to pay debt service (\$5,335,037) and 2) for a variety of other restricted purposes (\$670,728).

The General Fund is the chief operating fund of the City of Coralville. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,224,910, while total fund balance reached \$3,531,720. Unreserved fund balance represents 38% of total General Fund expenditures, while total fund balance represents 40% of that same amount. The General Fund revenue increased 2% over fiscal year 2003, while expenditures increased 5% over the prior year thus resulting in an increase in fund balance of \$45,890. Key factors in this increase included an increase in property taxes, offset by normal increases in compensation and other costs.

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 water, sewer, solid waste, transit, and golf course activities.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund, sewer fund and golf fund, as these are considered major funds of the City. Data from the other two enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

Charges for sales and service increased 3% over the prior year, while operating expenses increased 7%. Proprietary funds reported total change in net assets of \$4,180,819, a 191% increase from the prior year. The increase was mainly attributable to larger transfers in from governmental funds during 2004 than in 2003.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of those funds are not available to support the City of Coralville's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

The combining statements referred to earlier in connection with non-major governmental, non-major enterprise funds, and agency funds are presented immediately following the notes to the financial statements.

Budgetary Highlights

General Fund

The City had one budget amendment during the fiscal year, which is our common practice. This amendment was done primarily to recognize expected bond issuance proceeds and related construction project expenditures.

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2004 budget.

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Governmental Fund Types	Proprietary Funds	Total	
Receipts						
Property taxes	\$ 6,727,665	\$ 6,727,665	\$ 6,686,641	\$ —	\$ 6,686,641	\$ (41,024)
Tax increment financing	6,836,072	6,836,072	7,304,053	—	7,304,053	467,981
Other city taxes	1,530,716	1,562,716	1,541,281	—	1,541,281	(21,435)
Licenses and permits	766,980	856,580	480,417	—	480,417	(376,163)
Use of money and property	402,110	437,110	291,826	133,285	425,111	(11,999)
Intergovernmental	3,478,507	3,882,353	2,288,200	532,604	2,820,804	(1,061,549)
Charges for services	5,742,288	6,032,288	2,093,989	4,973,421	7,067,410	1,035,122
Special assessments	640,952	1,501,498	1,549,063	—	1,549,063	47,565
Miscellaneous	640,825	1,392,018	1,161,213	805,691	1,966,904	574,886
Total Receipts	<u>26,766,115</u>	<u>29,228,300</u>	<u>23,396,683</u>	<u>6,445,001</u>	<u>29,841,684</u>	<u>613,384</u>
Disbursements						
Public safety	3,162,315	3,192,067	3,017,021	—	3,017,021	(175,046)
Public works	1,583,336	1,691,836	1,462,197	—	1,462,197	(229,639)
Health and social services	44,104	44,104	44,104	—	44,104	—
Culture and recreation	3,727,378	3,727,378	3,527,643	—	3,527,643	(199,735)
Community and economic development	455,638	655,638	646,892	—	646,892	(8,746)
General government	1,446,509	1,446,509	1,364,276	—	1,364,276	(82,233)
Debt service	14,995,950	25,995,950	25,197,023	—	25,197,023	(798,927)
Capital projects	25,804,900	27,204,900	20,563,229	—	20,563,229	(6,641,671)
Business-type activities	11,452,233	16,950,233	—	15,819,671	15,819,671	(1,130,562)
Total Disbursements	<u>62,672,363</u>	<u>80,908,615</u>	<u>55,822,385</u>	<u>15,819,671</u>	<u>71,642,056</u>	<u>(9,266,559)</u>
Receipts Over (Under)						
Disbursements	<u>(35,906,248)</u>	<u>(51,680,315)</u>	<u>(32,425,702)</u>	<u>(9,374,670)</u>	<u>(41,800,372)</u>	<u>9,879,943</u>
Other Financing Sources (Uses)						
Other financing sources	60,071,229	55,075,536	51,917,285	6,361,464	58,278,749	3,203,213
Other financing uses	(15,071,229)	(15,071,229)	(15,105,535)	(185,891)	(15,291,426)	(220,197)
Total Other Financing Sources (Uses)	<u>45,000,000</u>	<u>40,004,307</u>	<u>36,811,750</u>	<u>6,175,573</u>	<u>42,987,323</u>	<u>2,983,016</u>
Receipts and Other Financing Sources Over (Under)						
Disbursements and Other Financing Uses	<u>9,093,752</u>	<u>(11,676,008)</u>	<u>4,386,048</u>	<u>(3,199,097)</u>	<u>1,186,951</u>	<u>\$12,862,959</u>
Balance - Beginning of Year	14,938,579	24,589,330	15,908,798	8,680,532	24,589,330	
Balance - End of Year	<u>\$ 24,032,331</u>	<u>\$ 12,913,322</u>	<u>\$ 20,294,846</u>	<u>\$ 5,481,435</u>	<u>\$ 25,776,281</u>	

The fiscal year 2004 budget amendment resulted in an overall increase in the appropriation. The timing of improvements in the capital projects and enterprise funds increased the fiscal year 2004 expenditure needs significantly.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2004, the City had invested \$124,464,766 in capital assets as are reflected in the following table. The investment includes land; buildings and improvements; machinery and equipment; and roads, highways, and bridges (also referred to as infrastructure assets) placed in service in 2004 or under construction at June 30, 2004. The City has until June 30, 2007 to retroactively report infrastructure assets placed in service prior to July 1, 2002.

Capital Assets at Fiscal Year End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2003	2004	2003	2004	2003	2004
Land	\$ 17,241,235	\$ 27,701,584	\$ 3,309,767	\$ 3,325,467	\$ 20,551,002	\$ 31,027,051
Buildings and improvements	9,001,523	13,163,849	27,090,751	27,356,972	36,092,274	40,520,821
Infrastructure	9,498,246	14,102,872	—	—	9,498,246	14,102,872
Machinery and equipment	9,858,177	9,962,686	12,192,683	12,836,428	22,050,860	22,799,114
Construction-in-progress	7,009,358	6,983,645	2,692,691	9,031,263	9,702,049	16,014,908
Total	\$ 52,608,539	\$ 71,914,636	\$ 45,285,892	\$ 52,550,130	\$ 97,894,431	\$ 124,464,766

Long-Term Debt

At the end of the current fiscal year, the City of Coralville had total bonded debt outstanding of \$83,433,940. Of this amount, \$39,195,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Coralville's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds, special assessment bonds).

During the fiscal year, the government refinanced some of its existing debt to take advantage of favorable interest rates.

The following summarizes maturities of principal and interest on bonded debt outstanding at June 30, 2004:

Year Ending June 30,	Governmental Activities						Business-Type Activities		Total	
	General Obligation Bonds		Tax Increment Revenue Bonds		Special Assessment Bonds		Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 1,465,000	\$ 1,938,919	\$ 1,699,000	\$ 1,347,052	\$ 320,000	\$ 88,560	\$ 1,006,000	\$ 406,695	\$ 4,490,000	\$ 3,781,226
2006	2,030,000	1,764,985	6,431,186	1,280,184	325,000	71,280	1,031,000	380,159	9,817,186	3,496,608
2007	1,310,000	1,699,518	1,973,571	1,079,562	325,000	53,730	1,066,000	352,803	4,674,571	3,185,613
2008	1,385,000	1,658,618	2,036,174	1,007,158	330,000	36,180	1,086,000	316,851	4,837,174	3,018,807
2009	1,285,000	1,612,496	1,869,014	927,577	340,000	18,360	846,000	285,271	4,340,014	2,843,704
2010-2014	11,880,000	7,016,367	5,442,592	3,656,941	—	—	4,476,000	918,238	21,798,592	11,591,546
2015-2019	13,760,000	3,064,354	3,473,403	2,607,037	—	—	1,430,000	244,230	18,663,403	5,915,621
2020-2024	6,080,000	1,327,560	3,060,000	1,820,310	—	—	628,000	41,253	9,768,000	3,189,123
2025-2029	—	—	1,950,000	1,101,781	—	—	—	—	1,950,000	1,101,781
2030-2034	—	—	3,095,000	665,425	—	—	—	—	3,095,000	665,425
	39,195,000	20,082,817	31,029,940	15,493,027	1,640,000	268,110	11,569,000	2,945,500	83,433,940	38,789,454
Net unamortized bond premium (discount)	(235,581)	—	(334,415)	—	—	—	4,556	—	(565,440)	—
Net	\$38,959,419	\$20,082,817	\$30,695,525	\$15,493,027	\$1,640,000	\$ 268,110	\$11,573,556	\$2,945,500	\$82,868,500	\$ 38,789,454

The City of Coralville maintains an Aa2 rating from Moody's Investor Services for general obligation debt.

For more information on the City's debt and amortization terms, please refer to Page 33 of the Notes to the Financial Statements.

Economic Factors

- Retail sales for the City of Coralville for 2004 were \$513,288,265 compared to \$461,491,858 for 2003.
- The total value of building permits issued during calendar year 2004 was \$50,316,131. This compares with an amount of \$60,871,809 for 2003. This amount represents a 17% decrease.

Next Year's Budget and Rates

- Water, Sewer, Solid Waste, and Storm Water Management rates will remain the same for fiscal year 2005 as fiscal year 2004.
- The City tax levy rate will increase from 12.1627 to 12.5189 (3%) increase.
- Property taxes provide about 54% of General Fund revenue. Over the past five years citywide assessed values have increased an average of 12%, while property tax limitations imposed by the State of Iowa have held taxable values to an average annual growth rate of 10.14%. The fiscal year 2005 budget projects property tax revenue growth of 9%.

Financial Information Contact

The City's financial statements are designed to provide a general overview of the finances and accountability for all those 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: Finance Officer, City of Coralville, P.O. Box 5127, Coralville, IA 52241.

Basic Financial Statements

Statement of Net Assets

At June 30, 2004

	Governmental Activities	Business- Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 17,513,509	\$ 2,176,232	\$ 19,689,741
Receivables			
Property Taxes			
Current year delinquent, net of allowance for uncollectible taxes.....	155,380	—	155,380
Succeeding year	15,418,913	—	15,418,913
Customer accounts, net of allowance for uncollectible accounts.....	—	790,835	790,835
Due from other governments	1,063,701	—	1,063,701
Internal balances.....	74,036	(74,036)	—
Due from developers.....	175,618	—	175,618
Special assessments	232,285	—	232,285
Other	50,006	—	50,006
Inventories and prepaids.....	<u>226,503</u>	<u>421,129</u>	<u>647,632</u>
Total Current Assets	<u>34,909,951</u>	<u>3,314,160</u>	<u>38,224,111</u>
Restricted Assets			
Cash and pooled investments	2,882,619	2,204,394	5,087,013
Beneficial interest in a trust	—	1,052,861	1,052,861
Pledges receivable, net of allowance for uncollectible pledges.....	<u>110,870</u>	<u>—</u>	<u>110,870</u>
Total Restricted Assets	<u>2,993,489</u>	<u>3,257,255</u>	<u>6,250,744</u>
Noncurrent Assets			
Pledges receivable, net of allowance for uncollectible pledges.....	121,841	—	121,841
Loans, net of allowance for uncollectible amounts	1,332,000	—	1,332,000
Special assessments.....	2,445,359	—	2,445,359
Capital assets, net of accumulated depreciation	<u>65,293,865</u>	<u>38,445,518</u>	<u>103,739,383</u>
Total Noncurrent Assets	<u>69,193,065</u>	<u>38,445,518</u>	<u>107,638,583</u>
Total Assets	<u>\$ 107,096,505</u>	<u>\$ 45,016,933</u>	<u>\$ 152,113,438</u>

See accompanying notes to the financial statements.

	Governmental Activities	Business- Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 4,040,438	\$ 832,233	\$ 4,872,671
Retainages payable.....	242,445	175,734	418,179
Accrued wages and compensated absences ..	586,192	151,314	737,506
Accrued interest payable	374,923	73,220	448,143
Due to other governments	23,343	8,054	31,397
Revenue bonds payable.....	—	1,006,000	1,006,000
General obligation bonds payable	1,465,000	—	1,465,000
Tax increment financing bonds payable	1,498,569	—	1,498,569
Special assessment bonds payable	320,000	—	320,000
Other loans payable	37,060	6,679	43,739
Deferred Revenue			
Succeeding year property taxes	15,418,913	—	15,418,913
Special assessments	2,179,478	—	2,179,478
Current Liabilities Payable From Restricted Assets			
Tax increment financing bonds payable	200,431	—	200,431
Revenue bonds payable	—	368,278	368,278
Total Current Liabilities	<u>26,386,792</u>	<u>2,621,512</u>	<u>29,008,304</u>
Noncurrent Liabilities			
Revenue bonds payable.....	—	10,199,278	10,199,278
General obligation bonds payable	37,494,419	—	37,494,419
Tax increment financing bonds payable	28,996,525	—	28,996,525
Special assessment bonds payable	1,320,000	—	1,320,000
Other loans payable	544,658	184,163	728,821
Capital lease.....	—	7,605,000	7,605,000
Total Noncurrent Liabilities	<u>68,355,602</u>	<u>17,988,441</u>	<u>86,344,043</u>
Total Liabilities	<u>94,742,394</u>	<u>20,609,953</u>	<u>115,352,347</u>
Net Assets			
Invested in capital assets, net of related debt .	(4,942,797)	20,128,981	15,186,184
Restricted For			
Debt service	5,335,037	1,741,464	7,076,501
Special revenue - road use taxes	444,225	—	444,225
Unrestricted	11,517,646	2,536,535	14,054,181
Total Net Assets	<u>12,354,111</u>	<u>24,406,980</u>	<u>36,761,091</u>
Total Liabilities and Net Assets	<u>\$ 107,096,505</u>	<u>\$ 45,016,933</u>	<u>\$ 152,113,438</u>

Statement of Activities

Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenue			Net (Expenses), Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Public safety	\$ 3,163,957	\$ 5,281	\$ 64,987	\$ 24,020	\$ (3,069,669)	\$ —	\$ (3,069,669)
Public works	1,767,958	44,842	1,273,166	—	(449,950)	—	(449,950)
Health and social services.....	79,762	—	—	—	(79,762)	—	(79,762)
Culture and recreation.....	3,727,019	862,005	128,165	—	(2,736,849)	—	(2,736,849)
Community and economic development	670,043	82,752	—	103,748	(483,543)	—	(483,543)
General government.....	1,574,399	749,224	—	—	(825,175)	—	(825,175)
Depreciation - unallocated.....	15,797	—	—	—	(15,797)	—	(15,797)
Debt service.....	3,084,476	—	—	1,536,066	(1,548,410)	—	(1,548,410)
Capital projects.....	1,487,992	771,091	—	2,226,848	1,509,947	—	1,509,947
Total Governmental Activities	15,571,403	2,515,195	1,466,318	3,890,682	(7,699,208)	—	(7,699,208)
Business-Type Activities							
Water	1,326,639	1,977,867	—	—	—	651,228	651,228
Sewer	1,964,991	2,270,470	—	—	—	305,479	305,479
Solid waste	540,253	614,953	—	—	—	74,700	74,700
Transit.....	1,180,102	271,719	319,895	—	—	(588,488)	(588,488)
Golf.....	699,977	224,921	—	—	—	(475,056)	(475,056)
Total Business-Type Activities	5,711,962	5,359,930	319,895	—	—	(32,137)	(32,137)
Total	\$ 21,283,365	\$ 7,875,125	\$ 1,786,213	\$ 3,890,682	(7,699,208)	(32,137)	(7,731,345)
General Revenue							
Taxes							
Property taxes levied for general purposes.....					5,337,810	—	5,337,810
Property taxes levied for debt service					3,008,674	—	3,008,674
Tax increment financing taxes					7,317,098	—	7,317,098
Other taxes.....					281,378	—	281,378
Investment earnings					120,830	132,933	253,763
Miscellaneous.....					300,811	—	300,811
Total General Revenue					16,366,601	132,933	16,499,534
Change in Net Assets Before Other Financing Sources (Uses)					8,667,393	100,796	8,768,189
Other Financing Sources (Uses)							
Transfers					(4,080,023)	4,080,023	—
Change in Net Assets.....					4,587,370	4,180,819	8,768,189
Net Assets - Beginning of Year, as Restated (Note 18)					7,766,741	20,226,161	27,992,902
Net Assets - End of Year.....					\$ 12,354,111	\$ 24,406,980	\$ 36,761,091

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

At June 30, 2004

	General Fund	Special Revenue - Tax Increment Financing	Capital Projects - First Avenue/ Brownfields	Other Govern- mental Funds	Total
Assets					
Cash and pooled invest- ments	\$ 835,603	\$ 2,104,894	\$ 9,193,176	\$ 5,379,836	\$ 17,513,509
Receivables					
Property Taxes					
Current year delinquent	54,240	72,866	—	28,274	155,380
Succeeding year	4,858,667	7,855,910	—	2,704,336	15,418,913
Loans	—	1,332,000	—	—	1,332,000
Due from other funds	2,948,642	260,000	—	87,680	3,296,322
Due from other govern- ments	42,530	—	63,208	957,963	1,063,701
Due from developers.....	—	—	—	175,618	175,618
Other	50,006	—	—	—	50,006
Special assessments	—	—	—	2,677,644	2,677,644
Inventories and prepaids	206,810	—	—	19,693	226,503
Restricted Assets					
Cash and pooled invest- ments	—	2,273,679	—	608,940	2,882,619
Pool pledges receivable	—	—	—	232,711	232,711
Total Assets	\$ 8,996,498	\$ 13,899,349	\$ 9,256,384	\$ 12,872,695	\$ 45,024,926
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 153,861	\$ 21,476	\$ 1,469,393	\$ 2,395,708	\$ 4,040,438
Retainage payable.....	—	—	—	242,445	242,445
Accrued liabilities.....	169,831	—	—	7,411	177,242
Due to other funds	260,000	—	31,189	2,931,097	3,222,286
Due to other governments..	22,419	—	—	924	23,343
Deferred Revenue					
Succeeding years					
property taxes	4,858,667	7,855,910	—	2,704,336	15,418,913
Pool pledges receivable	—	—	—	232,711	232,711
Special assessments	—	—	—	2,179,478	2,179,478
Total Liabilities	5,464,778	7,877,386	1,500,582	10,694,110	25,536,856
Fund Balances					
Restricted	—	—	—	444,225	444,225
Reserved for					
Debt service	—	2,273,679	—	3,061,358	5,335,037
Inventories and prepaids.	206,810	—	—	19,693	226,503
Unreserved	3,324,910	3,748,284	7,755,802	—	14,828,996
Unreserved, Reported in					
Nonmajor Funds					
Special revenue funds.	—	—	—	737,441	737,441
Capital projects funds	—	—	—	(2,084,132)	(2,084,132)
Total Fund Balances	3,531,720	6,021,963	7,755,802	2,178,585	19,488,070
Total Liabilities and Fund Balances	\$ 8,996,498	\$ 13,899,349	\$ 9,256,384	\$ 12,872,695	\$ 45,024,926

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

At June 30, 2004

Total Fund Balances for Governmental Funds (Page 14).....	\$ 19,488,070
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Pledges receivable are not available financial resources and, therefore, are reported as deferred revenue in governmental funds.....	232,711
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	65,293,865
Long-term liabilities, accrued interest and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General obligation bonds payable.....	(38,959,419)
Tax increment financing bonds payable.....	(30,695,525)
Special assessment bonds payable.....	(1,640,000)
Other loans payable	(581,718)
Accrued interest payable.....	(374,923)
Compensated absences	<u>(408,950)</u>
Net Assets of Governmental Activities (Page 12)	<u>\$ 12,354,111</u>

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2004

	General Fund	Special Revenue -- Tax Increment Financing	Capital Projects - First Avenue/ Brownfields	Other Govern- mental Funds	Total
Revenue					
Property taxes	\$ 4,315,399	\$ —	\$ —	\$ 2,398,189	\$ 6,713,588
Utility tax replacement excise tax	123,624	—	—	26,321	149,945
Other city taxes.....	1,629,834	7,317,098	—	3,062	8,949,994
Special assessments.....	—	—	—	1,536,066	1,536,066
Licenses and permits.....	596,342	—	—	—	596,342
Use of money and property	103,226	25,165	101,063	93,600	323,054
Intergovernmental.....	309,761	4,754	108,842	3,135,260	3,558,617
Charges for services.....	985,819	—	—	610,574	1,596,393
Miscellaneous.....	218,363	40,000	87,231	546,981	892,575
Total Revenue.....	<u>8,282,368</u>	<u>7,387,017</u>	<u>297,136</u>	<u>8,350,053</u>	<u>24,316,574</u>
Expenditures					
Operating					
Public safety.....	2,974,618	—	—	59,913	3,034,531
Public works.....	346,334	—	—	843,577	1,189,911
Health and social services	79,762	—	—	—	79,762
Culture and recreation	3,370,976	—	—	108,405	3,479,381
Community and economic development.....	423,714	242,307	—	—	666,021
General government	1,524,885	—	—	—	1,524,885
Debt Service					
Principal	—	18,434,675	—	3,794,288	22,228,963
Interest and other charges	—	2,157,490	—	810,954	2,968,444
Capital projects.....	6,900	—	10,379,032	10,424,049	20,809,981
Total Expenditures	<u>8,727,189</u>	<u>20,834,472</u>	<u>10,379,032</u>	<u>16,041,186</u>	<u>55,981,879</u>
Revenue Under Expenditures	<u>(444,821)</u>	<u>(13,447,455)</u>	<u>(10,081,896)</u>	<u>(7,691,133)</u>	<u>(31,665,305)</u>
Other Financing Sources (Uses)					
Bond proceeds	1,700,000	13,660,000	24,550,000	1,515,000	41,425,000
Bond issuance premium (discount)	(31,616)	(340,181)	(225,200)	14,714	(582,283)
Accrued interest received on bond issuance.....	—	—	—	31,190	31,190
Residual equity transfer.....	(1,668,384)	—	—	—	(1,668,384)
Operating transfers in.....	1,388,382	4,646,588	2,008,573	3,346,007	11,389,550
Operating transfers out.....	(897,671)	(5,180,272)	(4,580,871)	(3,142,375)	(13,801,189)
Total Other Financing Sources (Uses)	<u>490,711</u>	<u>12,786,135</u>	<u>21,752,502</u>	<u>1,764,536</u>	<u>36,793,884</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
	45,890	(661,320)	11,670,606	(5,926,597)	5,128,579
Fund Balances - Beginning of Year (Restated - Note 18)	<u>3,485,830</u>	<u>6,683,283</u>	<u>(3,914,804)</u>	<u>8,105,182</u>	<u>14,359,491</u>
Fund Balances - End of Year	<u>\$ 3,531,720</u>	<u>\$ 6,021,963</u>	<u>\$ 7,755,802</u>	<u>\$ 2,178,585</u>	<u>\$ 19,488,070</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended June 30, 2004

Changes in Fund Balances - Total Governmental Funds
(Page 16) **\$ 5,128,579**

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

Capital outlays to purchase or construct capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlay and depreciation expense for the year are as follows:

Capital outlay	\$ 19,591,872	
Loss on disposal	(39,492)	
Depreciation expense	<u>(1,230,268)</u>	18,322,112

The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes current financial resources. These transactions have no effect on the change in net assets in the statement of activities. In addition, interest is accrued on outstanding debt in the statement of activities whereas in the governmental funds an interest expenditure is reported only when due. The following is a detail of the net effect on these differences in the treatment of long-term debt and related items:

Long-term debt issued	\$ (40,842,717)	
Long-term debt principal repaid	22,228,964	
Increase in accrued interest	(134,936)	
Amortization of discounts and premiums	<u>(12,287)</u>	(18,760,976)

Pledges receivable are reported in the statement of activities net of the estimated amount that will be uncollectible, but are not available financial resources and, therefore, are not reported as revenue in the governmental funds until collected in cash (77,778)

Increase in compensated absences expenses reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds (24,567)

Change in Net Assets of Governmental Activities (Page 13) **\$ 4,587,370**

Statement of Net Assets - Proprietary Funds

At June 30, 2004

	Water	Sewer	Golf	Other Business- Type Funds	Total
Assets					
Current Assets					
Cash and pooled invest- ments	\$ 264,313	\$ 1,283,663	\$ —	\$ 628,256	\$ 2,176,232
Customer accounts receivable.....	295,223	413,766	—	81,846	790,835
Inventories and prepaids	<u>111,684</u>	<u>137,603</u>	<u>136,455</u>	<u>35,387</u>	<u>421,129</u>
Total Current Assets	<u>671,220</u>	<u>1,835,032</u>	<u>136,455</u>	<u>745,489</u>	<u>3,388,196</u>
Noncurrent Assets					
Restricted Assets					
Cash and pooled investments.....	541,956	1,212,438	400,000	50,000	2,204,394
Beneficial interest in a trust	—	—	1,052,861	—	1,052,861
Capital assets (net of accumulated depreciation)	<u>8,515,274</u>	<u>16,915,382</u>	<u>11,621,686</u>	<u>1,393,176</u>	<u>38,445,518</u>
Total Noncurrent Assets	<u>9,057,230</u>	<u>18,127,820</u>	<u>13,074,547</u>	<u>1,443,176</u>	<u>41,702,773</u>
Total Assets	<u>\$ 9,728,450</u>	<u>\$ 19,962,852</u>	<u>\$ 13,211,002</u>	<u>\$ 2,188,665</u>	<u>\$ 45,090,969</u>
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	\$ 171,210	\$ 30,141	\$ 604,665	\$ 26,217	\$ 832,233
Retainage payable.....	39,055	—	136,679	—	175,734
Accrued liabilities and compensated absences ..	29,807	56,596	64,836	73,295	224,534
Due to other funds.....	—	—	74,036	—	74,036
Due to other governments..	789	876	3,106	3,283	8,054
Current maturities of long- term debt.....	<u>450,000</u>	<u>511,000</u>	<u>6,679</u>	<u>45,000</u>	<u>1,012,679</u>
Total Current Liabilities	<u>690,861</u>	<u>598,613</u>	<u>890,001</u>	<u>147,795</u>	<u>2,327,270</u>
Long-Term Debt	<u>2,766,727</u>	<u>7,425,830</u>	<u>7,789,162</u>	<u>375,000</u>	<u>18,356,719</u>
Total Liabilities	<u>3,457,588</u>	<u>8,024,443</u>	<u>8,679,163</u>	<u>522,795</u>	<u>20,683,989</u>
Net Assets					
Invested in capital assets, net of related debt.....	5,298,547	8,978,552	4,878,706	973,176	20,128,981
Restricted for debt service	541,956	1,149,508	—	50,000	1,741,464
Unrestricted	<u>430,359</u>	<u>1,810,349</u>	<u>(346,867)</u>	<u>642,694</u>	<u>2,536,535</u>
Total Net Assets	<u>6,270,862</u>	<u>11,938,409</u>	<u>4,531,839</u>	<u>1,665,870</u>	<u>24,406,980</u>
Total Liabilities and Net Assets	<u>\$ 9,728,450</u>	<u>\$ 19,962,852</u>	<u>\$ 13,211,002</u>	<u>\$ 2,188,665</u>	<u>\$ 45,090,969</u>

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Net Assets -

Proprietary Funds

Year Ended June 30, 2004

	Water	Sewer	Golf	Other Business- Type Funds	Total
Operating Revenue					
Charges for sales and service.....	<u>\$ 1,977,867</u>	<u>\$ 2,270,470</u>	<u>\$ 224,921</u>	<u>\$ 886,672</u>	<u>\$ 5,359,930</u>
Operating Expenses					
Salaries and employee benefits	351,818	325,496	229,752	908,960	1,816,026
Contractual services	294,552	428,638	213,861	166,753	1,103,804
Commodities.....	190,522	78,517	154,796	421,278	845,113
Depreciation	<u>350,868</u>	<u>740,688</u>	<u>88,853</u>	<u>198,388</u>	<u>1,378,797</u>
Total Operating Expenses	<u>1,187,760</u>	<u>1,573,339</u>	<u>687,262</u>	<u>1,695,379</u>	<u>5,143,740</u>
Operating Income (Loss)	<u>790,107</u>	<u>697,131</u>	<u>(462,341)</u>	<u>(808,707)</u>	<u>216,190</u>
Nonoperating Revenue (Expenses)					
Intergovernmental Revenue					
Federal.....	—	—	—	136,590	136,590
State.....	—	—	—	183,305	183,305
Interest revenue.....	22,136	15,573	—	—	37,709
Interest expense.....	(138,879)	(391,652)	(12,715)	(24,976)	(568,222)
Increase in beneficial interest in a trust	—	—	95,224	—	95,224
Total Nonoperating Revenue (Expenses)	<u>(116,743)</u>	<u>(376,079)</u>	<u>82,509</u>	<u>294,919</u>	<u>(115,394)</u>
Change in Net Assets Before Contributions and Transfers					
	673,364	321,052	(379,832)	(513,788)	100,796
Capital contributions	—	—	1,668,384	—	1,668,384
Operating transfers in.....	—	1,806,532	218,698	569,300	2,594,530
Operating transfers out.....	<u>(125,000)</u>	<u>(50,391)</u>	<u>—</u>	<u>(7,500)</u>	<u>(182,891)</u>
Change in Net Assets.....	548,364	2,077,193	1,507,250	48,012	4,180,819
Net Assets - Beginning of Year	<u>5,722,498</u>	<u>9,861,216</u>	<u>3,024,589</u>	<u>1,617,858</u>	<u>20,226,161</u>
Net Assets - End of Year	<u>\$ 6,270,862</u>	<u>\$ 11,938,409</u>	<u>\$ 4,531,839</u>	<u>\$ 1,665,870</u>	<u>\$ 24,406,980</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2004

	Water	Sewer	Golf	Other Business- Type Funds	Total
Cash Flows From Operating Activities					
Receipts from customers	\$ 1,978,921	\$ 2,278,655	\$ 224,921	\$ 885,359	\$ 5,367,856
Payments to suppliers.....	(514,154)	(532,915)	(434,651)	(576,378)	(2,058,098)
Payments to employees.....	(351,165)	(320,715)	(210,537)	(909,440)	(1,791,857)
Net Cash Provided By (Used in)					
Operating Activities	<u>1,113,602</u>	<u>1,425,025</u>	<u>(420,267)</u>	<u>(600,459)</u>	<u>1,517,901</u>
Cash Flows From Noncapital Financing Activities					
Noncapital federal and state grants	—	—	—	332,605	332,605
Net operating transfers	(125,000)	1,756,141	218,698	561,800	2,411,639
Net Cash Provided By (Used in)					
Noncapital Financing Activities.....	<u>(125,000)</u>	<u>1,756,141</u>	<u>218,698</u>	<u>894,405</u>	<u>2,744,244</u>
Cash Flows From Capital and Related Financing Activities					
Decrease in due to other funds.....	—	—	(1,219,292)	—	(1,219,292)
Contributed capital from General Fund.....	—	—	1,668,384	—	1,668,384
Proceeds from debt.....	400,000	1,783,979	—	—	2,183,979
Received from trust.....	—	—	5,238,044	—	5,238,044
Purchase of capital assets	(1,159,478)	(372,944)	(5,066,572)	(130,000)	(6,728,994)
Repayment of debt.....	(340,000)	(3,842,380)	(6,280)	(40,000)	(4,228,660)
Payment of interest	(137,303)	(394,311)	(12,715)	(24,976)	(569,305)
Net Cash Provided By (Used in) Capital and Related Financing Activities.....	<u>(1,236,781)</u>	<u>(2,825,656)</u>	<u>601,569</u>	<u>(194,976)</u>	<u>(3,655,844)</u>
Cash Flows From Investing Activities					
Interest received.....	<u>22,136</u>	<u>15,573</u>	<u>—</u>	<u>—</u>	<u>37,709</u>
Net Increase (Decrease) in Cash	<u>(226,043)</u>	<u>371,083</u>	<u>400,000</u>	<u>98,970</u>	<u>644,010</u>
Cash and Pooled Investments at Beginning of Year	<u>1,032,312</u>	<u>2,125,018</u>	<u>—</u>	<u>579,286</u>	<u>3,736,616</u>
Cash and Pooled Investments at End of Year	<u>\$ 806,269</u>	<u>\$ 2,496,101</u>	<u>\$ 400,000</u>	<u>\$ 678,256</u>	<u>\$ 4,380,626</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used in)					
Operating Activities					
Operating income (loss).....	\$ 790,107	\$ 697,131	\$ (462,341)	\$ (808,707)	\$ 216,190
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided By (Used in)					
Operating Activities					
Depreciation.....	350,868	740,688	88,853	198,388	1,378,797
(Increase) decrease in receivables.....	1,054	8,185	—	(1,313)	7,926
Decrease in inventories and prepaids	(37,683)	(42,974)	(26,389)	(2,011)	(109,057)
Increase (decrease) in accounts and retainages payable.....	8,461	16,917	(41,942)	12,954	(3,610)
Increase (decrease) in accrued liabilities and compensated absences ..	653	4,781	19,215	(480)	24,169
Increase in due to other funds and other governments	142	297	2,337	710	3,486
Net Cash Provided By (Used in)					
Operating Activities	<u>\$ 1,113,602</u>	<u>\$ 1,425,025</u>	<u>\$ (420,267)</u>	<u>\$ (600,459)</u>	<u>\$ 1,517,901</u>
Schedule of Noncash Investing and Financing Activities					
Capital Asset Acquisition - Accounts and Retainages Payable	<u>\$ 111,255</u>	<u>\$ (37,304)</u>	<u>\$ 461,273</u>	<u>\$ —</u>	<u>\$ 535,224</u>
Increase in Beneficial Interest in a Trust	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 95,224</u>	<u>\$ —</u>	<u>\$ 95,224</u>

See accompanying notes to the financial statements.

Statement of Fiduciary Net Assets - Fiduciary Funds

At June 30, 2004

	CEBA Agency Fund
Assets	
Loans receivable	<u>\$ 628,000</u>
Liabilities and Net Assets	
Notes payable.....	\$ 628,000
Net Assets	<u>—</u>
Total Liabilities and Net Assets	<u>\$ 628,000</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City of Coralville, Iowa, (City) is a political subdivision of the State of Iowa located in Johnson County. It was incorporated in 1870 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services.

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the provisions of GASB Statement No. 20, the City has elected not to apply Financial Accounting Standards Board Statements and interpretations issued after November 30, 1989 to its proprietary activities. The more significant of the City's accounting policies are described below.

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, account groups, 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. The City has determined that under the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, Coralville Hospitality Corporation is a component unit. Its activities are included in the capital projects fund, First Avenue/Brownfields Projects.

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities report information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenue, are reported separately for business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

(1) Summary of Significant Accounting Policies

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City had the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenue and other revenue that is not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating expenses, the fixed charges and capital improvement costs not paid from other funds.

The Tax Increment Financing Fund is a special revenue fund used to account for property taxes generated as a result of increased property values of property located in the City's various Tax Increment Financing Districts which will be used to pay obligations incurred for qualifying projects.

The First Avenue/Brownfields Fund is a capital projects fund used to account for construction projects in and around a Brownfields area and along First Avenue. The activities of the component unit Coralville Hospitality Corporation are reported in this fund.

The City had the following major proprietary funds:

Enterprise Funds

Water Fund - This fund accounts for the operation and maintenance of the City's water treatment and distribution system.

Sewer Fund - This fund accounts for the operation and maintenance of the City's sanitary sewage systems.

Brown Deer Golf Course - This fund accounts for activities of the City's municipal golf course, clubhouse and related activities.

(1) Summary of Significant Accounting Policies

Description of Funds

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenue and expenditures or expenses, and other financing sources and uses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into categories as follows:

Governmental Fund Types

General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds are used to account for the accumulation of financial resources for, and the payment of, interest and principal on the City's general obligation debt, special assessment long-term debt, land purchase contract and related costs.

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types, trust funds and special revenue funds).

Proprietary Fund Type

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to that of a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Property tax, local option sales tax, intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs and then by general revenue.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Using prescribed procedures, the City amended its budget once during the year ended June 30, 2004.

The cash basis reports cash receipts and disbursements rather than revenue and expenditures/expenses. Receivables, payables, accruals and deferrals do not apply to the cash basis budget.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City follows these procedures in the adoption of or amendment of the annual budget:

1. Department supervisors submit preliminary budget requests during October. These requests are reviewed by the City Administrator and City Finance Officer, who present a proposed budget to the City Council. The City Council prepares a projected budget based on their recommendations.
2. The City Clerk provides the projected budget to interested citizens not later than February 20, and public hearings are conducted to obtain taxpayer comments.
3. Prior to March 15, the budget is legally enacted through passage of a resolution and is submitted to the County Auditor.
4. Amendments to the budget may be considered and reviewed throughout the fiscal year. Amendments are subject to council review and by justification to the City Administrator. The budget is formally amended by the City Council after the process of public hearings.

State law mandates that the control of the level of classification at which expenditures may not legally exceed appropriations is based upon ten major classes of disbursements, known as functions, not by fund or fund type. It is permissible, therefore, to overspend the budget within a particular fund so long as the expenditures within a function are not exceeded. The ten functions are Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, Business-Type Activities and Nonprogram. During the year ended June 30, 2004, disbursements for all functions did not exceed the amounts budgeted. The City does not record or report encumbrances.

Cash, Pooled Investments and Cash Equivalents

The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Receivables and Payables

Property taxes receivable are recognized 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 taxes receivable represent unpaid taxes from the current year. The succeeding year property taxes receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property taxes receivable have been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Property tax revenue became due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2003 assessed property valuations, is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March, 2004.

Special assessments are levied against certain property owners and become liens against the property benefited by the improvement. Special assessments receivable consist of current assessments which are due within one year, delinquent assessments remaining unpaid after the due date, and deferred, uncollected assessments which have been levied, but are not due within one year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared.

Loans consist of amounts advanced to private individuals, companies or organizations through the special revenue and agency funds.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds."

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from governments.

Inventories and Prepays

Inventories are valued at the lower of first-in, first-out cost or market. The cost of governmental fund-type inventory is recorded as an expenditure when purchased. Inventories and prepaids recorded in the governmental fund types do not reflect current appropriable resources; therefore, an equivalent portion of fund balance is reserved.

Prepays consist primarily of property and liability insurance payments paid in advance.

Restricted Assets

Certain assets of the special revenue fund are classified as restricted assets because their use is restricted by bond covenants.

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Interest Capitalized

Construction period interest for business-type activities is capitalized. For projects paid for with taxable bonds, interest is capitalized at the amount of cash paid at the effective interest rate to the earlier of the date the asset is placed in service or year end.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. Capital assets are defined by the City as assets with an initial, individual cost in excess of \$5,000 and estimated useful lives in excess of one year and all computer equipment.

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	10 - 50 Years
Furniture and equipment	5 - 20 Years
Vehicles.....	5 - 10 Years
Road network	20 - 40 Years
Bridge network.....	50 Years

The City has not retroactively capitalized infrastructure assets. Under current accounting standards, the City has until the year ending June 30, 2007 to complete the capitalization of infrastructure assets. However, infrastructure projects from 2003 and 2004 are included in the government-wide financial statements. Because the infrastructure assets constructed prior to 2003 have not been capitalized, the debt related to infrastructure assets causes the reporting of capital assets net of related debt in the statement of net assets to be lower than it would if the infrastructure were capitalized.

Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. For proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the year earned. For governmental fund types, the amount of accumulated unpaid vacation and sick leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations.

Deferred Revenue

Although certain revenue is measurable, it is not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables and other receivables not collected within 60 days after year end. Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Long-Term Liabilities

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column in the statement of net assets and the proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the governmental fund financial statements, reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Estimates and Assumptions

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, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance 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.

Notes to the Financial Statements

(2) Cash and Investments

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments at June 30, 2004 were as follows:

Cash accounts.....	\$ 8,824,181
Pooled cash investments - Iowa Public Agency Investment Trust	14,481,879
Certificates of deposit.....	<u>1,470,694</u>
Total	<u>\$ 24,776,754</u>

The investments in the Iowa Public Agency Investment Trust are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization. The City had no other investments subject to risk categorization.

(3) Loans Receivable

During the year ended June 30, 2003, the City made forgivable economic development loans to two local businesses totaling \$828,000. The loans are forgivable upon the businesses meeting certain job creation goals. The loans bear interest at 6%, which is also forgivable. At June 30, 2004, no amounts of principal and interest had been received or forgiven and the loans were not in default.

During the year ended June 30, 2002, the City made a \$504,000 forgivable economic development loan to a local business. The loan is forgivable upon the business meeting certain job creation goals. The loan bears interest at 6%, which is also forgivable. At June 30, 2004, no amounts of principal and interest had been received or forgiven and the loan was not in default.

During the year ended June 30, 2002, the City made a noninterest bearing \$100,000 forgivable economic development loan to the Iowa Children's Museum. The loan is forgivable so long as the Museum continues in operation through May, 2007. City officials presume that the Museum will either remain in business through the due date of the loan and therefore be forgiven or that the Museum will be unable to repay the loan in the event it is unable to continue in operation. As a result, the City has not recorded the loan as a note receivable. The Museum was in operation at June 30, 2004.

Notes to the Financial Statements

(4) Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2004 is as follows:

Due From/To	Interfund Receivables	Interfund Payables
General Fund.....	\$ 2,948,642	\$ 260,000
Special Revenue Funds		
Tax Increment Financing	260,000	—
Police Grants	—	22,292
Debt Service Funds		
General Obligation Bonds.....	31,190	—
Oakdale Boulevard - Special Assessments	38,769	—
North Annexation	—	219,882
Capital Projects Funds		
Highway 6/22 nd Avenue	—	1,015,738
Oakdale Boulevard Project	—	186,355
First Avenue/Clear Creek Projects.....	—	339,215
Stormwater Projects.....	17,721	—
First Avenue/Brownfields Projects	—	31,189
Coral Ridge Mall	—	10,000
Trail Projects	—	233,183
Morrison Creek Riffle Project	—	17,721
Street Improvements.....	—	720,728
Aquatic Center	—	122,028
North Corridor Land Use Project.....	—	43,955
Enterprise Funds		
Brown Deer Golf Course.....	—	74,036
	<u>\$ 3,296,322</u>	<u>\$ 3,296,322</u>

These balances result from interfund loans to finance projects. Repayments will be made from future revenue and debt proceeds.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 17,241,235	\$ 10,460,349	\$ —	\$ 27,701,584
Construction in progress	<u>7,009,358</u>	<u>8,808,006</u>	<u>8,833,719</u>	<u>6,983,645</u>
Total Capital Assets Not Being Depreciated.....	<u>24,250,593</u>	<u>19,268,355</u>	<u>8,833,719</u>	<u>34,685,229</u>

Notes to the Financial Statements

(5) Capital Assets

	Balance Beginning of Year	Increases	Decreases	Balance - End of Year
Capital Assets Being Depreciated				
Buildings and improvements	\$ 9,001,523	\$ 4,282,727	\$ 120,401	\$ 13,163,849
Furniture and equipment	9,243,822	180,645	91,274	9,333,193
Vehicles	614,355	89,238	74,100	629,493
Road network	6,100,923	3,625,268	—	9,726,191
Bridge network	3,397,323	979,358	—	4,376,681
Total Capital Assets Being Depreciated	<u>28,357,946</u>	<u>9,157,236</u>	<u>285,775</u>	<u>37,229,407</u>
Less Accumulated Depreciation for				
Buildings and improvements	2,743,616	271,866	110,942	2,904,540
Furniture and equipment	2,411,490	441,880	72,160	2,781,210
Vehicles	295,184	76,691	63,181	308,694
Road network	152,523	362,091	—	514,614
Bridge network	33,973	77,740	—	111,713
Total Accumulated Depreciation	<u>5,636,786</u>	<u>1,230,268</u>	<u>246,283</u>	<u>6,620,771</u>
Net Capital Assets Being Depreciated	<u>22,721,160</u>	<u>7,926,968</u>	<u>39,492</u>	<u>30,608,636</u>
Net Governmental Activities				
Capital Assets	<u>\$ 46,971,753</u>	<u>\$ 27,195,323</u>	<u>\$ 8,873,211</u>	<u>\$ 65,293,865</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 3,309,767	\$ 15,700	\$ —	\$ 3,325,467
Construction in progress	2,692,691	6,815,088	476,516	9,031,263
Total Capital Assets Not Being Depreciated	<u>6,002,458</u>	<u>6,830,788</u>	<u>476,516</u>	<u>12,356,730</u>
Capital Assets Being Depreciated				
Buildings and improvements	27,090,751	266,221	—	27,356,972
Furniture and equipment	11,979,539	643,745	—	12,623,284
Vehicles	213,144	—	—	213,144
Total Capital Assets Being Depreciated	<u>39,283,434</u>	<u>909,966</u>	<u>—</u>	<u>40,193,400</u>
Less Accumulated Depreciation for				
Buildings and improvements	6,137,086	874,741	—	7,011,827
Furniture and equipment	6,410,123	488,658	—	6,898,781
Vehicles	178,606	15,398	—	194,004
Total Accumulated Depreciation	<u>12,725,815</u>	<u>1,378,797</u>	<u>—</u>	<u>14,104,612</u>
Net Capital Assets Being Depreciated	<u>26,557,619</u>	<u>(468,831)</u>	<u>—</u>	<u>26,088,788</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 32,560,077</u>	<u>\$ 6,361,957</u>	<u>\$ 476,516</u>	<u>\$ 38,445,518</u>

Notes to the Financial Statements

(5) Capital Assets

Depreciation expense was charged by the City as follows for the year ended June 30, 2004:

Governmental Activities	
Public safety	\$ 215,487
Public works	563,709
Health and social services	—
Culture and recreation.....	346,265
Community and economic development	5,815
General government	<u>83,195</u>
	1,214,471
Unallocated depreciation.....	<u>15,797</u>
Total Governmental Activities Depreciation Expense	<u>\$ 1,230,268</u>
Business-Type Activities	
Water.....	\$ 350,868
Sewer.....	740,688
Solid waste.....	41,092
Transit.....	157,296
Golf.....	<u>88,853</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 1,378,797</u>

(6) Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2004:

	Balance - Beginning of Year	Additions	Retirements	Balance - End of Year	Amount Due in the Next Year	Range of Interest Rates
Governmental Activities						
General obligation bonds ...	\$ 19,425,000	\$ 22,972,898	\$ 3,438,479	\$ 38,959,419	\$ 1,465,000	1.10%-6.00%
Tax increment revenue bonds.....	31,254,616	17,869,819	18,428,910	30,695,525	1,699,000	3.00%-8.00%
Special assessment bonds.....	1,955,000	—	315,000	1,640,000	320,000	5.40%
Other long-term debt.....	616,006	—	34,288	581,718	37,060	0.00%-7.00%
Compensated absences	384,383	408,950	384,383	408,950	408,950	N/A
Totals.....	<u>\$ 53,635,005</u>	<u>\$ 41,251,667</u>	<u>\$ 22,601,060</u>	<u>\$ 72,285,612</u>	<u>\$ 3,930,010</u>	
Business-Type Activities						
Revenue bonds.....	\$ 13,603,979	\$ 2,183,979	\$ 4,214,402	\$ 11,573,556	\$ 1,006,000	2.00%-5.30%
Capital lease	7,605,000	—	—	7,605,000	—	6.25%
Other long-term debt.....	197,121	—	6,279	190,842	6,679	4.00%
Compensated absences	91,566	86,614	91,566	86,614	86,614	N/A
Totals.....	<u>\$ 21,497,666</u>	<u>\$ 2,270,593</u>	<u>\$ 4,312,247</u>	<u>\$ 19,456,012</u>	<u>\$ 1,099,293</u>	

(6) Long-Term Debt

Governmental Activities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. In addition, general obligation bonds have been issued to refund prior general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with substantially equal amounts of principal plus interest maturing each year.

Tax Increment Revenue Bonds

The City issues urban renewal tax increment revenue bonds for the purpose of defraying portions of the cost of carrying out urban renewal projects of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Special Revenue Fund and the taxes are to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bonds are to be expended only for purposes which are consistent with the City's urban renewal area plans. The bonds are not a general obligation of the City, however, most of the debt is subject to the constitutional debt limitation of the City. The debt that is not subject to the constitutional debt limit includes principal due later than one year from the balance sheet date for certain annual appropriation notes.

Special Assessment Bonds

The City issues bonds where the government pledges the proceeds of the assessments against benefited properties to pay debt service. Proceeds of special assessment bonds are used to finance the construction of these improvements.

Other Long-Term Debt

Land Purchase Contract

On September 1, 1998, the City purchased a parcel of land on First Avenue for the First Avenue TIF Area Improvement Project. The purchase was financed by a land purchase contract with the former owner which matures September 1, 2011. The contract calls for monthly payments of \$3,566 through September 1, 2001, and monthly payments of \$4,932 beginning October 1, 2001 through September 1, 2011, including interest at 7%.

During the year ended June 30, 2004, \$34,288 of principal was paid and interest expense was \$24,691. The unpaid balance of the contract at June 30, 2004 was \$333,218.

Notes to the Financial Statements

(6) Long-Term Debt

At June 30, 2004, annual maturities of the land purchase contract are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 37,060	\$ 22,119	\$ 59,179
2006	39,739	19,440	59,179
2007	42,612	16,567	59,179
2008	45,693	13,486	59,179
2009	48,996	10,183	59,179
2010 - 2012.....	119,118	9,570	128,688
	<u>\$ 333,218</u>	<u>\$ 91,365</u>	<u>\$ 424,583</u>

Forgivable Loan

During the year ended June 30, 2002, the City obtained a ten-year, \$248,500 forgivable loan through the Iowa Department of Economic Development for Brownfields Redevelopment. The loan is noninterest bearing and no principal is due through the year ending June 30, 2006. The loan will then be forgiven based upon a formula using the increase in taxable property valuation for the redevelopment area. Any amount not forgiven at that date will be payable over the next five years ending June 30, 2011.

Business-Type Activities

Revenue Bonds

The City issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

Capital Lease Obligation

Golf Course Expansion Leasing and Financing Transactions

The City is expanding Brown Deer Golf Course from 9 to 18 holes and building a clubhouse, other buildings and a driving range. To finance this expansion, the City entered into an agreement to lease land it owns or will be acquiring for the expansion to US Bank, as trustee and in turn, lease that land back from US Bank for the City's use as the expanded golf course for a period of 50 years for the total lease payment of \$1. As part of the financing, the City agreed to sell certain other land it owns to US Bank and lease it back under a capital lease. The capital lease requires payments in amounts necessary to pay US Bank for the total proceeds of \$7,605,000 that US Bank obtained by selling Certificates of Participation in the lease to investors. Once the Certificates of Participation are repaid, title to all of the land, buildings and improvements transfers to the City. At June 30, 2003, the City had paid for construction costs which will be reimbursed by US Bank through the trust account. US Bank has issued \$7,605,000 of Certificates of Participation, at 6.25% interest, as of June 30, 2003, which is reported as a beneficial interest in a trust and as a long-term debt in the accompanying balance sheet for Brown Deer Golf Course, net of amounts drawn from the trust account to pay project costs and interest during the year.

During the year ended June 30, 2004, US Bank resigned as trustee and Central State Bank was appointed and assumed all of the terms and conditions of the original trust agreement.

Notes to the Financial Statements

(6) Long-Term Debt

At June 30, 2004, future minimum lease payments on the capital lease obligation are as follows:

Year Ending June 30,	
2005	\$ 475,312
2006	707,812
2007	707,344
2008	705,938
2009	703,594
2010 - 2014	3,500,159
2015 - 2019	3,469,221
2020 - 2024	2,780,783
2025 - 2029	40,630
2030 - 2032	<u>150,315</u>
Total Minimum Lease Payments	13,241,108
Less amount representing interest	<u>5,636,108</u>
Present Value of Net Minimum Lease Payments	<u>\$ 7,605,000</u>

Other Long-Term Debt

Small Business Administration Loans

In connection with the donation of the Brown Deer Golf Course to the City in April, 1999, the City assumed the two existing Small Business Administration (SBA) loans of the donor.

The loans are due February, 2024. Monthly payments total \$1,183 including interest at a rate of 4%. The loans are secured by all assets of the golf course. The outstanding balances of the two SBA loans at June 30, 2004 were \$109,581 and \$81,261. During the year ended June 30, 2004, principal paid on the two loans totaled \$6,280, and total interest expense was \$7,907.

At June 30, 2004, annual maturities of the SBA loans are as follows:

Year Ending June 30,	SBA		SBA		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 3,804	\$ 4,320	\$ 2,875	\$ 3,197	\$ 6,679	\$ 7,517
2006	3,959	4,165	2,992	3,080	6,951	7,245
2007	4,120	4,004	3,114	2,958	7,234	6,962
2008	4,288	3,836	3,241	2,831	7,529	6,667
2009	4,462	3,662	3,373	2,699	7,835	6,361
2010 - 2014	25,191	15,429	19,040	11,320	44,231	26,749
2015 - 2019	30,760	9,860	23,248	7,112	54,008	16,972
2020 - 2024	<u>32,997</u>	<u>3,103</u>	<u>23,378</u>	<u>2,048</u>	<u>56,375</u>	<u>5,151</u>
Total	<u>\$ 109,581</u>	<u>\$ 48,379</u>	<u>\$ 81,261</u>	<u>\$ 35,245</u>	<u>\$ 190,842</u>	<u>\$ 83,624</u>

Notes to the Financial Statements

(6) Long-Term Debt

Annual debt service requirements to maturity for general obligation bonds, tax increment special assessment bonds and revenue bonds at June 30, 2004 are as follows:

Year Ending June 30,	Governmental Activities						Business- Type Activities		Total	
	General Obligation Bonds		Tax Increment Revenue Bonds		Special Assessment Bonds		Revenue Bonds			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005.....	\$ 1,465,000	\$ 1,938,919	\$ 1,699,000	\$ 1,347,052	\$ 320,000	\$ 88,560	\$ 1,006,000	\$ 406,695	\$ 4,490,000	\$ 3,781,226
2006.....	2,030,000	1,764,985	6,431,186	1,280,184	325,000	71,280	1,031,000	380,159	9,817,186	3,496,608
2007.....	1,310,000	1,699,518	1,973,571	1,079,562	325,000	53,730	1,066,000	352,803	4,674,571	3,185,613
2008.....	1,385,000	1,658,618	2,036,174	1,007,158	330,000	36,180	1,086,000	316,851	4,837,174	3,018,807
2009.....	1,285,000	1,612,496	1,869,014	927,577	340,000	18,360	846,000	285,271	4,340,014	2,843,704
2010-2014	11,880,000	7,016,367	5,442,592	3,656,941	—	—	4,476,000	918,238	21,798,592	11,591,546
2015-2019	13,760,000	3,064,354	3,473,403	2,607,037	—	—	1,430,000	244,230	18,663,403	5,915,621
2020-2024	6,080,000	1,327,560	3,060,000	1,820,310	—	—	628,000	41,253	9,768,000	3,189,123
2025-2029	—	—	1,950,000	1,101,781	—	—	—	—	1,950,000	1,101,781
2030-2034	—	—	3,095,000	665,425	—	—	—	—	3,095,000	665,425
	<u>39,195,000</u>	<u>20,082,817</u>	<u>31,029,940</u>	<u>15,493,027</u>	<u>1,640,000</u>	<u>268,110</u>	<u>11,569,000</u>	<u>2,945,500</u>	<u>83,433,940</u>	<u>38,789,454</u>
Net unamor- tized bond premium (discount)	(235,581)	—	(334,415)	—	—	—	4,556	—	(565,440)	—
Net.....	<u>\$38,959,419</u>	<u>\$20,082,817</u>	<u>\$30,695,525</u>	<u>\$15,493,027</u>	<u>\$1,640,000</u>	<u>\$ 268,110</u>	<u>\$11,573,556</u>	<u>\$2,945,500</u>	<u>\$82,868,500</u>	<u>\$38,789,454</u>

Interest expense recorded in governmental fund types totaled \$2,968,444 for the year ended June 30, 2004. Interest expense recorded in proprietary fund types totaled \$568,222, net of capitalized interest of \$475,313.

Revenue Bond Resolution Requirements

The governmental and business-type activities revenue bond resolutions contain significant limitations and restrictions on annual debt service requirements, require minimum amounts to be maintained in various restricted accounts to provide for payment of principal and interest and require minimum revenue bond coverage. At June 30, 2004, the City was in compliance with these covenants.

Agency Fund Loan

The City passes through loans and forgivable loans from the Iowa Department of Economic Development (IDED)'s Community Economic Betterment Account (CEBA) to local businesses. The City is required to make a good faith effort to ensure IDED's Community Economic Betterment Account is repaid for the loans and, if required, the forgivable loans. The recipients may make payments directly to IDED. At June 30, 2004, outstanding balances on one loan and two forgivable loans totaled \$628,000. This debt is recorded in the CEBA Agency Fund.

(7) Retirement System

Iowa Public 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.

As of June 30, 2004, plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by State statute and may be amended by the State of Iowa legislature with the consent of the governor. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$335,951, \$314,491 and \$298,494, respectively, and were equal to the required contributions for each year.

Notes to the Financial Statements

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer From	Amount
Residual Equity Transfer		
Golf	General Fund	<u>\$ 1,668,384</u>
Other Transfers		
General Fund	Special Revenue	
	Tax Increment Financing	\$ 292,274
	Nonmajor Governmental Funds	1,031,608
	Capital Projects	
	Nonmajor Governmental Funds	7,000
	Proprietary	
	Nonmajor Proprietary Funds	57,500
Tax Increment Financing	Capital Projects	
	First Avenue/Brownfields	4,500,000
	Nonmajor Governmental Funds	146,588
First Avenue/Brownfields	Tax Increment Financing	2,008,573
Sewer	Special Revenue	
	Tax Increment Financing	1,748,700
	Debt Service	
	Nonmajor Governmental Funds	57,832
Golf	General Fund	218,698
Nonmajor Special Revenue	General Fund	25,672
Nonmajor Debt Service	Tax Increment Financing	380,431
Nonmajor Capital Projects	General Fund	80,000
	Special Revenue	
	Tax Increment Financing	68,034
	Nonmajor Governmental Funds	320,031
	Debt Service	
	Nonmajor Governmental Funds	2,471,839
Nonmajor Proprietary		
Transit	General Fund	<u>569,300</u>
Total		<u>\$ 13,984,080</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources or are for other operating purposes. The residual equity transfer represents net general obligation bond proceeds which will be repaid with property taxes that were transferred to the golf proprietary fund for operations and project costs.

Notes to the Financial Statements

(9) Deficit Balances

The following individual funds had a deficit at June 30, 2004:

Special Revenue	
Police Grants	\$ 22,292
Capital Projects	
Coral Ridge Mall	10,000
Trail Projects	159,892
Oakdale Boulevard Project	186,355
First Avenue/Clear Creek Project	180,716
Highway 6/22 nd Avenue	1,024,446
Street Projects	1,088,547
12 th Avenue Urban Renewal Project	3,881
Aquatic Center	899,378
Camp Cardinal Road Project	50,137
North Corridor Land Use Project.....	48,573

(10) Operating Lease

The City is leasing 65 golf carts under an operating lease requiring payment of \$13,085 during the months of July, August and September of each year through 2008. The following is a schedule by years of future minimum lease payments required under the lease:

Year Ending June 30,	
2005.....	\$ 39,255
2006.....	39,255
2007.....	39,255
2008.....	39,255
Total Minimum Payments Required.....	<u>\$ 157,020</u>

(11) Commitments

Construction

The City is involved in construction of capital assets, including streets, streetscape improvements, an outdoor aquatic center, a library expansion, water plant improvements and golf course buildings and improvements. Some construction is funded through grants from state and federal governments. The remainder is generally funded through the proceeds of debt issues. At June 30, 2004, the City was committed to approximately \$3.5 million of construction contracts, of which \$2.1 million was incurred, but unpaid at June 30, 2004.

Other

The City has entered into a 28E agreement with the Iowa City Community School District which requires the City to contribute \$579,900 toward the construction of a new elementary school. The school's construction will include certain features to allow the City to operate a before and after school program and provide recreational opportunities for its citizens at the site. No amounts had been incurred at June 30, 2004.

Notes to the Financial Statements

(12) Jointly Governed Organizations

The City also participates in several jointly governed organizations for which the City is either not financially accountable or the nature and significance of the organizations' relationships with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions which are not included in the City's financial statements: Johnson County Assessors Conference Board, Johnson County Joint E911 Service Board, Johnson County Council of Governments and the Johnson County Compensation Board.

(13) Segment Information of Enterprise Funds

At June 30, 2004, the City had five enterprise funds. The five funds provided for (1) water treatment and distribution, (2) wastewater collection and treatment, (3) public golf course maintenance and services, (4) solid waste collection and disposal and (5) public transportation services.

Segment information is as follows:

	Water	Sewer	Golf	Solid Waste	Transit	Total
Consolidated Statements of Net Assets						
Assets						
Current assets.....	\$ 671,220	\$ 1,835,032	\$ 136,455	\$ 337,028	\$ 408,461	\$ 3,388,196
Capital assets.....	8,515,274	16,915,382	11,621,686	613,498	779,678	38,445,518
Other assets.....	541,956	1,212,438	1,452,861	50,000	—	3,257,255
Total Assets.....	<u>9,728,450</u>	<u>19,962,852</u>	<u>13,211,002</u>	<u>1,000,526</u>	<u>1,188,139</u>	<u>45,090,969</u>
Liabilities						
Current liabilities.....	690,861	598,613	890,001	89,234	58,561	2,327,270
Noncurrent liabilities.....	2,766,727	7,425,830	7,789,162	375,000	—	18,356,719
Total Liabilities.....	<u>3,457,588</u>	<u>8,024,443</u>	<u>8,679,163</u>	<u>464,234</u>	<u>58,561</u>	<u>20,683,989</u>
Net Assets						
Invested in capital assets, net of related debt.....	5,298,547	8,978,552	4,878,706	193,498	779,678	20,128,981
Restricted.....	541,956	1,149,508	—	50,000	—	1,741,464
Unrestricted.....	430,359	1,810,349	(346,867)	292,794	349,900	2,536,535
Total Net Assets.....	<u>\$ 6,270,862</u>	<u>\$ 11,938,409</u>	<u>\$ 4,531,839</u>	<u>\$ 536,292</u>	<u>\$ 1,129,578</u>	<u>\$ 24,406,980</u>

Notes to the Financial Statements

(13) Segment Information of Enterprise Funds

	Water	Sewer	Golf	Solid Waste	Transit	Total
Condensed Statements of Revenue, Expenses and Changes in Net Assets						
Operating revenue	\$ 1,977,867	\$ 2,270,470	\$ 224,921	\$ 614,953	\$ 271,719	\$ 5,359,930
Depreciation expense	(350,868)	(740,688)	(88,853)	(41,092)	(157,296)	(1,378,797)
Other operating expenses..	(836,892)	(832,651)	(598,409)	(474,185)	(1,022,806)	(3,764,943)
Operating Income (Loss)	790,107	697,131	(462,341)	99,676	(908,383)	216,190
Nonoperating Revenue (Expenses), Contributions and Transfers						
State and federal grants ...	—	—	—	—	319,895	319,895
Interest revenue.....	22,136	15,573	—	—	—	37,709
Interest expense	(138,879)	(391,652)	(12,715)	(24,976)	—	(568,222)
Increase in beneficial interest in a trust	—	—	95,224	—	—	95,224
Contributed capital	—	—	1,668,384	—	—	1,668,384
Transfers in	—	1,806,532	218,698	—	569,300	2,594,530
Transfers out	(125,000)	(50,391)	—	(7,500)	—	(182,891)
Change in Net Assets ...	548,364	2,077,193	1,507,250	67,200	(19,188)	4,180,819
Net Assets - Beginning of Year	5,722,498	9,861,216	3,024,589	469,092	1,148,766	20,226,161
Net Assets - End of Year	\$ 6,270,862	\$ 11,938,409	\$ 4,531,839	\$ 536,292	\$ 1,129,578	\$ 24,406,980
Condensed Statements of Cash Flows						
Net Cash Provided By (Used in)						
Operating activities.....	\$ 1,113,602	\$ 1,425,025	\$ (420,267)	\$ 153,695	\$ (754,154)	\$ 1,517,901
Noncapital financing activities.....	(125,000)	1,756,141	218,698	(7,500)	901,905	2,744,244
Capital and related financing activities	(1,236,781)	(2,825,656)	601,569	(64,976)	(130,000)	(3,655,844)
Investing activities	22,136	15,573	—	—	—	37,709
Net Increase (Decrease) in Cash	(226,043)	371,083	400,000	81,219	17,751	644,010
Cash and Pooled Investments - Beginning of Year	1,032,312	2,125,018	—	207,507	371,779	3,736,616
Cash and Pooled Investments - End of Year	\$ 806,269	\$ 2,496,101	\$ 400,000	\$ 288,726	\$ 389,530	\$ 4,380,626

(14) Industrial Development Revenue Bonds

The City has issued a total of \$550,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from revenue of applicable projects. Bond principal and interest do not constitute liabilities of the City.

Notes to the Financial Statements

(15) Risk Management

The City is a member of the Iowa Municipalities Workers' Compensation Association (Association). The Association is a local government risk-sharing pool whose approximately 300 members include various municipal and county governments throughout the State of Iowa. The Pool was formed in July, 1981 to formulate, develop and administer, on behalf of the member governments, a program of joint self-insurance to stabilize costs related to members' workers' compensation liabilities. Program components include claims management, member education and loss control services. There have been no reductions in insurance coverage from prior years.

Each member pays annual premiums determined by using applicable standard rates for the exposure to risk and applicable experience modification factors of the National Council on Compensation Insurance. Each member may be subject to additional premiums to pay its pro rata share of claims which exceeds the Association's resources available to pay such claims. A distribution to members may also be made if the Association has excess monies remaining after payment of claims and expenses.

The City's premium contributions to the Association are recorded as expenditures from its operating funds at the time of payment to the risk pool. Premiums paid to the Association for the year ended June 30, 2004 were \$138,952.

The Association uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. Claims exceeding \$500,000 are reinsured in an amount not to exceed \$1,500,000 per occurrence.

Members may withdraw from the Association at any time provided they provide assets for settlement of all pending claims.

The City also carries commercial insurance purchased from other insurers for coverage associated with various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; and natural disasters. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(16) Subsequent Events

Subsequent to June 30, 2004, the City issued \$27,900,000 of general obligation debt for various projects and \$12,950,000 in urban renewal bonds for projects in TIF districts. The City also took action to enter into a lease-purchase agreement for approximately \$70 million in conjunction with the construction of a hotel and conference center.

Subsequent to June 30, 2004, the City entered into several agreements to purchase land and construct capital improvements. These agreements totaled approximately \$10.6 million.

Notes to the Financial Statements

(17) Contingencies

The City is involved in various lawsuits in the normal course of business. The City's management cannot predict the outcome of the lawsuits or reasonably estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the financial statements. Management believes that losses resulting from these matters, if any, would be primarily covered under the City's insurance policies and would not have a material effect on the financial position of the City.

(18) Prior Period Adjustments

During the year ended June 30, 2004, the City determined that two corrections were necessary to previously reported net assets. First, pledges receivable for the Outdoor Aquatic Center had been reported in a nonmajor capital projects fund. The pledges should have been reported as part of the nonmajor special revenue fund - expendable trust fund. The effect of this adjustment was to decrease the beginning nonmajor capital projects fund balance and increase the beginning nonmajor special revenue fund balance by \$122,830.

The second adjustment required was to correctly report as nonmajor special revenue funds certain funds that were reported as fiduciary funds and CEBA loans that were improperly deducted from fund balances and net assets at June 30, 2003. The effect of the adjustments on beginning net assets is summarized below:

Statement of Net Assets

Net Assets - June 30, 2003, as Previously Reported	\$ 6,525,546
Correct reporting of funds reported as fiduciary that should have been reported in the government-wide financial statements	321,395
CEBA loans deducted from fund balances and net assets	<u>919,800</u>
Net Assets - June 30, 2003, as Restated (Page 13)	<u>\$ 7,766,741</u>

(19) Designations of Fund Balances

The City Council has approved designations of unrestricted fund balances at June 30, 2004 for the following purposes:

General Fund

Equipment purchases and various special projects \$ 1,689,381

Special Revenue Fund

Road Use Tax Fund

Equipment purchases 223,048

Business-Type Activities

Sewer

Equipment purchases and improvement projects 279,991

Water

Equipment purchases 56,142

Solid Waste

Equipment purchases 288,725

Transit

Equipment purchases 389,530

Required Supplementary Information

Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget to Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Governmental Fund Types	Proprietary Funds	Total	
Receipts						
Property taxes	\$ 6,727,665	\$ 6,727,665	\$ 6,686,641	\$ —	\$ 6,686,641	\$ (41,024)
Tax increment financing	6,836,072	6,836,072	7,304,053	—	7,304,053	467,981
Other city taxes	1,530,716	1,562,716	1,541,281	—	1,541,281	(21,435)
Licenses and permits	766,980	856,580	480,417	—	480,417	(376,163)
Use of money and property	402,110	437,110	291,826	133,285	425,111	(11,999)
Intergovernmental	3,478,507	3,882,353	2,288,200	532,604	2,820,804	(1,061,549)
Charges for services	5,742,288	6,032,288	2,093,989	4,973,421	7,067,410	1,035,122
Special assessments	640,952	1,501,498	1,549,063	—	1,549,063	47,565
Miscellaneous	640,825	1,392,018	1,161,213	805,691	1,966,904	574,886
Total Receipts	26,766,115	29,228,300	23,396,683	6,445,001	29,841,684	613,384
Disbursements						
Public safety	3,162,315	3,192,067	3,017,021	—	3,017,021	(175,046)
Public works	1,583,336	1,691,836	1,462,197	—	1,462,197	(229,639)
Health and social services	44,104	44,104	44,104	—	44,104	—
Culture and recreation ..	3,727,378	3,727,378	3,527,643	—	3,527,643	(199,735)
Community and economic development	455,638	655,638	646,892	—	646,892	(8,746)
General government	1,446,509	1,446,509	1,364,276	—	1,364,276	(82,233)
Debt service	14,995,950	25,995,950	25,197,023	—	25,197,023	(798,927)
Capital projects	25,804,900	27,204,900	20,563,229	—	20,563,229	(6,641,671)
Business-type activities	11,452,233	16,950,233	—	15,819,671	15,819,671	(1,130,562)
Total Disbursements	62,672,363	80,908,615	55,822,385	15,819,671	71,642,056	(9,266,559)
Receipts Over (Under)						
Disbursements	(35,906,248)	(51,680,315)	(32,425,702)	(9,374,670)	(41,800,372)	9,879,943
Other Financing Sources (Uses)						
Other financing sources	60,071,229	55,075,536	51,917,285	6,361,464	58,278,749	3,203,213
Other financing uses	(15,071,229)	(15,071,229)	(15,105,535)	(185,891)	(15,291,426)	(220,197)
Total Other Financing Sources (Uses)	45,000,000	40,004,307	36,811,750	6,175,573	42,987,323	2,983,016
Receipts and Other Financing Sources Over (Under)						
Disbursements and Other Financing Uses	9,093,752	(11,676,008)	4,386,048	(3,199,097)	1,186,951	\$12,862,959
Balance - Beginning of Year	14,938,579	24,589,330	15,908,798	8,680,532	24,589,330	
Balance - End of Year	\$ 24,032,331	\$ 12,913,322	\$ 20,294,846	\$ 5,481,435	\$ 25,776,281	

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and nonprogram. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds, permanent funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendment increased budgeted disbursements by approximately \$18 million. This budget amendment is reflected in the final budgeted amounts.

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation ▬

Year Ended June 30, 2004

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue	\$ 23,396,683	\$ 919,891	\$ 24,316,574
Expenditures.....	<u>55,822,385</u>	<u>159,494</u>	<u>55,981,879</u>
Net	(32,425,702)	760,397	(31,665,305)
Other financing sources (uses).....	36,811,750	(17,866)	36,793,884
Beginning fund balances	<u>15,908,798</u>	<u>(1,549,307)</u>	<u>14,359,491</u>
Ending Fund Balances.....	<u>\$ 20,294,846</u>	<u>\$ (806,776)</u>	<u>\$ 19,488,070</u>

	Proprietary Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue	\$ 6,445,001	\$ (632,243)	\$ 5,812,758
Expenditures.....	<u>15,819,671</u>	<u>(10,107,709)</u>	<u>5,711,962</u>
Net	(9,374,670)	9,475,466	100,796
Other financing sources (uses).....	6,175,573	(2,095,550)	4,080,023
Beginning fund balances	<u>8,680,532</u>	<u>11,545,629</u>	<u>20,226,161</u>
Ending Fund Balances.....	<u>\$ 5,481,435</u>	<u>\$ 18,925,545</u>	<u>\$ 24,406,980</u>

Other Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

At June 30, 2004

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and pooled investments	\$ 405,428	\$ 2,477,428	\$ 2,496,980	\$ 5,379,836
Receivables				
Property Taxes				
Current year delinquent.....	12,082	16,192	—	28,274
Succeeding year.....	1,180,684	1,523,652	—	2,704,336
Due from other funds	—	69,959	17,721	87,680
Due from other governments	211,373	—	746,590	957,963
Due from developers.....	—	—	175,618	175,618
Special assessments	—	2,677,644	—	2,677,644
Inventories and prepaids	19,693	—	—	19,693
Restricted Assets				
Cash and pooled investments.....	608,940	—	—	608,940
Pooled pledges receivable.....	<u>232,711</u>	<u>—</u>	<u>—</u>	<u>232,711</u>
Total Assets	<u>\$ 2,670,911</u>	<u>\$ 6,764,875</u>	<u>\$ 3,436,909</u>	<u>\$ 12,872,695</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 25,530	\$ 387	\$ 2,369,791	\$ 2,395,708
Retainage payable.....	—	—	242,445	242,445
Accrued liabilities.....	7,411	—	—	7,411
Due to other funds	22,292	—	2,908,805	2,931,097
Due to other governments	924	—	—	924
Deferred Revenue				
Succeeding year property taxes ...	1,180,684	1,523,652	—	2,704,336
Pool pledges	232,711	—	—	232,711
Special assessments	<u>—</u>	<u>2,179,478</u>	<u>—</u>	<u>2,179,478</u>
Total Liabilities	<u>1,469,552</u>	<u>3,703,517</u>	<u>5,521,041</u>	<u>10,694,110</u>
Fund Balances				
Restricted	444,225	—	—	444,225
Reserved for				
Debt service	—	3,061,358	—	3,061,358
Inventories and prepaids.....	19,693	—	—	19,693
Unreserved, Reported in				
Nonmajor Funds				
Special revenue funds.....	737,441	—	—	737,441
Capital projects funds.....	<u>—</u>	<u>—</u>	<u>(2,084,132)</u>	<u>(2,084,132)</u>
Total Fund Balances	<u>1,201,359</u>	<u>3,061,358</u>	<u>(2,084,132)</u>	<u>2,178,585</u>
Total Liabilities and Fund Balances	<u>\$ 2,670,911</u>	<u>\$ 6,764,875</u>	<u>\$ 3,436,909</u>	<u>\$ 12,872,695</u>

Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2004

	Special Revenue	Debt Service	Capital Projects	Total
Revenue				
Property taxes	\$ 1,005,207	\$ 1,392,982	\$ —	\$ 2,398,189
Utility tax replacement excise tax ..	—	26,321	—	26,321
Other city taxes.....	—	3,062	—	3,062
Special assessments.....	—	1,536,066	—	1,536,066
Use of money and property	—	14,814	78,786	93,600
Intergovernmental.....	1,301,678	—	1,833,582	3,135,260
Charges for services.....	—	—	610,574	610,574
Miscellaneous.....	271,194	—	275,787	546,981
Total Revenue	<u>2,578,079</u>	<u>2,973,245</u>	<u>2,798,729</u>	<u>8,350,053</u>
Expenditures				
Operating				
Public safety.....	59,913	—	—	59,913
Public works.....	843,577	—	—	843,577
Culture and recreation	108,405	—	—	108,405
Debt Service				
Principal	—	3,794,288	—	3,794,288
Interest and other charges	—	810,954	—	810,954
Capital projects.....	—	—	10,424,049	10,424,049
Total Expenditures	<u>1,011,895</u>	<u>4,605,242</u>	<u>10,424,049</u>	<u>16,041,186</u>
Revenue Over (Under)				
Expenditures	<u>1,566,184</u>	<u>(1,631,997)</u>	<u>(7,625,320)</u>	<u>(7,691,133)</u>
Other Financing Sources (Uses)				
Bond proceeds	—	1,515,000	—	1,515,000
Bond issuance premium (discount)	—	14,714	—	14,714
Accrued interest received on bond issuance.....	—	31,190	—	31,190
Operating transfers in.....	25,672	380,431	2,939,904	3,346,007
Operating transfers out.....	(1,351,638)	(175,589)	(1,615,148)	(3,142,375)
Total Other Financing Sources (Uses)	<u>(1,325,966)</u>	<u>1,765,746</u>	<u>1,324,756</u>	<u>1,764,536</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	<u>240,218</u>	<u>133,749</u>	<u>(6,300,564)</u>	<u>(5,926,597)</u>
Fund Balances - Beginning of Year, as Previously Reported.....	516,916	2,927,609	4,339,262	7,783,787
Prior period adjustment (Note 18)	444,225	—	(122,830)	321,395
Fund Balances - Beginning of Year, as Restated	961,141	2,927,609	4,216,432	8,105,182
Fund Balances - End of Year	<u>\$ 1,201,359</u>	<u>\$ 3,061,358</u>	<u>\$ (2,084,132)</u>	<u>\$ 2,178,585</u>

Combining Balance Sheet - Nonmajor Special Revenue Funds

At June 30, 2004

	Expendable Trust	Cemetery	Police Grants	Road Use Tax	Employee Benefit Levy	Total
Assets						
Cash and pooled investments....	\$ —	\$ —	\$ —	\$ 405,428	\$ —	\$ 405,428
Receivables						
Property Taxes						
Current year delinquent	—	—	—	—	12,082	12,082
Succeeding year	—	—	—	—	1,180,684	1,180,684
Due From State of Iowa	—	—	—	211,373	—	211,373
Inventories and prepaids.....	—	—	—	19,693	—	19,693
Restricted Assets						
Cash and pooled investments..	547,291	61,649	—	—	—	608,940
Pool pledges receivable	<u>232,711</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>232,711</u>
Total Assets	<u>\$ 780,002</u>	<u>\$ 61,649</u>	<u>\$ —</u>	<u>\$ 636,494</u>	<u>\$ 1,192,766</u>	<u>\$ 2,670,911</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable.....	\$ 4,891	\$ —	\$ —	\$ 20,639	\$ —	\$ 25,530
Accrued liabilities	—	—	—	7,411	—	7,411
Due to other funds.....	—	—	22,292	—	—	22,292
Due to other governments	—	—	—	924	—	924
Deferred Revenue						
Succeeding year property taxes	—	—	—	—	1,180,684	1,180,684
Pool pledges.....	<u>232,711</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>232,711</u>
Total Liabilities	<u>237,602</u>	<u>—</u>	<u>22,292</u>	<u>28,974</u>	<u>1,180,684</u>	<u>1,469,552</u>
Fund Balances						
Restricted	384,251	59,974	—	—	—	444,225
Reserved for inventories and prepaids.....	—	—	—	19,693	—	19,693
Unreserved						
Designated for capital asset purchases	—	—	—	223,048	—	223,048
Undesignated	<u>158,149</u>	<u>1,675</u>	<u>(22,292)</u>	<u>364,779</u>	<u>12,082</u>	<u>514,393</u>
Total Fund Balances	<u>542,400</u>	<u>61,649</u>	<u>(22,292)</u>	<u>607,520</u>	<u>12,082</u>	<u>1,201,359</u>
Total Liabilities and Fund Balances	<u>\$ 780,002</u>	<u>\$ 61,649</u>	<u>\$ —</u>	<u>\$ 636,494</u>	<u>\$ 1,192,766</u>	<u>\$ 2,670,911</u>

Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds

Year Ended June 30, 2004

	Expendable Trust	Cemetery	Police Grants	Road Use Tax	Employee Benefit Levy	Total
Revenue						
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ 1,005,207	\$ 1,005,207
Intergovernmental	—	—	30,934	1,270,744	—	1,301,678
Miscellaneous	269,519	1,675	—	—	—	271,194
Total Revenue	<u>269,519</u>	<u>1,675</u>	<u>30,934</u>	<u>1,270,744</u>	<u>1,005,207</u>	<u>2,578,079</u>
Expenditures						
Current						
Public safety	7,965	—	51,948	—	—	59,913
Public works	—	—	—	843,577	—	843,577
Culture and recreation	108,405	—	—	—	—	108,405
Total Expenditures	<u>116,370</u>	<u>—</u>	<u>51,948</u>	<u>843,577</u>	<u>—</u>	<u>1,011,895</u>
Revenue Over (Under)						
Expenditures	<u>153,149</u>	<u>1,675</u>	<u>(21,014)</u>	<u>427,167</u>	<u>1,005,207</u>	<u>1,566,184</u>
Other Financing Sources (Uses)						
Operating transfers in	10,000	—	15,672	—	—	25,672
Operating transfers out	(5,000)	—	—	(353,513)	(993,125)	(1,351,638)
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>—</u>	<u>15,672</u>	<u>(353,513)</u>	<u>(993,125)</u>	<u>(1,325,966)</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses						
	<u>158,149</u>	<u>1,675</u>	<u>(5,342)</u>	<u>73,654</u>	<u>12,082</u>	<u>240,218</u>
Fund Balance - Beginning of Year, as Previously Reported						
	—	—	(16,950)	533,866	—	516,916
Prior period adjustment (Note 18)						
	384,251	59,974	—	—	—	444,225
Fund Balance - Beginning of Year, as Restated						
	384,251	59,974	(16,950)	533,866	—	961,141
Fund Balance - End of Year	<u>\$ 542,400</u>	<u>\$ 61,649</u>	<u>\$(22,292)</u>	<u>\$ 607,520</u>	<u>\$ 12,082</u>	<u>\$ 1,201,359</u>

Combining Balance Sheet - Nonmajor Debt Service Funds

At June 30, 2004

	General Obligation Bonds	Slade Boulevard	Highway 6/ 22 nd Avenue	Altanna Improve- ments	Sidewalk Improve- ments	North Annexation	Highway 6 Improve- ments	Oakdale Boulevard	Mall Area	Other Street Improve- ments	Total
Assets											
Cash and pooled investments	\$ 67,518	\$ 154,012	\$ 76,603	\$ 59,723	\$ 18,116	\$ 892,606	\$ 3,405	\$ 591,843	\$ 533,152	\$ 80,450	\$ 2,477,428
Receivables											
Property Taxes											
Current year delinquent.....	16,192	—	—	—	—	—	—	—	—	—	16,192
Succeeding year	1,523,652	—	—	—	—	—	—	—	—	—	1,523,652
Due from other funds	31,190	—	—	—	—	—	—	38,769	—	—	69,959
Special assessments	—	55,891	79,449	40,648	6,552	25,266	125,561	566,300	1,721,744	56,233	2,677,644
Total Assets	\$ 1,638,552	\$ 209,903	\$ 156,052	\$ 100,371	\$ 24,668	\$ 917,872	\$ 128,966	\$ 1,196,912	\$ 2,254,896	\$ 136,683	\$ 6,764,875
Liabilities and Fund Balance											
Liabilities											
Accounts payable	\$ 387	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 387
Deferred Revenue											
Succeeding year property taxes..	1,523,652	—	—	—	—	—	—	—	—	—	1,523,652
Special assessments	—	33,534	72,087	36,583	5,773	25,266	111,963	474,067	1,377,395	42,810	2,179,478
Total Liabilities	1,524,039	33,534	72,087	36,583	5,773	25,266	111,963	474,067	1,377,395	42,810	3,703,517
Fund Balance											
Reserved for debt service.....	114,513	176,369	83,965	63,788	18,895	892,606	17,003	722,845	877,501	93,873	3,061,358
Total Liabilities and Fund Balance	\$ 1,638,552	\$ 209,903	\$ 156,052	\$ 100,371	\$ 24,668	\$ 917,872	\$ 128,966	\$ 1,196,912	\$ 2,254,896	\$ 136,683	\$ 6,764,875

Combining Statement of Revenue, Expenditures and Changes in Fund

Balances - Nonmajor Debt Service Funds

Year Ended June 30, 2004

	General Obligation Bonds	Slade Boulevard	Highway 6/ 22 nd Avenue	Altanna Improve- ments	Sidewalk Improve- ments	North Annexation	Highway 6 Improve- ments	Oakdale Boulevard	Mall Area	Other Street Improve- ments	Total
Revenue											
Property taxes	\$ 1,392,982	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,392,982
Utility tax replacement excise tax	26,321	—	—	—	—	—	—	—	—	—	26,321
Other city taxes.....	3,062	—	—	—	—	—	—	—	—	—	3,062
Special assessments.....	—	—	60,830	6,483	399	693,759	29,922	230,546	492,463	21,664	1,536,066
Use of money and property	1,246	—	—	—	—	2,650	—	7,586	3,331	1	14,814
Total Revenue.....	1,423,611	—	60,830	6,483	399	696,409	29,922	238,132	495,794	21,665	2,973,245
Expenditures											
Debt Service											
Principal	2,745,029	12,430	34,047	—	10,000	68,623	—	609,159	315,000	—	3,794,288
Interest and other charges	604,850	286	3,688	—	2,280	15,355	—	77,925	106,570	—	810,954
Total Expenditures.....	3,349,879	12,716	37,735	—	12,280	83,978	—	687,084	421,570	—	4,605,242
Revenue Over (Under)											
Expenditures	(1,926,268)	(12,716)	23,095	6,483	(11,881)	612,431	29,922	(448,952)	74,224	21,665	(1,631,997)
Other Financing Sources (Uses)											
Bond proceeds	1,515,000	—	—	—	—	—	—	—	—	—	1,515,000
Bond issuance premium (discount)	14,714	—	—	—	—	—	—	—	—	—	14,714
Accrued interest received on bond issuance	31,190	—	—	—	—	—	—	—	—	—	31,190
Operating transfers in.....	380,431	—	—	—	—	—	—	—	—	—	380,431
Operating transfers out.....	—	—	—	—	—	(57,832)	—	(117,757)	—	—	(175,589)
Total Other Financing Sources (Uses).....	1,941,335	—	—	—	—	(57,832)	—	(117,757)	—	—	1,765,746
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	15,067	(12,716)	23,095	6,483	(11,881)	554,599	29,922	(566,709)	74,224	21,665	133,749
Fund Balance - Beginning of Year...	99,446	189,085	60,870	57,305	30,776	338,007	(12,919)	1,289,554	803,277	72,208	2,927,609
Fund Balance - End of Year	\$ 114,513	\$ 176,369	\$ 83,965	\$ 63,788	\$ 18,895	\$ 892,606	\$ 17,003	\$ 722,845	\$ 877,501	\$ 93,873	\$ 3,061,358

Combining Balance Sheet - Nonmajor Capital Projects Funds

At June 30, 2004

	Coral Ridge Mall	Highway 6 Widening Project	Industrial Park RISE Project	Camp Cardinal Road Project	Trail Projects	Street Projects	12th Avenue Urban Renewal Project	Oakdale Boulevard Project
Assets								
Cash and pooled investments	\$ —	\$ 86,452	\$ 27,825	\$ —	\$ —	\$ —	\$ 4,046	\$ —
Receivables								
Due from other funds	—	—	—	—	—	—	—	—
Due from other governments	—	328,708	—	91,613	79,258	—	—	—
Due from developers.....	—	—	—	175,618	—	—	—	—
Total Assets	\$ —	\$ 415,160	\$ 27,825	\$ 267,231	\$ 79,258	\$ —	\$ 4,046	\$ —
Liabilities and Fund Balance								
Liabilities								
Accounts payable	\$ —	\$ 14,004	\$ —	\$ 97,486	\$ 5,967	\$ 284,699	\$ 7,927	\$ —
Retainage payable.....	—	—	—	—	—	83,120	—	—
Due to other funds.....	10,000	—	—	219,882	233,183	720,728	—	186,355
Total Liabilities	10,000	14,004	—	317,368	239,150	1,088,547	7,927	186,355
Fund Balance								
Unreserved, undesignated	(10,000)	401,156	27,825	(50,137)	(159,892)	(1,088,547)	(3,881)	(186,355)
Total Liabilities and Fund Balance	\$ —	\$ 415,160	\$ 27,825	\$ 267,231	\$ 79,258	\$ —	\$ 4,046	\$ —

Combining Balance Sheet - Nonmajor Capital Projects Funds

At June 30, 2004

	Aquatic Center	First Avenue/ Clear Creek Projects	North Corridor Land Use Project	Morrison Creek Riffle Project	Highway 6/ 22 nd Avenue	Storm Water Projects	Total
Assets							
Cash and pooled investments	\$ —	\$ —	\$ —	\$ 2,256,722	\$ —	\$ 121,935	\$ 2,496,980
Receivables							
Due from other funds	—	—	—	—	—	17,721	17,721
Due from other governments	88,512	158,499	—	—	—	—	746,590
Due from developers.....	—	—	—	—	—	—	175,618
Total Assets	<u>\$ 88,512</u>	<u>\$ 158,499</u>	<u>\$ —</u>	<u>\$ 2,256,722</u>	<u>\$ —</u>	<u>\$ 139,656</u>	<u>\$ 3,436,909</u>
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$ 706,537	\$ —	\$ 4,618	\$ 1,239,557	\$ 8,708	\$ 288	\$ 2,369,791
Retainage payable.....	159,325	—	—	—	—	—	242,445
Due to other funds.....	122,028	339,215	43,955	17,721	1,015,738	—	2,908,805
Total Liabilities	<u>987,890</u>	<u>339,215</u>	<u>48,573</u>	<u>1,257,278</u>	<u>1,024,446</u>	<u>288</u>	<u>5,521,041</u>
Fund Balance							
Unreserved, undesignated	<u>(899,378)</u>	<u>(180,716)</u>	<u>(48,573)</u>	<u>999,444</u>	<u>(1,024,446)</u>	<u>139,368</u>	<u>(2,084,132)</u>
Total Liabilities and Fund Balance	<u>\$ 88,512</u>	<u>\$ 158,499</u>	<u>\$ —</u>	<u>\$ 2,256,722</u>	<u>\$ —</u>	<u>\$ 139,656</u>	<u>\$ 3,436,909</u>

Combining Statement of Revenue, Expenditures and Changes in Fund

Balances - Nonmajor Capital Projects Funds

Year Ended June 30, 2004

	Library Expansion	Coral Ridge Mall	Highway 6 Widening Project	Industrial Park RISE Project	Camp Cardinal Road Project	Trail Projects	Street Projects	12 th Avenue Urban Renewal Project
Revenue								
Use of money and property	\$ —	\$ —	\$ (2)	\$ —	\$ —	\$ —	\$ —	\$ 62,418
Intergovernmental.....	—	987,924	328,708	—	91,613	72,129	—	—
Charges for service	—	—	—	—	—	—	—	—
Miscellaneous.....	—	16,703	—	—	175,618	20,757	—	1,838
Total Revenue.....	—	1,004,627	328,706	—	267,231	92,886	—	64,256
Expenditures								
Capital projects.....	15,257	120,624	377,363	—	317,368	98,699	1,947,998	1,294,825
Revenue Over (Under) Expenditures.....	(15,257)	884,003	(48,657)	—	(50,137)	(5,813)	(1,947,998)	(1,230,569)
Other Financing Sources (Uses)								
Operating transfers in.....	58,451	459,905	824,733	—	—	148,034	336,280	494,744
Operating transfers out.....	—	(146,589)	—	—	—	—	—	(1,236,504)
Total Other Financing Sources (Uses).....	58,451	313,316	824,733	—	—	148,034	336,280	(741,760)
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	43,194	1,197,319	776,076	—	(50,137)	142,221	(1,611,718)	(1,972,329)
Fund Balance - Beginning of Year, as Previously Reported	(43,194)	(1,207,319)	(374,920)	27,825	—	(302,113)	523,171	1,968,448
Prior period adjustment (Note 18)	—	—	—	—	—	—	—	—
Fund Balance - Beginning of Year, as Restated	(43,194)	(1,207,319)	(374,920)	27,825	—	(302,113)	523,171	1,968,448
Fund Balance - End of Year.....	\$ —	\$ (10,000)	\$ 401,156	\$ 27,825	\$ (50,137)	\$ (159,892)	\$ (1,088,547)	\$ (3,881)

Combining Statement of Revenue, Expenditures and Changes in Fund

Balances - Nonmajor Capital Projects Funds

Year Ended June 30, 2004

	Oakdale Boulevard Project	Aquatic Center	First Avenue/ Clear Creek Projects	North Corridor Land Use Project	Morrison Creek Riffle Project	Highway 6/ 22 nd Avenue	Storm Water Projects	Total
Revenue								
Use of money and property	\$ —	\$ 2,432	\$ —	\$ 1	\$ 13,711	\$ —	\$ 226	\$ 78,786
Intergovernmental.....	1,000	88,512	238,694	—	—	25,002	—	1,833,582
Charges for services.....	—	—	—	502,009	—	—	108,565	610,574
Miscellaneous.....	88	—	60,783	—	—	—	—	275,787
Total Revenue.....	1,088	90,944	299,477	502,010	13,711	25,002	108,791	2,798,729
Expenditures								
Capital projects.....	158,704	3,280,892	189,066	431,238	1,367,862	800,383	23,770	10,424,049
Revenue Over (Under) Expenditures.....	(157,616)	(3,189,948)	110,411	70,772	(1,354,151)	(775,381)	85,021	(7,625,320)
Other Financing Sources (Uses)								
Operating transfers in.....	117,757	500,000	—	—	—	—	—	2,939,904
Operating transfers out.....	—	—	—	(229,055)	—	—	(3,000)	(1,615,148)
Total Other Financing Sources (Uses).....	117,757	500,000	—	(229,055)	—	—	(3,000)	1,324,756
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	(39,859)	(2,689,948)	110,411	(158,283)	(1,354,151)	(775,381)	82,021	(6,300,564)
Fund Balance - Beginning of Year, as Previously Reported	(146,496)	1,913,400	(291,127)	109,710	2,353,595	(249,065)	57,347	4,339,262
Prior period adjustment (Note 18)	—	122,830	—	—	—	—	—	122,830
Fund Balance - Beginning of Year, as Restated	(146,496)	1,790,570	(291,127)	109,710	2,353,595	(249,065)	57,347	4,216,432
Fund Balance - End of Year.....	\$ (186,355)	\$ (899,378)	\$ (180,716)	\$ (48,573)	\$ 999,444	\$ (1,024,446)	\$ 139,368	\$ (2,084,132)

Combining Statement of Net Assets- Nonmajor Proprietary Funds

At June 30, 2004

	Solid Waste	Transit	Total
Assets			
Current Assets			
Cash and pooled investments	\$ 238,726	\$ 389,530	\$ 628,256
Receivables			
Customer accounts	81,846	—	81,846
Inventories and prepaids	16,456	18,931	35,387
Total Current Assets	<u>337,028</u>	<u>408,461</u>	<u>745,489</u>
Noncurrent Assets			
Restricted Assets			
Cash and pooled investments	50,000	—	50,000
Capital assets (net of accumulated depreciation)	613,498	779,678	1,393,176
Total Noncurrent Assets	<u>663,498</u>	<u>779,678</u>	<u>1,443,176</u>
Total Assets	<u>\$ 1,000,526</u>	<u>\$ 1,188,139</u>	<u>\$ 2,188,665</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 15,144	\$ 11,073	\$ 26,217
Accrued liabilities and compensated absences ..	28,343	44,952	73,295
Due to other governments	747	2,536	3,283
Current maturities of long-term debt	45,000	—	45,000
Total Current Liabilities	<u>89,234</u>	<u>58,561</u>	<u>147,795</u>
Long-Term Debt	<u>375,000</u>	<u>—</u>	<u>375,000</u>
Total Liabilities	<u>464,234</u>	<u>58,561</u>	<u>522,795</u>
Net Assets			
Invested in capital assets, net of related debt	193,498	779,678	973,176
Restricted for debt service	50,000	—	50,000
Unrestricted	292,794	349,900	642,694
Total Net Assets	<u>536,292</u>	<u>1,129,578</u>	<u>1,665,870</u>
Total Liabilities and Net Assets	<u>\$ 1,000,526</u>	<u>\$ 1,188,139</u>	<u>\$ 2,188,665</u>

Combining Statement of Revenue, Expenses and Changes in Net Assets - Nonmajor Proprietary Funds

Year Ended June 30, 2004

	Solid Waste	Transit	Total
Operating Revenue			
Charges for sales and service	<u>\$ 614,953</u>	<u>\$ 271,719</u>	<u>\$ 886,672</u>
Operating Expenses			
Salaries and employee benefits	259,637	649,323	908,960
Contractual services	33,745	133,008	166,753
Commodities	180,803	240,475	421,278
Depreciation	<u>41,092</u>	<u>157,296</u>	<u>198,388</u>
Total Operating Expenses	<u>515,277</u>	<u>1,180,102</u>	<u>1,695,379</u>
Operating Income (Loss)	<u>99,676</u>	<u>(908,383)</u>	<u>(808,707)</u>
Nonoperating Revenue (Expenses)			
Intergovernmental Revenue			
Federal	—	136,590	136,590
State	—	183,305	183,305
Interest expense	<u>(24,976)</u>	<u>—</u>	<u>(24,976)</u>
Total Nonoperating Revenue (Expenses)	<u>(24,976)</u>	<u>319,895</u>	<u>294,919</u>
Change in Net Assets Before			
Contributions and Transfers	74,700	(588,488)	(513,788)
Operating transfers in	—	569,300	569,300
Operating transfers out	<u>(7,500)</u>	<u>—</u>	<u>(7,500)</u>
Change in Net Assets	67,200	(19,188)	48,012
Net Assets - Beginning of Year	<u>469,092</u>	<u>1,148,766</u>	<u>1,617,858</u>
Net Assets - End of Year	<u>\$ 536,292</u>	<u>\$ 1,129,578</u>	<u>\$ 1,665,870</u>

Combining Statement of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2004

	Solid Waste	Transit	Total
Cash Flows From Operating Activities			
Receipts from customers.....	\$ 613,640	\$ 271,719	\$ 885,359
Payments to suppliers.....	(207,377)	(369,001)	(576,378)
Payments to employees.....	<u>(252,568)</u>	<u>(656,872)</u>	<u>(909,440)</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>153,695</u>	<u>(754,154)</u>	<u>(600,459)</u>
Cash Flows From Noncapital Financing Activities			
Noncapital federal and state grants.....	—	332,605	332,605
Net operating transfers.....	<u>(7,500)</u>	<u>569,300</u>	<u>561,800</u>
Net Cash Provided by (Used in) Noncapital Financing Activities.....	<u>(7,500)</u>	<u>901,905</u>	<u>894,405</u>
Cash Flows From Capital and Related Financing Activities			
Purchase of capital assets.....	—	(130,000)	(130,000)
Repayment of debt.....	(40,000)	—	(40,000)
Payment of interest.....	<u>(24,976)</u>	<u>—</u>	<u>(24,976)</u>
Net Cash Used in Capital and Related Financing Activities.....	<u>(64,976)</u>	<u>(130,000)</u>	<u>(194,976)</u>
Net Increase in Cash.....	81,219	17,751	98,970
Cash and Pooled Investments at Beginning of Year.....	<u>207,507</u>	<u>371,779</u>	<u>579,286</u>
Cash and Pooled Investments at End of Year	<u>\$ 288,726</u>	<u>\$ 389,530</u>	<u>\$ 678,256</u>
Reconciliation of Operating Income to Net Cash Provided By (Used in) Operating Activities			
Operating income (loss).....	\$ 99,676	\$ (908,383)	\$ (808,707)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided By (Used in) Operating Activities			
Depreciation.....	41,092	157,296	198,388
Increase in receivables.....	(1,313)	—	(1,313)
Increase in inventories and prepaids.....	(103)	(1,908)	(2,011)
Increase in accounts and retainages payable	6,964	5,990	12,954
Increase (decrease) in accrued liabilities and compensated absences.....	7,069	(7,549)	(480)
Increase in due to other funds and other governments.....	<u>310</u>	<u>400</u>	<u>710</u>
Net Cash Provided By (Used in) Operating Activities.....	<u>\$ 153,695</u>	<u>\$ (754,154)</u>	<u>\$ (600,459)</u>

Statement of Changes in Assets and Liabilities - CEBA Agency Fund —————

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Assets				
Notes Receivable.....	<u>\$ 919,800</u>	<u>\$ —</u>	<u>\$ 291,800</u>	<u>\$ 628,000</u>
Liabilities				
Notes Payable.....	<u>\$ 919,800</u>	<u>\$ —</u>	<u>\$ 291,800</u>	<u>\$ 628,000</u>

Financial Assistance Section

Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting

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

We have audited the financial statements of the City of Coralville, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Section IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Section II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, in our judgment, comment number 04-II-R-1 is a material weakness.

This report is intended solely for the information and use of the management and City Council of the City of Coralville 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.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
November 4, 2004

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Coralville, Iowa, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The City of Coralville, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Coralville, Iowa's management. Our responsibility is to express an opinion on the City of Coralville, Iowa'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; Chapter 11 of the Code of Iowa; 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 of Coralville, Iowa'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 of Coralville, Iowa's compliance with those requirements.

In our opinion, the City of Coralville, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the City of Coralville, 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 of Coralville, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management and City Council of the City of Coralville, Iowa, 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.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
November 4, 2004

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Assistance Number	Pass-Through Grantor's Number	Federal Program/Cluster Expenditures
U.S. Department of Housing and Urban Development			
Indirect			
Pass-Through Iowa Department of Economic Development HOME Investment Partnerships Program.....	14.239	01-HM-114-25	<u>\$ 58,994</u>
U.S. Department of Interior			
Indirect			
Pass-Through From Iowa Department of Natural Resources Outdoor Recreation Acquisition, Development and Planning	15.916	19-01217	<u>88,512</u>
U.S. Department of Justice			
Direct			
Public Safety Partnership and Community Policing Grants	16.710	95CFWX4743 PAP 04-02, Task 3 None	19,999 8,002 <u>3,495</u>
Total U.S. Department of Justice			<u>31,496</u>
U.S. Department of Transportation			
Direct			
Federal Transit - Formula Grants.....	20.507	IA-90-X263	<u>136,590</u>
Indirect			
Pass-Through Iowa Department of Transportation Highway Planning and Construction	20.205	STP-U-1557(613)--70-52	<u>129,701</u>
Recreational Trails Program.....	20.219	NRT-NT03(4) 9G-52	<u>55,754</u>
Pass-Through Governor's Traffic Safety Bureau Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants.....	20.601	PAP03-04, Task 08	<u>24,020</u>
Total U.S. Department of Transportation			<u>346,065</u>
U.S. Environmental Protection Agency			
Direct			
Brownfields Assessment and Cleanup Cooperative Agreements.....	66.818	07-BP-217 BP 997638-01-2	<u>63,208</u>
Federal Emergency Management Agency			
Indirect			
Pass-Through Iowa Emergency Management Division Hazard Mitigation Grant	83.548	0928-52-PD	<u>61,589</u>
Total Expenditures of Federal Awards			<u>\$ 649,864</u>

The accompanying notes are an integral part of this schedule.

Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2004

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Coralville, Iowa, and is presented using accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Government Accounting Standards Board and other recognized authoritative sources. 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 financial statements. Program expenditures include only amounts subject to reimbursement from the grantor agency or program income; thus, they are net of local matching.

Note 2. Subrecipients

There were no amounts provided to subrecipients from the City's federal award programs.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2004

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness identified? yes no
Reportable condition identified not considered to be
material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
Material weakness identified? yes no
Reportable condition identified not considered to be
material weakness? yes none reported

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

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

Identification of major program:

CFDA Numbers

15.916

Name of Federal Program or Cluster

Outdoor Recreation Acquisition,
Development and Planning

20.205

Highway Planning and Construction

20.507

Federal Transit - Formula Grants

Dollar threshold used to distinguish
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2004

Section II: Findings Related to the Financial Statements:

Instances of Noncompliance:

There were no reported prior or current year instances of noncompliance.

Reportable Conditions

The prior year reportable conditions have been resolved except for Item 04-II-R-1 below.

04-II-R-1 Lack of Segregation of Duties Over Cash Receipts

Prior Year Finding and Recommendation - For the most part, one employee is responsible for all aspects of the cash receipts process, including making deposits, recording receipts to the general ledger and preparing bank reconciliations. The concentration of closely related duties and responsibilities makes it more likely that errors or fraud will occur and not be detected in a timely manner by employees in the course of their ordinary accounting duties. We recommend that duties continue to be shifted among existing employees in such a way that one employee does not both record cash receipts and have custody of the cash.

Current Year Finding - We found that the same conditions existed.

Auditor's Recommendation - We reiterate our prior year recommendation.

City's Response - The City continues to work at reassigning various duties within the cash receipts function to implement this recommendation. However, the cost of additional staff does not outweigh the benefits.

Auditor's Conclusion - Response accepted.

Section III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance

There were no reported current or prior year instances of noncompliance.

Reportable Conditions

There were no current or prior year matters reported.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2004

Section IV: Findings Related to Statutory Reporting

Prior year findings related to statutory reporting have been resolved except for Item 03-IV-J.

04-IV-A Official Depositories

Finding - During our audit, we noted that the City had not passed a resolution naming one bank that had City funds on deposit as an approved depository. For banks that were properly approved as depositories, the maximum amounts stated in the resolutions were not exceeded during the year ended June 30, 2004.

Auditor's Recommendation - We recommend procedures be established to prevent a bank account from being opened without first having the City Council pass a resolution approving the depository.

City's Response - Finance staff will implement procedures that require a resolution number before transferring funds to a new depository.

Auditor's Conclusion - Response accepted.

04-IV-B Certified Budget - Disbursements during the year ended June 30, 2004 did not exceed the amount budgeted.

04-IV-C Questionable Disbursements - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-IV-D Travel Expense - No disbursements of the City of Coralville money for travel expenses of spouses of City officials or employees were noted.

04-IV-E Business Transactions - We noted no business transactions between the City of Coralville officials or employees and the City exceeding \$1,500 in the aggregate.

04-IV-F Bond Coverage - Surety bond coverage of the City of Coralville officials and employees is in accordance with statutory provisions and was reviewed and updated during the year. We recommend that the amount of coverage continue to be reviewed annually to insure that the coverage is adequate for current operations.

04-IV-G Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. We also noted that the Council minutes were published within 15 days as required by Chapter 372.13(6) of the Code of Iowa for all meetings, except for one special meeting.

Auditor's Recommendation - The City Clerk should be sure to have all council meeting minutes published in accordance with the Code of Iowa.

City's Response - This was an isolated instance which is unlikely to reoccur.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2004

04-IV-H Revenue Bonds - The City has complied with the provisions of the revenue bond indentures and with the provisions of the tax increment revenue bond issues.

04-IV-I Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

04-IV-J Financial Condition - The funds listed below had deficit balances at June 30, 2004 as noted:

Special Revenue	
Police Grants.....	\$ 22,292
Capital Projects	
Coral Ridge Mall.....	10,000
Trail Projects	159,892
Oakdale Boulevard Project.....	186,355
First Avenue/Clear Creek Project.....	180,716
Highway 6/22nd Avenue	1,024,446
Street Projects.....	1,088,547
12th Avenue Urban Renewal Project	3,881
Aquatic Center.....	899,378
Camp Cardinal Road Project.....	50,137
North Corridor Land Use Project.....	48,573

Auditor's Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to sound financial position.

City's Response - The deficits will be eliminated as financing for projects and tax revenue is received in future years.

Auditor's Conclusion - Response accepted.

04-IV-K Published Wages

Finding - The City failed to publish wages for the calendar year 2003 as required by the Code of Iowa.

Auditor's Recommendation - We recommend that procedures be established to ensure that wages are published in February of each year.

City's Response - The failure to publish the wages was an oversight. We have published the 2003 wages since this was brought to our attention by our auditors. We have added procedures to ensure that future wages are published in a timely manner.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2004

04-IV-L Compliance With Escheat Law

Finding - During our audit, we noted six outstanding checks that were over one year old.

Auditor's Recommendation -The City should attempt to locate the payee and reissue the checks or else complete the appropriate reports and submit the amounts to the Treasurer - State of Iowa.

City's Response - All outstanding checks were reviewed after year end. Some were voided and reissued or staff contacted the payees. We have also implemented procedures to ensure that staff review the dates of outstanding checks throughout the year and make the necessary follow-up after several months.

Auditor's Conclusion - Response accepted.

04-IV-M Annual Financial Report

Finding - During our testing of the 2004 annual financial report submitted to the State of Iowa, we found errors where revenue amounts had been reported on the wrong line of the report. The result of the errors was to overstate revenue on some lines of the report and understate others. The errors had no net effect on the reported amounts.

Auditor's Recommendation - We recommend that someone other than the preparer of the report review the supporting documentation and the report to ensure this type of error is identified and corrected before submission to the State.

City's Response - We will consider implementing procedures to have a second person review the report before it is submitted to the State.

Auditor's Conclusion - Response accepted.