

**CITY OF CORALVILLE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2005**

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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, 2005, 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 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.

The financial statements do not include financial data for the Coralville Public Library Foundation, a discrete component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Based upon the Foundation's June 30, 2005 Form 990 filing with the Internal Revenue Service and other internal records, the component unit would have approximately reported assets of \$959,000, liabilities of \$0, net assets of \$959,000, revenue of \$277,000 and expenses of \$70,000 at and for the year ended June 30, 2005.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the City of Coralville, Iowa, at June 30, 2005, or the changes in financial position thereof for the year then ended.

To the Honorable Mayor and
Members of the City Council
City of Coralville, Iowa
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In addition, in our opinion, except for the effects of omitting blended component units as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the City of Coralville, Iowa, at June 30, 2005, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Coralville, Iowa, at June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 28, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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 43 and 44 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.

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. We previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information on Pages 45 through 58, and the Schedule of Expenditures of Federal Awards on Page 63 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
December 28, 2005

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, 2005.

Financial Highlights

- The assets of the City of Coralville exceeded its liabilities at June 30, 2005 and 2004, by \$46,580,248 and \$36,761,091, respectively, (net assets). Of this amount, \$6,245,582 and \$14,054,181, 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 \$63,787,128, an increase of 227% as compared to the prior fiscal year. At June 30, 2004, combined fund balances were \$19,488,070. The large increase resulted primarily from debt issued to finance the hotel and conference center project.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,825,495, or 40.9%, of the 2005 total general fund expenditures. At June 30, 2004, unreserved general fund balance was \$3,324,910, or 38%, of the 2004 total general fund expenditures.
- Total debt increased by approximately \$62 million (68%) during the current fiscal year. The City issued \$70,200,000 of new bonds and retired \$8,353,093 of existing bonds and other debt. The large increase was due primarily to the hotel and conference center project.

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, 2005 follows.

City of Coralville's Net Assets

	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
Current assets	\$ 27,708,359	\$ 2,998,092	\$ 30,706,451
Restricted assets	56,395,806	2,857,182	59,252,988
Capital assets	91,650,132	38,555,184	130,205,316
Other noncurrent assets	<u>3,213,270</u>	<u>—</u>	<u>3,213,270</u>
Total Assets	<u>\$ 178,967,567</u>	<u>\$ 44,410,458</u>	<u>\$ 223,378,025</u>
Current liabilities	\$ 33,465,737	\$ 1,838,369	\$ 35,304,106
Noncurrent liabilities	<u>124,411,397</u>	<u>17,082,274</u>	<u>141,493,671</u>
Total Liabilities	<u>\$ 157,877,134</u>	<u>\$ 18,920,643</u>	<u>\$ 176,797,777</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 10,152,942	\$ 21,233,891	\$ 31,386,833
Restricted	7,129,583	1,818,250	8,947,833
Unrestricted	<u>3,807,908</u>	<u>2,437,674</u>	<u>6,245,582</u>
Total Net Assets	<u>\$ 21,090,433</u>	<u>\$ 25,489,815</u>	<u>\$ 46,580,248</u>

\$8,947,833 of the City of Coralville's net assets (19.2%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets totaling \$6,245,582 (13.4%) 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 \$9,819,157 and \$10,009,384 during the years ended June 30, 2005 and 2004, respectively. The governmental-type activities increased by \$8,736,322 and \$5,828,565 during the years ended June 30, 2005 and 2004, 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, 2005 follows:

City of Coralville's Governmental and Business-Type Activities

	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
Revenue			
Charges for services	\$ 2,404,941	\$ 6,493,329	\$ 8,898,270
Operating grants and contributions	1,609,385	316,400	1,925,785
Capital grants and contributions	4,770,242	—	4,770,242
Other General Revenue			
Property taxes	15,462,145	—	15,462,145
Other taxes	1,762,556	—	1,762,556
Other	<u>1,349,153</u>	<u>44,520</u>	<u>1,393,673</u>
Total Revenue	<u>27,358,422</u>	<u>6,854,249</u>	<u>34,212,671</u>
Expenses			
Public safety	3,438,338	—	3,438,338
Public works	1,300,470	—	1,300,470
Health and social services	105,521	—	105,521
Culture and recreation	4,212,013	—	4,212,013
Community and economic development	1,991,719	—	1,991,719
General government	1,444,305	—	1,444,305
Depreciation - unallocated	15,797	—	15,797
Interest on long-term debt	4,648,368	—	4,648,368
Water	—	1,463,043	1,463,043
Sewer	—	1,920,948	1,920,948
Solid waste	—	549,673	549,673
Transit	—	1,249,460	1,249,460
Golf	—	<u>2,053,859</u>	<u>2,053,859</u>
Total Expenses	<u>17,156,531</u>	<u>7,236,983</u>	<u>24,393,514</u>
Increase (Decrease) in Net Assets Before Transfers	10,201,891	(382,734)	9,819,157
Transfers	<u>(1,465,569)</u>	<u>1,465,569</u>	<u>—</u>
Increase in Net Assets	8,736,322	1,082,835	9,819,157
Beginning net assets	<u>12,354,111</u>	<u>24,406,980</u>	<u>36,761,091</u>
Ending Net Assets	<u>\$ 21,090,433</u>	<u>\$ 25,489,815</u>	<u>\$ 46,580,248</u>

Governmental Activities

Total governmental activities' revenue was \$27,358,422 and \$24,316,574 for the years ended June 30, 2005 and 2004, respectively. The largest single revenue source for the City was property taxes of \$15,462,145 and \$15,663,582 recorded for the years ended June 30, 2005 and 2004, respectively, which includes property taxes paid in the Tax Increment Financing Areas of the City. The increase is a result of 12.15% increase in the assessed value of property and a 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 nonmajor 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 \$63,787,128, an increase of \$44,299,058 in comparison with the prior year. Approximately 6.4% of this total amount (\$4,051,201) 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 (\$6,731,524) and 2) for a variety of other restricted purposes (\$53,004,403) which is primarily for capital projects.

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 \$3,825,495, while total fund balance reached \$4,005,862. Unreserved fund balance represents 40.1% of total General Fund expenditures, while total fund balance represents 42.8% of that same amount. The General Fund revenue increased 7.2% over fiscal year 2004, while expenditures increased 7.2% over the prior year thus resulting in an increase in fund balance of \$474,142. Key factors in this increase included an increase in property taxes, offset by normal increases in compensation and other costs, as well as the effects of transfers between funds.

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 21.1% over the prior year, while operating expenses increased 22.4% due primarily to increased activity at Brown Deer Golf Course with a full year of the expanded golf course and new clubhouse. Proprietary funds reported total change in net assets of \$1,082,835, a 74.1% decrease from the prior year. The decrease was mainly attributable to larger transfers in from governmental funds during 2004 than in 2005.

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 nonmajor governmental, nonmajor 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 (cash basis) demonstrates the statutory compliance with the annual fiscal year 2005 budget.

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Governmental Fund Types	Proprietary Funds	Total	
Receipts						
Property taxes	\$ 7,379,555	\$ 7,379,555	\$ 7,445,719	\$ —	\$ 7,445,719	\$ 66,164
Tax increment financing	7,855,910	7,855,910	7,958,642	—	7,958,642	102,732
Other city taxes	1,565,885	1,565,885	1,570,262	—	1,570,262	4,377
Licenses and permits	893,074	981,334	587,537	—	587,537	(393,797)
Use of money and property	413,500	1,243,500	1,331,475	50,584	1,382,059	138,559
Intergovernmental	2,670,829	3,660,467	3,459,342	316,400	3,775,742	115,275
Charges for services	8,733,576	8,836,126	1,492,938	6,468,536	7,961,474	(874,652)
Special assessments	781,176	1,208,370	1,231,396	—	1,231,396	23,026
Miscellaneous	189,810	919,309	1,269,638	64,242	1,333,880	414,571
Total Receipts	<u>30,483,315</u>	<u>33,650,456</u>	<u>26,346,949</u>	<u>6,899,762</u>	<u>33,246,711</u>	<u>(403,745)</u>
Disbursements						
Public safety	3,277,577	3,336,208	3,300,804	—	3,300,804	(35,404)
Public works	1,863,165	2,015,427	1,398,608	—	1,398,608	(616,819)
Health and social services	46,309	47,518	47,518	—	47,518	—
Culture and recreation	4,007,535	5,450,728	3,734,977	1,329,335	5,064,312	(386,416)
Community and economic development	452,212	1,161,001	847,426	—	847,426	(313,575)
General government	1,628,169	1,850,946	1,484,457	—	1,484,457	(366,489)
Debt service	5,983,150	11,920,042	11,876,965	—	11,876,965	(43,077)
Capital projects	14,336,000	43,486,000	29,844,070	—	29,844,070	(13,641,930)
Business-type activities	9,563,009	10,452,517	—	7,880,724	7,880,724	(2,571,793)
Total Disbursements	<u>41,157,126</u>	<u>79,720,387</u>	<u>52,534,825</u>	<u>9,210,059</u>	<u>61,744,884</u>	<u>(17,975,503)</u>
Receipts Over (Under)						
Disbursements	<u>(10,673,811)</u>	<u>(46,069,931)</u>	<u>(26,187,876)</u>	<u>(2,310,297)</u>	<u>(28,498,173)</u>	<u>17,571,758</u>
Other Financing Sources (Uses)						
Other financing sources	31,387,040	60,162,771	81,058,525	1,711,958	82,770,483	22,607,712
Other financing uses	(2,342,040)	(3,652,701)	(12,010,942)	(269,150)	(12,280,092)	(8,627,391)
Total Other Financing Sources (Uses)	<u>29,045,000</u>	<u>56,510,070</u>	<u>69,047,583</u>	<u>1,442,808</u>	<u>70,490,391</u>	<u>13,980,321</u>
Receipts and Other Financing Sources Over (Under)						
Disbursements and Other Financing Uses	<u>18,371,189</u>	<u>10,440,139</u>	<u>42,859,707</u>	<u>(867,489)</u>	<u>41,992,218</u>	<u>\$ 31,552,079</u>
Balance - Beginning of Year	18,125,048	25,776,341	20,294,906	5,481,435	25,776,341	
Balance - End of Year	<u>\$ 36,496,237</u>	<u>\$ 36,216,480</u>	<u>\$ 63,154,613</u>	<u>\$ 4,613,946</u>	<u>\$ 67,768,559</u>	

The fiscal year 2005 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 2005 expenditure needs significantly.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2005, the City had invested \$130,205,316 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 2005 or under construction at June 30, 2005. 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)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Land	\$ 27,701,584	\$ 41,736,858	\$ 3,325,467	\$ 3,498,526	\$ 31,027,051	\$ 45,235,384
Buildings and improvements	10,259,309	9,886,090	20,345,145	29,633,536	30,604,454	39,519,626
Infrastructure	13,476,545	18,815,046	—	—	13,476,545	18,815,046
Machinery and equipment	6,872,782	6,846,622	5,743,643	5,423,122	12,616,425	12,269,744
Construction-in-progress	<u>6,983,645</u>	<u>14,365,516</u>	<u>9,031,263</u>	<u>—</u>	<u>16,014,908</u>	<u>14,365,516</u>
Total	<u>\$ 65,293,865</u>	<u>\$ 91,650,132</u>	<u>\$ 38,445,518</u>	<u>\$ 38,555,184</u>	<u>\$ 103,739,383</u>	<u>\$ 130,205,316</u>

Long-Term Debt

At the end of the current fiscal year, the City of Coralville had total bonded debt outstanding of \$145,325,269. Of this amount, \$80,640,000 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).

Certain general obligation bond debt service is subject to annual appropriation by the City Council. In accordance with the Code of Iowa, only that portion subject to the annual appropriation is included in the computation of the statutory debt limit.

During the fiscal year, the government refinanced some of its existing debt to take advantage of favorable interest rates. That refinancing resulted in a total future cash flow savings of approximately \$500,000.

The following summarizes maturities of principal and interest on bonded debt outstanding at June 30, 2005:

Year Ending June 30,	<u>Governmental Activities</u>						<u>Business-Type Activities</u>		<u>Total</u>	
	<u>General Obligation Bonds</u>		<u>Tax Increment Revenue Bonds</u>		<u>Special Assessment Bonds</u>		<u>Revenue Bonds</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 3,390,000	\$ 3,659,098	\$ 7,059,644	\$ 2,365,482	\$ 325,000	\$ 71,280	\$ 1,031,000	\$ 380,159	\$ 11,805,644	\$ 6,476,019
2007	17,860,000	3,547,071	13,132,295	2,140,418	325,000	53,730	1,066,000	352,803	32,383,295	6,094,022
2008	3,025,000	2,709,002	2,640,183	1,517,094	330,000	36,180	1,086,000	316,851	7,081,183	4,579,127
2009	3,305,000	2,616,347	2,478,329	1,421,457	340,000	18,360	846,000	285,271	6,969,329	4,341,435
2010	3,385,000	2,478,692	2,346,756	1,316,689	—	—	871,000	258,259	6,602,756	4,053,640
2011-2015	25,550,000	9,496,321	8,720,062	5,240,208	—	—	4,312,000	732,316	38,582,062	15,468,845
2016-2020	14,470,000	3,801,998	6,530,000	3,435,324	—	—	923,000	194,596	21,923,000	7,431,918
2021-2025	9,655,000	1,432,836	4,465,000	2,067,032	—	—	428,000	18,576	14,548,000	3,518,444
2026-2030	—	—	1,980,000	1,167,895	—	—	—	—	1,980,000	1,167,895
2031-2035	—	—	3,450,000	537,131	—	—	—	—	3,450,000	537,131
	<u>80,640,000</u>	<u>29,741,365</u>	<u>52,802,269</u>	<u>21,208,730</u>	<u>1,320,000</u>	<u>179,550</u>	<u>10,563,000</u>	<u>2,538,831</u>	<u>145,325,269</u>	<u>53,668,476</u>
Net unamortized bond premium (discount)	<u>142,202</u>	<u>—</u>	<u>(322,883)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,281</u>	<u>—</u>	<u>(172,400)</u>	<u>—</u>
Net	<u>\$80,782,202</u>	<u>\$29,741,365</u>	<u>\$52,479,386</u>	<u>\$21,208,730</u>	<u>\$1,320,000</u>	<u>\$ 179,550</u>	<u>\$10,571,281</u>	<u>\$ 2,538,831</u>	<u>\$ 145,152,869</u>	<u>\$53,668,476</u>

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 2005 were \$525,951,855 compared to \$513,288,265 for 2004.
- The total value of building permits issued during calendar year 2005 was \$81,595,978. This compares with an amount of \$50,316,131 for 2004. This amount represents a 62% decrease.

Next Year's Budget and Rates

- Water, Sewer, Solid Waste, and Storm Water Management rates will remain the same for fiscal year 2006 as fiscal year 2005.
- The City tax levy rate will remain the same at 12.5189.
- Property taxes provide about 57% of General Fund revenue. Over the past five years citywide assessed values have increased an average of 9.88%, while property tax limitations imposed by the State of Iowa have held taxable values to an average annual growth rate of 8.07%.

The City is looking forward to the opening of the Hotel/Conference Center in August, 2006 with the first major conference scheduled for September, 2006. Marriott and the Coralville/Iowa City Convention Bureau continue to book conferences at the Conference Center for the coming year and beyond. The Coralville Library will begin an \$8 million expansion in April and will utilize the new Town Center Parking Ramp that is currently under construction. The City is also soliciting bids for the estimated \$3 million Adult Softball Complex that will be located in southwest Coralville and is designed to accommodate five fields that will attract local, state and national softball tournaments. In addition, Coralville continues to enhance the trail system throughout the City utilizing local, state and federal grants. The most recent trail opened in the winter of 2005 and connects Coralville and Iowa City via a trail over the Iowa River Dam that was a joint project with Iowa City.

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, 2005

	Governmental Activities	Business- Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 6,472,768	\$ 2,149,863	\$ 8,622,631
Receivables			
Property Taxes			
Current year delinquent, net of allowance for uncollectible taxes.....	49,528	—	49,528
Succeeding year	17,327,921	—	17,327,921
Customer accounts, net of allowance for uncollectible accounts.....	—	875,415	875,415
Due from other governments	1,902,649	—	1,902,649
Internal balances.....	475,725	(475,725)	—
Due from developers.....	748,813	—	748,813
Special assessments	482,930	—	482,930
Other	50,272	—	50,272
Inventories and prepaids.....	197,753	448,539	646,292
Total Current Assets	<u>27,708,359</u>	<u>2,998,092</u>	<u>30,706,451</u>
 Restricted Assets			
Cash and pooled investments	3,933,107	1,818,250	5,751,357
Beneficial interest in a trust	52,408,591	1,038,932	53,447,523
Pledges receivable, net of allowance for uncollectible pledges.....	54,108	—	54,108
Total Restricted Assets	<u>56,395,806</u>	<u>2,857,182</u>	<u>59,252,988</u>
 Noncurrent Assets			
Pledges receivable, net of allowance for uncollectible pledges.....	77,688	—	77,688
Loans, net of allowance for uncollectible amounts	1,632,000	—	1,632,000
Special assessments.....	1,503,582	—	1,503,582
Capital assets, net of accumulated depreciation	91,650,132	38,555,184	130,205,316
Total Noncurrent Assets	<u>94,863,402</u>	<u>38,555,184</u>	<u>133,418,586</u>
 Total Assets	 <u>\$ 178,967,567</u>	 <u>\$ 44,410,458</u>	 <u>\$ 223,378,025</u>

See accompanying notes to the financial statements.

	Governmental Activities	Business- Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 2,647,138	\$ 269,249	\$ 2,916,387
Retainages payable	—	40,249	40,249
Accrued wages and compensated absences ..	661,676	170,138	831,814
Accrued interest payable	492,383	71,242	563,625
Due to other governments	29,832	9,540	39,372
Revenue bonds payable	—	655,496	655,496
General obligation bonds payable	3,390,000	—	3,390,000
Tax increment financing bonds payable	6,825,659	—	6,825,659
Special assessment bonds payable	325,000	—	325,000
Other loans payable	39,740	6,951	46,691
Capital lease	—	240,000	240,000
Deferred Revenue			
Succeeding year property taxes	17,327,921	—	17,327,921
Special assessments	1,492,403	—	1,492,403
Current Liabilities Payable From Restricted Assets			
Tax increment financing bonds payable	233,985	—	233,985
Revenue bonds payable	—	375,504	375,504
Total Current Liabilities	<u>33,465,737</u>	<u>1,838,369</u>	<u>35,304,106</u>
Noncurrent Liabilities			
Revenue bonds payable	—	9,540,280	9,540,280
General obligation bonds payable	77,392,202	—	77,392,202
Tax increment financing bonds payable	45,419,742	—	45,419,742
Special assessment bonds payable	995,000	—	995,000
Other loans payable	604,453	176,994	781,447
Capital lease	—	7,365,000	7,365,000
Total Noncurrent Liabilities	<u>124,411,397</u>	<u>17,082,274</u>	<u>141,493,671</u>
Total Liabilities	<u>157,877,134</u>	<u>18,920,643</u>	<u>176,797,777</u>
Net Assets			
Invested in capital assets, net of related debt .	10,152,942	21,233,891	31,386,833
Restricted For			
Debt service	6,731,524	1,818,250	8,549,774
Special revenue - road use taxes	398,059	—	398,059
Unrestricted	3,807,908	2,437,674	6,245,582
Total Net Assets	<u>21,090,433</u>	<u>25,489,815</u>	<u>46,580,248</u>
Total Liabilities and Net Assets	<u>\$ 178,967,567</u>	<u>\$ 44,410,458</u>	<u>\$ 223,378,025</u>

Statement of Activities

Year Ended June 30, 2005

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	\$ 3,438,338	\$ 26,224	\$ 104,138	\$ 3,832	\$ (3,304,144)	\$ —	\$ (3,304,144)
Public works	1,300,470	91,280	1,373,446	—	164,256	—	164,256
Health and social services	105,521	—	—	—	(105,521)	—	(105,521)
Culture and recreation	4,212,013	983,756	131,801	24,638	(3,071,818)	—	(3,071,818)
Community and economic development	1,991,719	466,190	—	3,514,434	1,988,905	—	1,988,905
General government	1,444,305	837,491	—	—	(606,814)	—	(606,814)
Depreciation - unallocated	15,797	—	—	—	(15,797)	—	(15,797)
Interest on long-term debt	4,648,368	—	—	1,227,338	(3,421,030)	—	(3,421,030)
Total Governmental Activities	17,156,531	2,404,941	1,609,385	4,770,242	(8,371,963)	—	(8,371,963)
Business-Type Activities							
Water	1,463,043	1,792,755	—	—	—	329,712	329,712
Sewer	1,920,948	2,329,487	—	—	—	408,539	408,539
Solid waste	549,673	653,921	—	—	—	104,248	104,248
Transit	1,249,460	294,991	316,400	—	—	(638,069)	(638,069)
Golf	2,053,859	1,422,175	—	—	—	(631,684)	(631,684)
Total Business-Type Activities	7,236,983	6,493,329	316,400	—	—	(427,254)	(427,254)
Total	\$ 24,393,514	\$ 8,898,270	\$ 1,925,785	\$ 4,770,242	(8,371,963)	(427,254)	(8,799,217)
General Revenue							
Taxes							
Property taxes levied for general purposes					6,033,637	—	6,033,637
Property taxes levied for debt service					1,522,017	—	1,522,017
Tax increment financing taxes					7,906,491	—	7,906,491
Other taxes					1,762,556	—	1,762,556
Investment earnings					1,135,113	44,520	1,179,633
Miscellaneous					214,040	—	214,040
Total General Revenue					18,573,854	44,520	18,618,374
Change in Net Assets Before Other Financing Sources (Uses)					10,201,891	(382,734)	9,819,157
Other Financing Sources (Uses)							
Transfers					(1,465,569)	1,465,569	—
Change in Net Assets					8,736,322	1,082,835	9,819,157
Net Assets - Beginning of Year					12,354,111	24,406,980	36,761,091
Net Assets - End of Year					\$ 21,090,433	\$ 25,489,815	\$ 46,580,248

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

At June 30, 2005

	General Fund	Special Revenue - Tax Increment Financing	Capital Projects - First Avenue/ Brownfields	Other Govern- mental Funds	Total
Assets					
Cash and cash equivalents ...	\$ —	\$ 113,923	\$ —	\$ 6,358,845	\$ 6,472,768
Receivables					
Property Taxes					
Current year delinquent	19,039	20,714	—	9,775	49,528
Succeeding year	5,206,542	9,222,373	—	2,899,006	17,327,921
Loans	—	1,632,000	—	—	1,632,000
Due from other funds	4,581,222	1,929,308	—	87,680	6,598,210
Due from other governments	—	—	10,239	1,892,410	1,902,649
Due from developers.....	—	—	—	748,813	748,813
Other	50,272	—	—	—	50,272
Special assessments	—	—	—	1,986,512	1,986,512
Inventories and prepaids	180,367	—	—	17,386	197,753
Restricted Assets					
Cash and cash equivalents	—	3,532,316	—	400,791	3,933,107
Beneficial interest in a trust	—	—	52,408,591	—	52,408,591
Pool pledges receivable.....	—	—	—	131,796	131,796
Total Assets	\$ 10,037,442	\$ 16,450,634	\$ 52,418,830	\$ 14,533,014	\$ 93,439,920
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 315,893	\$ 95,699	\$ 1,507,747	\$ 727,799	\$ 2,647,138
Accrued liabilities.....	220,383	—	—	8,781	229,164
Due to other funds	260,000	—	2,727,486	3,134,999	6,122,485
Due to other governments	28,762	—	—	1,070	29,832
Deferred Revenue					
Succeeding years property taxes.....	5,206,542	9,222,373	—	2,899,006	17,327,921
Pool pledges receivable.....	—	—	—	131,796	131,796
Special assessments	—	—	—	1,492,403	1,492,403
Other	—	—	—	1,672,053	1,672,053
Total Liabilities	6,031,580	9,318,072	4,235,233	10,067,907	29,652,792
Fund Balances					
Reserved for					
Other	—	—	52,408,591	398,059	52,806,650
Debt service	—	3,532,316	—	3,199,208	6,731,524
Inventories and prepaids....	180,367	—	—	17,386	197,753
Unreserved.....	3,825,495	3,600,246	(4,224,994)	—	3,200,747
Unreserved, Reported in Nonmajor Funds					
Special revenue funds....	—	—	—	620,952	620,952
Capital projects funds....	—	—	—	229,502	229,502
Total Fund Balances	4,005,862	7,132,562	48,183,597	4,465,107	63,787,128
Total Liabilities and Fund Balances	\$ 10,037,442	\$ 16,450,634	\$ 52,418,830	\$ 14,533,014	\$ 93,439,920

See accompanying notes to the financial statements.

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

At June 30, 2005

Total Fund Balances for Governmental Funds (Page 14).....	\$ 63,787,128
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Certain receivables are not available financial resources and, therefore, are not reported as assets in governmental funds	1,803,849
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	91,650,132
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.....	(80,782,202)
Tax increment financing bonds payable.....	(52,479,386)
Special assessment bonds payable.....	(1,320,000)
Other loans payable	(644,193)
Accrued interest payable.....	(492,383)
Compensated absences	<u>(432,512)</u>
Net Assets of Governmental Activities (Page 12)	<u>\$ 21,090,433</u>

Statement of Revenue, Expenditures and Changes in Fund Balances -

Governmental Funds

Year Ended June 30, 2005

	General Fund	Special Revenue - Tax Increment Financing	Capital Projects - First Avenue/Brownfields	Other Governmental Funds	Total
Revenue					
Property taxes	\$ 4,840,887	\$ —	\$ —	\$ 2,701,544	\$ 7,542,431
TIF and other city taxes	1,680,252	7,906,491	—	—	9,586,743
Special assessments.....	—	—	—	1,227,337	1,227,337
Licenses and permits.....	659,633	—	—	—	659,633
Use of money and property	112,121	57,583	1,080,171	103,886	1,353,761
Intergovernmental.....	266,720	—	254,049	2,999,021	3,519,790
Charges for services.....	1,112,217	—	—	280,991	1,393,208
Miscellaneous.....	206,546	40,000	99,606	525,460	871,612
Total Revenue.....	<u>8,878,376</u>	<u>8,004,074</u>	<u>1,433,826</u>	<u>7,838,239</u>	<u>26,154,515</u>
Expenditures					
Operating					
Public safety.....	3,360,330	—	—	44,457	3,404,787
Public works.....	396,877	—	—	903,283	1,300,160
Health and social services	105,521	—	—	—	105,521
Culture and recreation	3,695,714	—	—	138,066	3,833,780
Community and economic development.....	337,655	588,142	—	3,000	928,797
General government	1,457,547	—	—	—	1,457,547
Debt Service					
Principal	—	2,450,931	—	1,669,266	4,120,197
Interest and other charges	—	3,771,366	—	856,550	4,627,916
Capital projects.....	—	—	21,877,201	5,933,075	27,810,276
Total Expenditures	<u>9,353,644</u>	<u>6,810,439</u>	<u>21,877,201</u>	<u>9,547,697</u>	<u>47,588,981</u>
Revenue Over (Under) Expenditures	<u>(475,268)</u>	<u>1,193,635</u>	<u>(20,443,375)</u>	<u>(1,709,458)</u>	<u>(21,434,466)</u>
Other Financing Sources (Uses)					
Bond proceeds	—	—	62,055,000	3,700,000	65,755,000
Bond issuance premium (discount)	—	—	486,324	—	486,324
Refunding bonds issued.....	—	3,485,000	—	960,000	4,445,000
Payment to refunding bond escrow agent.....	—	(2,260,000)	—	(960,000)	(3,220,000)
Transfers in.....	1,698,250	904,539	545,839	3,785,367	6,933,995
Transfers out	(748,840)	(2,212,575)	(2,215,993)	(3,222,156)	(8,399,564)
Total Other Financing Sources (Uses)	<u>949,410</u>	<u>(83,036)</u>	<u>60,871,170</u>	<u>4,263,211</u>	<u>66,000,755</u>
Revenue and Other Financing Sources Over Expenditures and Other Financing Uses					
	<u>474,142</u>	<u>1,110,599</u>	<u>40,427,795</u>	<u>2,553,753</u>	<u>44,566,289</u>
Fund Balances - Beginning of Year, as previously reported					
	3,531,720	6,021,963	7,755,802	2,178,585	19,488,070
Prior period adjustment (Note 17)					
	—	—	—	(267,231)	(267,231)
Fund Balances - Beginning of Year, as Restated					
	<u>3,531,720</u>	<u>6,021,963</u>	<u>7,755,802</u>	<u>1,911,354</u>	<u>19,220,839</u>
Fund Balances - End of Year					
	<u>\$ 4,005,862</u>	<u>\$ 7,132,562</u>	<u>\$ 48,183,597</u>	<u>\$ 4,465,107</u>	<u>\$ 63,787,128</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, 2005

Changes in Fund Balances - Total Governmental Funds
(Page 16) **\$ 44,566,289**

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	\$ 27,848,553	
Depreciation expense	<u>(1,492,286)</u>	26,356,267

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 of these differences in the treatment of long-term debt and related items:

Long-term debt issued	\$ (66,341,324)	
Long-term debt principal repaid	4,120,197	
Refunding bonds issued.....	(4,445,000)	
Payment to refunding bond escrow agent.....	3,220,000	
Amortization of discounts and premiums	97,008	
Increase in accrued interest.....	<u>(117,460)</u>	(63,466,579)

Certain receivables 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..... 1,303,907

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 (23,562)

Change in Net Assets of Governmental Activities (Page 13) **\$ 8,736,322**

Statement of Net Assets - Proprietary Funds

At June 30, 2005

	Water	Sewer	Golf	Nonmajor Proprietary Funds	Total
Assets					
Current Assets					
Cash and pooled invest- ments	\$ 609,722	\$ 749,381	\$ —	\$ 790,760	\$ 2,149,863
Customer accounts receivable.....	324,754	464,685	—	85,976	875,415
Inventories and prepaids	<u>108,542</u>	<u>124,379</u>	<u>166,251</u>	<u>49,367</u>	<u>448,539</u>
Total Current Assets	<u>1,043,018</u>	<u>1,338,445</u>	<u>166,251</u>	<u>926,103</u>	<u>3,473,817</u>
Noncurrent Assets					
Restricted Assets					
Cash and pooled investments.....	545,698	1,222,552	—	50,000	1,818,250
Beneficial interest in a trust	—	—	1,038,932	—	1,038,932
Capital assets (net of accumulated depreciation)	<u>8,181,058</u>	<u>17,326,614</u>	<u>11,823,141</u>	<u>1,224,371</u>	<u>38,555,184</u>
Total Noncurrent Assets	<u>8,726,756</u>	<u>18,549,166</u>	<u>12,862,073</u>	<u>1,274,371</u>	<u>41,412,366</u>
Total Assets	<u>\$ 9,769,774</u>	<u>\$ 19,887,611</u>	<u>\$ 13,028,324</u>	<u>\$ 2,200,474</u>	<u>\$ 44,886,183</u>
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	\$ 66,940	\$ 52,867	\$ 126,322	\$ 23,120	\$ 269,249
Retainage payable.....	—	40,249	—	—	40,249
Accrued liabilities and compensated absences ..	31,514	55,467	69,461	84,938	241,380
Due to other funds.....	—	—	475,725	—	475,725
Due to other governments ..	996	943	3,574	4,027	9,540
Current maturities of long- term debt.....	<u>460,000</u>	<u>526,000</u>	<u>246,951</u>	<u>45,000</u>	<u>1,277,951</u>
Total Current Liabilities	<u>559,450</u>	<u>675,526</u>	<u>922,033</u>	<u>157,085</u>	<u>2,314,094</u>
Long-Term Debt	<u>2,308,097</u>	<u>6,902,184</u>	<u>7,541,993</u>	<u>330,000</u>	<u>17,082,274</u>
Total Liabilities	<u>2,867,547</u>	<u>7,577,710</u>	<u>8,464,026</u>	<u>487,085</u>	<u>19,396,368</u>
Net Assets					
Invested in capital assets, net of related debt.....	5,412,961	9,898,430	5,073,129	849,371	21,233,891
Restricted for debt service	545,698	1,222,552	—	50,000	1,818,250
Unrestricted	<u>943,568</u>	<u>1,188,919</u>	<u>(508,831)</u>	<u>814,018</u>	<u>2,437,674</u>
Total Net Assets	<u>6,902,227</u>	<u>12,309,901</u>	<u>4,564,298</u>	<u>1,713,389</u>	<u>25,489,815</u>
Total Liabilities and Net Assets	<u>\$ 9,769,774</u>	<u>\$ 19,887,611</u>	<u>\$ 13,028,324</u>	<u>\$ 2,200,474</u>	<u>\$ 44,886,183</u>

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Net Assets -

Proprietary Funds

Year Ended June 30, 2005

	Water	Sewer	Golf	Nonmajor Proprietary Funds	Total
Operating Revenue					
Charges for sales and service.....	<u>\$ 1,792,755</u>	<u>\$ 2,329,487</u>	<u>\$ 1,422,175</u>	<u>\$ 948,912</u>	<u>\$ 6,493,329</u>
Operating Expenses					
Salaries and employee benefits	412,345	355,125	363,797	947,885	2,079,152
Contractual services.....	293,431	424,989	220,520	190,056	1,128,996
Commodities.....	235,551	103,622	728,395	446,358	1,513,926
Depreciation	<u>387,014</u>	<u>741,885</u>	<u>253,991</u>	<u>191,981</u>	<u>1,574,871</u>
Total Operating Expenses	<u>1,328,341</u>	<u>1,625,621</u>	<u>1,566,703</u>	<u>1,776,280</u>	<u>6,296,945</u>
Operating Income (Loss)	<u>464,414</u>	<u>703,866</u>	<u>(144,528)</u>	<u>(827,368)</u>	<u>196,384</u>
Nonoperating Revenue (Expenses)					
Intergovernmental Revenue					
Federal.....	—	—	—	153,340	153,340
State.....	—	—	—	163,060	163,060
Interest revenue.....	13,875	6,355	—	—	20,230
Interest expense.....	(134,702)	(295,327)	(487,156)	(22,853)	(940,038)
Increase in beneficial interest in a trust	—	—	<u>24,290</u>	—	<u>24,290</u>
Total Nonoperating Revenue (Expenses)	<u>(120,827)</u>	<u>(288,972)</u>	<u>(462,866)</u>	<u>293,547</u>	<u>(579,118)</u>
Change in Net Assets					
Before Transfers	343,587	414,894	(607,394)	(533,821)	(382,734)
Transfers in.....	322,778	16,341	780,000	588,840	1,707,959
Transfers out	<u>(35,000)</u>	<u>(59,743)</u>	<u>(140,147)</u>	<u>(7,500)</u>	<u>(242,390)</u>
Change in Net Assets.....	631,365	371,492	32,459	47,519	1,082,835
Net Assets - Beginning 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>
Net Assets - End of Year	<u>\$ 6,902,227</u>	<u>\$ 12,309,901</u>	<u>\$ 4,564,298</u>	<u>\$ 1,713,389</u>	<u>\$ 25,489,815</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2005

	Water	Sewer	Golf	Nonmajor Proprietary Funds	Total
Cash Flows From Operating Activities					
Receipts from customers	\$ 1,763,224	\$ 2,278,568	\$ 1,422,175	\$ 944,782	\$ 6,408,749
Payments to suppliers.....	(557,683)	(492,594)	(1,131,542)	(652,747)	(2,834,566)
Payments to employees.....	(409,932)	(354,972)	(359,379)	(936,045)	(2,060,328)
Net Cash Provided By (Used in)					
Operating Activities	<u>795,609</u>	<u>1,431,002</u>	<u>(68,746)</u>	<u>(644,010)</u>	<u>1,513,855</u>
Cash Flows From Noncapital Financing Activities					
Noncapital federal and state grants	—	—	—	316,400	316,400
Net transfers.....	287,778	(43,402)	639,853	581,340	1,465,569
Net Cash Provided By (Used in)					
Noncapital Financing Activities.....	<u>287,778</u>	<u>(43,402)</u>	<u>639,853</u>	<u>897,740</u>	<u>1,781,969</u>
Cash Flows From Capital and Related Financing Activities					
Increase in due to other funds	—	—	401,689	—	401,689
Received from trust.....	—	—	22,816	—	22,816
Purchase of capital assets	(164,073)	(1,112,868)	(917,169)	(23,176)	(2,217,286)
Repayment of debt.....	(450,000)	(511,000)	(6,898)	(45,000)	(1,012,898)
Payment of interest	(134,038)	(294,255)	(486,948)	(23,050)	(938,291)
Net Cash Used in Capital and					
Related Financing Activities	<u>(748,111)</u>	<u>(1,918,123)</u>	<u>(986,510)</u>	<u>(91,226)</u>	<u>(3,743,970)</u>
Cash Flows From Investing Activities					
Interest received.....	<u>13,875</u>	<u>6,355</u>	<u>15,403</u>	<u>—</u>	<u>35,633</u>
Net Increase (Decrease) in Cash	349,151	(524,168)	(400,000)	162,504	(412,513)
Cash and Cash Equivalents at					
Beginning of Year	806,269	2,496,101	400,000	678,256	4,380,626
Cash and Cash Equivalents at					
End of Year.....	<u>\$ 1,155,420</u>	<u>\$ 1,971,933</u>	<u>\$ —</u>	<u>\$ 840,760</u>	<u>\$ 3,968,113</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used in)					
Operating Activities					
Operating income (loss).....	\$ 464,414	\$ 703,866	\$ (144,528)	\$ (827,368)	\$ 196,384
Adjustments to Reconcile Income (Loss) From					
Operations to Net Cash Provided By (Used in)					
Operating Activities					
Depreciation.....	387,014	741,885	253,991	191,981	1,574,871
Increase in receivables	(29,531)	(50,919)	—	(4,130)	(84,580)
(Increase) decrease in inventories					
and prepaids	3,142	13,224	(29,796)	(13,980)	(27,410)
Increase (decrease) in accounts and					
retainages payable.....	(32,050)	22,726	(153,299)	(3,097)	(165,720)
Increase in accrued liabilities and					
compensated absences	2,413	153	4,418	11,840	18,824
Increase in due to other funds and					
other governments	207	67	468	744	1,486
Net Cash Provided By (Used in)					
Operating Activities	<u>\$ 795,609</u>	<u>\$ 1,431,002</u>	<u>\$ (68,746)</u>	<u>\$ (644,010)</u>	<u>\$ 1,513,855</u>
Schedule of Noncash Investing and Financing Activities					
Capital Asset Acquisition - Accounts					
and Retainages Payable	<u>\$ (111,255)</u>	<u>\$ 40,249</u>	<u>\$ (461,273)</u>	<u>\$ —</u>	<u>\$ (532,279)</u>
Increase in Beneficial Interest in a Trust	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,887</u>	<u>\$ —</u>	<u>\$ 8,887</u>

See accompanying notes to the financial statements.

Statement of Fiduciary Net Assets - Fiduciary Funds

At June 30, 2005

	CEBA Agency Fund
Assets	
Loans receivable	<u>\$ 572,000</u>
Liabilities and Net Assets	
Notes payable.....	\$ 572,000
Net Assets	<u>—</u>
Total Liabilities and Net Assets	<u>\$ 572,000</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.

Excluded Component Unit

The Coralville Public Library Foundation (an Iowa nonprofit corporation) is a legally separate entity from the City. The Foundation is governed by its own board. The Foundation was formed for the direct benefit of the Coralville Public Library (Library). Economic resources received by the Foundation are used for the direct benefit of the Library and, therefore, the City's constituents.

The Foundation has a June fiscal year end and does not prepare financial statements; therefore, audited financial statements are not available. Management has elected to exclude the transactions of the Foundation from City financial statements. Unaudited financial information from the Foundation's fiscal year end 2005 tax return and other internal reports includes total revenue of approximately \$277,000, expenses of approximately \$70,000, assets of approximately \$959,000, no liabilities and net assets of approximately \$959,000. Therefore, to avoid material misstatement, the Foundation should be included as a discrete component unit in the City's financial statements.

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 property tax and intergovernmental revenue, are reported separately for business-type activities, which rely to a significant extent on fees and charges for service.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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.

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, enterprise 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.

(1) Summary of Significant Accounting Policies

The City had the following major enterprise 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.

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

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.

(1) Summary of Significant Accounting Policies

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days after year end.

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.

Agency funds report, under the accrual basis of accounting, only assets and liabilities. Since agency funds have no equity, they do not have a measurement focus.

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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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, 2005.

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. The budgetary comparison and related disclosures are reported as required supplementary information.

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, 2005, disbursements did not exceed the amounts budgeted in any of the functions. 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 or contract. Investments consist of money market accounts stated at fair value which is equivalent to 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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.

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," and result from cash deficiencies in certain funds.

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

Due from developers represents amounts due under cost sharing agreements for certain capital projects.

Inventories and Prepaids

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.

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Restricted Assets

Certain assets of the governmental funds are classified as restricted assets because their use is restricted by bond covenants, donors, contract or grant agreements.

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. No amounts were capitalized in 2005.

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 2004 and 2005 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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 grants and cost sharing 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.

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 Balance

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. 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.

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.

Notes to the Financial Statements

(2) Cash and Investments

The City's deposits at June 30, 2005 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 that there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; 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.

On June 30, 2005, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$7,253,882 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

The City's cash and investments at June 30, 2005 were as follows:

Cash accounts.....	\$ 3,890,991
Pooled cash investments - Iowa Public Agency Investment Trust	7,253,882
Certificates of deposit.....	<u>3,229,115</u>
Total	<u>\$ 14,373,988</u>

(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, 2005, 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, 2005, 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, 2005.

During the year ended June 30, 2005, the City made a \$300,000 economic development loan to the Iowa City/Coralville Convention and Visitors Bureau. The loan includes interest at 5.5% with quarterly payments due through June 30, 2020. No payments had been made on the loan during 2005.

Notes to the Financial Statements

(4) Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2005 is as follows:

Due From/To	Interfund Receivables	Interfund Payables
General Fund.....	\$ 4,581,222	\$ 260,000
Special Revenue Funds		
Tax Increment Financing	1,929,308	—
Police Grants	—	7,354
Debt Service Funds		
General Obligation Bonds.....	31,190	—
Oakdale Boulevard - Special Assessments	38,769	—
Highway 6/22 nd Avenue	—	3,493
Capital Projects Funds		
Library Expansion	—	380
Highway 6/22 nd Avenue	—	526,475
Oakdale Boulevard Project	—	43,696
First Avenue/Clear Creek Projects.....	—	337,039
Camp Cardinal Road Project	—	946,021
First Avenue/Brownfields Projects	—	2,727,486
Coral Ridge Mall	—	60,068
Trail Projects	—	52,924
Morrison Creek Riffle Project	—	17,721
Street Improvements.....	—	160,262
Highway 6 Widening Project.....	—	566,075
Storm Water Projects.....	17,721	—
North Corridor Land Use Project.....	—	336,595
12 th Avenue Urban Renewal Project.....	—	76,896
Enterprise Funds		
Brown Deer Golf Course.....	—	475,725
	<u>\$ 6,598,210</u>	<u>\$ 6,598,210</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, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 27,701,584	\$ 14,035,274	\$ —	\$ 41,736,858
Construction in progress	<u>6,983,645</u>	<u>13,274,168</u>	<u>5,892,297</u>	<u>14,365,516</u>
Total Capital Assets Not Being Depreciated.....	<u>34,685,229</u>	<u>27,309,442</u>	<u>5,892,297</u>	<u>56,102,374</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	\$ 13,163,849	\$ 62,069	\$ —	\$ 13,225,918
Furniture and equipment	9,333,193	256,951	—	9,590,144
Vehicles	629,493	220,091	—	849,584
Road network	9,726,191	5,892,297	—	15,618,488
Bridge network	4,376,681	—	—	4,376,681
Total Capital Assets Being Depreciated	<u>37,229,407</u>	<u>6,431,408</u>	<u>—</u>	<u>43,660,815</u>
Less Accumulated Depreciation for				
Buildings and improvements	2,904,540	435,288	—	3,339,828
Furniture and equipment	2,781,210	428,792	—	3,210,002
Vehicles	308,694	74,410	—	383,104
Road network	514,614	466,263	—	980,877
Bridge network	111,713	87,533	—	199,246
Total Accumulated Depreciation	<u>6,620,771</u>	<u>1,492,286</u>	<u>—</u>	<u>8,113,057</u>
Net Capital Assets Being Depreciated	<u>30,608,636</u>	<u>4,939,122</u>	<u>—</u>	<u>35,547,758</u>
Net Governmental Activities				
Capital Assets	<u>\$ 65,293,865</u>	<u>\$ 32,248,564</u>	<u>\$ 5,892,297</u>	<u>\$ 91,650,132</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 3,325,467	\$ 173,059	\$ —	\$ 3,498,526
Construction in progress	9,031,263	1,210,102	10,241,365	—
Total Capital Assets Not Being Depreciated	<u>12,356,730</u>	<u>1,383,161</u>	<u>10,241,365</u>	<u>3,498,526</u>
Capital Assets Being Depreciated				
Buildings and improvements	27,356,972	10,348,881	—	37,705,853
Furniture and equipment	12,623,284	177,273	—	12,800,557
Vehicles	213,144	16,587	—	229,731
Total Capital Assets Being Depreciated	<u>40,193,400</u>	<u>10,542,741</u>	<u>—</u>	<u>50,736,141</u>
Less Accumulated Depreciation for				
Buildings and improvements	7,011,827	1,060,490	—	8,072,317
Furniture and equipment	6,898,781	504,033	—	7,402,814
Vehicles	194,004	10,348	—	204,352
Total Accumulated Depreciation	<u>14,104,612</u>	<u>1,574,871</u>	<u>—</u>	<u>15,679,483</u>
Net Capital Assets Being Depreciated	<u>26,088,788</u>	<u>8,967,870</u>	<u>—</u>	<u>35,056,658</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 38,445,518</u>	<u>\$ 10,351,031</u>	<u>\$ 10,241,365</u>	<u>\$ 38,555,184</u>

Notes to the Financial Statements

(5) Capital Assets

Depreciation expense was charged by the City as follows for the year ended June 30, 2005:

Governmental Activities	
Public safety	\$ 201,534
Public works	130,179
Culture and recreation.....	509,206
Community and economic development	559,006
General government	<u>76,564</u>
	1,476,489
Unallocated depreciation.....	<u>15,797</u>
Total Governmental Activities Depreciation Expense	<u>\$ 1,492,286</u>
Business-Type Activities	
Water.....	\$ 387,014
Sewer.....	741,885
Golf.....	253,991
Solid waste.....	41,092
Transit	<u>150,889</u>
Total Business-Type Activities Depreciation Expense.....	<u>\$ 1,574,871</u>

(6) Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2005:

	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 ...	\$ 38,959,419	\$ 44,490,000	\$ 2,667,217	\$ 80,782,202	\$ 3,390,000	1.10%-6.00%
Tax increment revenue bonds.....	30,695,525	26,196,324	4,412,463	52,479,386	7,059,644	3.00%-8.00%
Special assessment bonds.....	1,640,000	—	320,000	1,320,000	325,000	5.40%
Other long-term debt.....	581,718	100,000	37,525	644,193	39,740	0%-7.00%
Compensated absences	408,950	432,512	408,950	432,512	432,512	N/A
Totals.....	<u>\$ 72,285,612</u>	<u>\$ 71,218,836</u>	<u>\$ 7,846,155</u>	<u>\$ 135,658,293</u>	<u>\$ 11,246,896</u>	
Business-Type Activities						
Revenue bonds.....	\$ 11,573,556	\$ —	\$ 1,002,276	\$ 10,571,280	\$ 1,031,000	2.00%-5.30%
Capital lease	7,605,000	—	—	7,605,000	240,000	6.25%
Other long-term debt.....	190,842	—	6,897	183,945	6,951	4.00%
Compensated absences	86,614	91,708	86,614	91,708	91,708	N/A
Totals.....	<u>\$ 19,456,012</u>	<u>\$ 91,708</u>	<u>\$ 1,095,787</u>	<u>\$ 18,451,933</u>	<u>\$ 1,369,659</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. Certain general obligation bond debt service is subject to annual appropriation by the City Council. In accordance with the Code of Iowa, only that portion subject to the annual appropriation by the City Council is included in the computation of the statutory debt limit.

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 and interest 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.

During the year ended June 30, 2005, the City refunded three bonded debt issues in order to take advantage of lower interest rates. The total amount of refunding bonds issued was \$4,445,000, of which \$3,220,000 was forwarded to a bond escrow agent to currently refund two debt issues. The third issue, also a current refunding, was refunded after June 30, 2005. The refunding bonds resulted in an economic gain of approximately \$240,000 and reduced future debt service payments by approximately \$500,000.

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%.

Notes to the Financial Statements

(6) Long-Term Debt

During the year ended June 30, 2005, \$37,525 of principal was paid and interest expense was \$21,434. The unpaid balance of the contract at June 30, 2005 was \$295,693.

At June 30, 2005, annual maturities of the land purchase contract are as follows:

Year Ending June 30,	Principal	Interest	Total
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	52,538	6,641	59,179
2011-2012	66,115	2,929	69,044
	<u>\$ 295,693</u>	<u>\$ 69,246</u>	<u>\$ 364,939</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. During the year ended June 30, 2005, the City entered into another loan for \$100,000 for similar terms, with no payments due through June 30, 2012.

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.

Notes to the Financial Statements

(6) Long-Term Debt

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.

At June 30, 2005, future minimum lease payments on the capital lease obligation are as follows:

Year Ending June 30,	
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	12,765,796
Less amount representing interest	<u>5,160,796</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. Required 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, 2005 were \$105,798 and \$78,146. During the year ended June 30, 2005, principal paid on the two loans totaled \$6,898, and total interest expense was \$7,298.

At June 30, 2005, annual maturities of the SBA loans are as follows:

Year Ending June 30,	SBA		SBA		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	4,644	3,480	3,510	2,562	8,154	6,042
2011-2015	26,219	14,401	19,816	10,544	46,035	24,945
2016-2020	32,013	8,607	24,196	6,164	56,209	14,771
2021-2024	<u>26,093</u>	<u>1,904</u>	<u>17,904</u>	<u>1,210</u>	<u>43,997</u>	<u>3,114</u>
Total	<u>\$ 105,798</u>	<u>\$ 44,059</u>	<u>\$ 78,146</u>	<u>\$ 32,048</u>	<u>\$ 183,944</u>	<u>\$ 76,107</u>

Notes to the Financial Statements

(6) Long-Term Debt

Annual debt service requirements to maturity for general obligation bonds, tax increment revenue bonds, special assessment bonds and revenue bonds at June 30, 2005 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
2006	\$ 3,390,000	\$ 3,659,098	\$ 7,059,644	\$ 2,365,482	\$ 325,000	\$ 71,280	\$ 1,031,000	\$ 380,159	\$ 11,805,644	\$ 6,476,019
2007	17,860,000	3,547,071	13,132,295	2,140,418	325,000	53,730	1,066,000	352,803	32,383,295	6,094,022
2008	3,025,000	2,709,002	2,640,183	1,517,094	330,000	36,180	1,086,000	316,851	7,081,183	4,579,127
2009	3,305,000	2,616,347	2,478,329	1,421,457	340,000	18,360	846,000	285,271	6,969,329	4,341,435
2010	3,385,000	2,478,692	2,346,756	1,316,689	—	—	871,000	258,259	6,602,756	4,053,640
2011-2015	25,550,000	9,496,321	8,720,062	5,240,208	—	—	4,312,000	732,316	38,582,062	15,468,845
2016-2020	14,470,000	3,801,998	6,530,000	3,435,324	—	—	923,000	194,596	21,923,000	7,431,918
2021-2025	9,655,000	1,432,836	4,465,000	2,067,032	—	—	428,000	18,576	14,548,000	3,518,444
2026-2030	—	—	1,980,000	1,167,895	—	—	—	—	1,980,000	1,167,895
2031-2035	—	—	3,450,000	537,131	—	—	—	—	3,450,000	537,131
	80,640,000	29,741,365	52,802,269	21,208,730	1,320,000	179,550	10,563,000	2,538,831	145,325,269	53,668,476
Net unamor- tized bond premium (discount)	142,202	—	(322,883)	—	—	—	8,281	—	(172,400)	—
Net	<u>\$80,782,202</u>	<u>\$29,741,365</u>	<u>\$52,479,386</u>	<u>\$21,208,730</u>	<u>\$1,320,000</u>	<u>\$179,550</u>	<u>\$10,571,281</u>	<u>\$2,538,831</u>	<u>\$145,152,869</u>	<u>\$53,668,476</u>

Interest expense recorded in governmental fund types totaled \$4,627,916 for the year ended June 30, 2005. Interest expense recorded in proprietary fund types totaled \$940,038.

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, 2005, 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, 2005, outstanding balances on one 0% interest loan and two forgivable loans totaled \$572,000. 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, 2005, 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. Police employees contribution rates were the same for the year ended June 30, 2004 and were 6.04% and 9.07% for the year ended June 30, 2003. 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, 2005, 2004 and 2003 were \$375,928, \$335,951 and \$314,491, 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, 2005 is as follows:

Transfer to	Transfer From	Amount
General Fund	Special Revenue	
	Tax Increment Financing	\$ 324,831
	Nonmajor Governmental Funds	1,262,080
	Capital Projects	
	First Avenue/Brownfields	797
	Nonmajor Governmental Funds	3,042
	Proprietary	
	Water	35,000
	Sewer	35,000
	Golf	30,000
	Nonmajor Proprietary Funds	7,500
Tax Increment Financing	Capital Projects	
	First Avenue/Brownfields	904,539
First Avenue/Brownfields	Special Revenue	
	Tax Increment Financing	545,839
Nonmajor Special Revenue	General Fund	10,000
Nonmajor Debt Service	Proprietary	
	Sewer	24,743
	Golf	110,147
Nonmajor Capital Projects	General Fund	70,000
	Special Revenue	
	Tax Increment Financing	1,341,905
	Nonmajor Governmental Funds	533,324
	Capital Projects	
	First Avenue/Brownfields	1,310,657
	Nonmajor Governmental Funds	160,042
	Debt Service	
	Nonmajor Governmental Funds	224,549
Water	Special Revenue	
	Nonmajor Governmental Funds	224,550
	Capital Projects	
	Nonmajor Governmental Funds	98,228
Sewer	Debt Service	
	Nonmajor Governmental Funds	16,341
Golf	General Fund	80,000
	Debt Service	
	Nonmajor Governmental Funds	700,000
Nonmajor Proprietary Transit	General Fund	<u>588,840</u>
Total		<u>\$ 8,641,954</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 purposes.

Notes to the Financial Statements

(9) Deficit Balances

The following individual funds had a deficit at June 30, 2005:

Special Revenue	
Police Grants	\$ 7,354
Capital Projects	
Library Expansion	380
Coral Ridge Mall	60,068
Street Projects	60,980
Highway 6 Widening Project	824,147
Camp Cardinal Road Project	1,011,639
12 th Avenue Urban Renewal Project	106,350
Oakdale Boulevard Project	43,696
First Avenue/Clear Creek Project	40,041
North Corridor Land Use Project	336,595
Highway 6/22 nd Avenue	539,334
Trail Projects	13,810

(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,	
2006.....	\$ 39,255
2007.....	39,255
2008.....	39,255
2009.....	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, 2005, the City was committed to approximately \$17 million of construction contracts. In addition, the City was committed to a purchase agreement totaling approximately \$54 million in connection with the hotel and conference center project.

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, 2005.

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) 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.

(14) Risk Management

Iowa Community Assurances Pool

During 2005, the City became a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 516 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as prepaid expense at the time of payment to the risk pool and allocated evenly to expense during the year. During the year ended June 30, 2005, the City made payments of \$332,585 to the risk pool.

(14) Risk Management

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims had not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100% of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Iowa Municipalities Workers' Compensation Association

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, 2005 were \$148,445.

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.

Notes to the Financial Statements

(15) Subsequent Events

Subsequent to June 30, 2005, the City entered into several agreements to purchase land and construct capital improvements. These agreements totaled approximately \$17 million.

Subsequent to June 30, 2005, the City took actions to issue approximately \$30 million of new debt to fund construction projects and refund existing debt issues.

(16) 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.

(17) Prior Period Adjustments

During the year ended June 30, 2005, the City determined that it had improperly recorded as revenue in certain nonmajor capital projects funds during 2004, amounts that were accrued as receivable from other governments and developers as of June 30, 2004. These amounts were not received within 60 days of that year end, and therefore should have been reported as deferred revenue. The amounts which are still receivable at June 30, 2005 have been reported as deferred revenue, with a prior period adjustment to the beginning fund balance totaling \$267,231. The error correction had no effect on the current year change in fund balances.

(18) Designations of Fund Balances

The City Council has approved designations of unrestricted fund balances at June 30, 2005 for the following purposes:

General Fund

Equipment purchases and various special projects	\$ 1,974,791
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Special Revenue Fund

Road Use Tax Fund

Equipment purchases	231,561
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Business-Type Activities

Sewer

Equipment purchases and improvement projects	395,352
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Water

Equipment purchases	60,055
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Solid Waste

Equipment purchases	385,758
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Transit

Equipment purchases	407,894
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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, 2005

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Governmental Fund Types	Proprietary Funds	Total	
Receipts						
Property taxes	\$ 7,379,555	\$ 7,379,555	\$ 7,445,719	\$ —	\$ 7,445,719	\$ 66,164
Tax increment financing	7,855,910	7,855,910	7,958,642	—	7,958,642	102,732
Other city taxes	1,565,885	1,565,885	1,570,262	—	1,570,262	4,377
Licenses and permits	893,074	981,334	587,537	—	587,537	(393,797)
Use of money and property	413,500	1,243,500	1,331,475	50,584	1,382,059	138,559
Intergovernmental	2,670,829	3,660,467	3,459,342	316,400	3,775,742	115,275
Charges for services	8,733,576	8,836,126	1,492,938	6,468,536	7,961,474	(874,652)
Special assessments	781,176	1,208,370	1,231,396	—	1,231,396	23,026
Miscellaneous	189,810	919,309	1,269,638	64,242	1,333,880	414,571
Total Receipts	30,483,315	33,650,456	26,346,949	6,899,762	33,246,711	(403,745)
Disbursements						
Public safety	3,277,577	3,336,208	3,300,804	—	3,300,804	(35,404)
Public works	1,863,165	2,015,427	1,398,608	—	1,398,608	(616,819)
Health and social services	46,309	47,518	47,518	—	47,518	—
Culture and recreation	4,007,535	5,450,728	3,734,977	1,329,335	5,064,312	(386,416)
Community and economic development	452,212	1,161,001	847,426	—	847,426	(313,575)
General government	1,628,169	1,850,946	1,484,457	—	1,484,457	(366,489)
Debt service	5,983,150	11,920,042	11,876,965	—	11,876,965	(43,077)
Capital projects	14,336,000	43,486,000	29,844,070	—	29,844,070	(13,641,930)
Business-type activities	9,563,009	10,452,517	—	7,880,724	7,880,724	(2,571,793)
Total Disbursements	41,157,126	79,720,387	52,534,825	9,210,059	61,744,884	(17,975,503)
Receipts Over (Under) Disbursements	(10,673,811)	(46,069,931)	(26,187,876)	(2,310,297)	(28,498,173)	17,571,758
Other Financing Sources (Uses)						
Other financing sources	31,387,040	60,162,771	81,058,525	1,711,958	82,770,483	22,607,712
Other financing uses	(2,342,040)	(3,652,701)	(12,010,942)	(269,150)	(12,280,092)	(8,627,391)
Total Other Financing Sources (Uses)	29,045,000	56,510,070	69,047,583	1,442,808	70,490,391	13,980,321
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	18,371,189	10,440,139	42,859,707	(867,489)	41,992,218	\$ 31,552,079
Balance - Beginning of Year	18,125,048	25,776,341	20,294,906	5,481,435	25,776,341	
Balance - End of Year	\$ 36,496,237	\$ 36,216,480	\$ 63,154,613	\$ 4,613,946	\$ 67,768,559	

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 \$39 million. This budget amendment is reflected in the final budgeted amounts.

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation ▬

Year Ended June 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue	\$ 26,346,949	\$ (192,434)	\$ 26,154,515
Expenditures.....	<u>52,534,825</u>	<u>(4,945,844)</u>	<u>47,588,981</u>
Net	(26,187,876)	4,753,410	(21,434,466)
Other financing sources (uses).....	69,047,583	(3,046,828)	66,000,755
Beginning fund balances	<u>20,294,906</u>	<u>(1,074,067)</u>	<u>19,220,839</u>
Ending Fund Balances.....	<u>\$ 63,154,613</u>	<u>\$ 632,515</u>	<u>\$ 63,787,128</u>

	Proprietary Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue	\$ 6,899,762	\$ (45,513)	\$ 6,854,249
Expenditures.....	<u>9,210,059</u>	<u>(1,973,076)</u>	<u>7,236,983</u>
Net	(2,310,297)	1,927,563	(382,734)
Other financing sources (uses).....	1,442,808	22,761	1,465,569
Beginning fund balances	<u>5,481,435</u>	<u>18,925,545</u>	<u>24,406,980</u>
Ending Fund Balances.....	<u>\$ 4,613,946</u>	<u>\$ 20,875,869</u>	<u>\$ 25,489,815</u>

Other Supplementary Information

Combining Balance Sheet Schedule - Nonmajor Governmental Funds

At June 30, 2005

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and cash equivalents	\$ 430,400	\$ 2,642,651	\$ 3,285,794	\$ 6,358,845
Receivables				
Property Taxes				
Current year delinquent.....	4,529	5,246	—	9,775
Succeeding year.....	1,225,010	1,673,996	—	2,899,006
Due from other funds	—	69,959	17,721	87,680
Due from other governments	236,706	—	1,655,704	1,892,410
Due from developers.....	—	—	748,813	748,813
Special assessments	—	1,986,512	—	1,986,512
Inventories and prepaids	17,386	—	—	17,386
Restricted Assets				
Cash and cash equivalents.....	400,791	—	—	400,791
Pool pledges receivable.....	131,796	—	—	131,796
Total Assets	<u>\$ 2,446,618</u>	<u>\$ 6,378,364</u>	<u>\$ 5,708,032</u>	<u>\$ 14,533,014</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 36,210	\$ 9,264	\$ 682,325	\$ 727,799
Accrued liabilities.....	8,781	—	—	8,781
Due to other funds	7,354	3,493	3,124,152	3,134,999
Due to other governments	1,070	—	—	1,070
Deferred Revenue				
Succeeding year property taxes ...	1,225,010	1,673,996	—	2,899,006
Pool pledges receivable.....	131,796	—	—	131,796
Special assessments	—	1,492,403	—	1,492,403
Other	—	—	1,672,053	1,672,053
Total Liabilities	<u>1,410,221</u>	<u>3,179,156</u>	<u>5,478,530</u>	<u>10,067,907</u>
Fund Balances				
Reserved for				
Other	398,059	—	—	398,059
Debt service	—	3,199,208	—	3,199,208
Inventories and prepaids.....	17,386	—	—	17,386
Unreserved, Reported in				
Nonmajor Funds				
Special revenue funds.....	620,952	—	—	620,952
Capital projects funds.....	—	—	229,502	229,502
Total Fund Balances	<u>1,036,397</u>	<u>3,199,208</u>	<u>229,502</u>	<u>4,465,107</u>
Total Liabilities and Fund Balances	<u>\$ 2,446,618</u>	<u>\$ 6,378,364</u>	<u>\$ 5,708,032</u>	<u>\$ 14,533,014</u>

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

Year Ended June 30, 2005

	Special Revenue	Debt Service	Capital Projects	Total
Revenue				
Property taxes	\$ 1,179,527	\$ 1,522,017	\$ —	\$ 2,701,544
Special assessments.....	—	1,227,337	—	1,227,337
Use of money and property	—	20,312	83,574	103,886
Intergovernmental.....	1,417,416	—	1,581,605	2,999,021
Charges for services.....	—	—	280,991	280,991
Miscellaneous.....	336,855	—	188,605	525,460
Total Revenue	<u>2,933,798</u>	<u>2,769,666</u>	<u>2,134,775</u>	<u>7,838,239</u>
Expenditures				
Operating				
Public safety.....	44,457	—	—	44,457
Public works.....	903,283	—	—	903,283
Culture and recreation	138,066	—	—	138,066
Community and economic development.....	3,000	—	—	3,000
Debt Service				
Principal	—	1,669,266	—	1,669,266
Interest and other charges	—	856,550	—	856,550
Capital projects.....	—	—	5,933,075	5,933,075
Total Expenditures	<u>1,088,806</u>	<u>2,525,816</u>	<u>5,933,075</u>	<u>9,547,697</u>
Revenue Over (Under) Expenditures	<u>1,844,992</u>	<u>243,850</u>	<u>(3,798,300)</u>	<u>(1,709,458)</u>
Other Financing Sources (Uses)				
Bond proceeds	—	700,000	3,000,000	3,700,000
Refunding bonds issued.....	—	960,000	—	960,000
Payment to refunding bond escrow agent.....	—	(960,000)	—	(960,000)
Transfers in.....	10,000	134,890	3,640,477	3,785,367
Transfers out	(2,019,954)	(940,890)	(261,312)	(3,222,156)
Total Other Financing Sources (Uses)	<u>(2,009,954)</u>	<u>(106,000)</u>	<u>6,379,165</u>	<u>4,263,211</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(164,962)</u>	<u>137,850</u>	<u>2,580,865</u>	<u>2,553,753</u>
Fund Balances - Beginning of Year, as previously reported	1,201,359	3,061,358	(2,084,132)	2,178,585
Prior period adjustment (Note 17)	—	—	(267,231)	(267,231)
Fund Balances - Beginning of Year, as Restated	<u>1,201,359</u>	<u>3,061,358</u>	<u>(2,351,363)</u>	<u>1,911,354</u>
Fund Balances - End of Year	<u>\$ 1,036,397</u>	<u>\$ 3,199,208</u>	<u>\$ 229,502</u>	<u>\$ 4,465,107</u>

Combining Balance Sheet Schedule - Nonmajor Special Revenue Funds

At June 30, 2005

	Expendable Trust	Cemetery	Police Grants	Road Use Tax	Employee Benefit Levy	Total
Assets						
Cash and cash equivalents.....	\$ —	\$ —	\$ —	\$ 430,400	\$ —	\$ 430,400
Receivables						
Property Taxes						
Current year delinquent	—	—	—	—	4,529	4,529
Succeeding year	—	—	—	—	1,225,010	1,225,010
Due from other governments	—	—	—	236,706	—	236,706
Inventories and prepaids.....	—	—	—	17,386	—	17,386
Restricted Assets						
Cash and cash equivalents	338,592	62,199	—	—	—	400,791
Pool pledges receivable	131,796	—	—	—	—	131,796
Total Assets.....	\$ 470,388	\$ 62,199	\$ —	\$ 684,492	\$ 1,229,539	\$ 2,446,618
Liabilities and Fund Balances						
Liabilities						
Accounts payable.....	\$ 2,732	\$ —	\$ —	\$ 33,478	\$ —	\$ 36,210
Accrued liabilities	—	—	—	8,781	—	8,781
Due to other funds.....	—	—	7,354	—	—	7,354
Due to other governments	—	—	—	1,070	—	1,070
Deferred Revenue						
Succeeding year property taxes	—	—	—	—	1,225,010	1,225,010
Pool pledges.....	131,796	—	—	—	—	131,796
Total Liabilities.....	134,528	—	7,354	43,329	1,225,010	1,410,221
Fund Balances						
Reserved.....	335,860	62,199	—	—	—	398,059
Reserved for inventories and prepaids.....	—	—	—	17,386	—	17,386
Unreserved						
Designated for capital asset purchases	—	—	—	231,561	—	231,561
Undesignated	—	—	(7,354)	392,216	4,529	389,391
Total Fund Balances.....	335,860	62,199	(7,354)	641,163	4,529	1,036,397
Total Liabilities and Fund Balances.....	\$ 470,388	\$ 62,199	\$ —	\$ 684,492	\$ 1,229,539	\$ 2,446,618

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

Year Ended June 30, 2005

	Expendable Trust	Cemetery	Police Grants	Road Use Tax	Employee Benefit Levy	Total
Revenue						
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ 1,179,527	\$ 1,179,527
Intergovernmental	—	—	43,969	1,373,447	—	1,417,416
Miscellaneous	333,305	3,550	—	—	—	336,855
Total Revenue	<u>333,305</u>	<u>3,550</u>	<u>43,969</u>	<u>1,373,447</u>	<u>1,179,527</u>	<u>2,933,798</u>
Expenditures						
Operating						
Public safety	15,426	—	29,031	—	—	44,457
Public works	—	—	—	903,283	—	903,283
Culture and recreation	138,066	—	—	—	—	138,066
Community and economic development	—	3,000	—	—	—	3,000
Total Expenditures	<u>153,492</u>	<u>3,000</u>	<u>29,031</u>	<u>903,283</u>	<u>—</u>	<u>1,088,806</u>
Revenue Over Expenditures ...	<u>179,813</u>	<u>550</u>	<u>14,938</u>	<u>470,164</u>	<u>1,179,527</u>	<u>1,844,992</u>
Other Financing Sources (Uses)						
Transfers in	10,000	—	—	—	—	10,000
Transfers out	(396,353)	—	—	(436,521)	(1,187,080)	(2,019,954)
Total Other Financing Sources (Uses)	<u>(386,353)</u>	<u>—</u>	<u>—</u>	<u>(436,521)</u>	<u>(1,187,080)</u>	<u>(2,009,954)</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(206,540)</u>	<u>550</u>	<u>14,938</u>	<u>33,643</u>	<u>(7,553)</u>	<u>(164,962)</u>
Fund Balance - Beginning of Year	542,400	61,649	(22,292)	607,520	12,082	1,201,359
Fund Balance - End of Year	<u>\$ 335,860</u>	<u>\$ 62,199</u>	<u>\$ (7,354)</u>	<u>\$ 641,163</u>	<u>\$ 4,529</u>	<u>\$ 1,036,397</u>

Combining Balance Sheet Schedule - Nonmajor Debt Service Funds

At June 30, 2005

	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 cash equivalents	\$ 75,929	\$ 154,012	\$ —	\$ 69,718	\$ 10,223	\$ 681,919	\$ 63,087	\$ 848,585	\$ 606,877	\$ 132,301	\$ 2,642,651
Receivables											
Property Taxes											
Current year delinquent.....	5,246	—	—	—	—	—	—	—	—	—	5,246
Succeeding year	1,673,996	—	—	—	—	—	—	—	—	—	1,673,996
Due from other funds	31,190	—	—	—	—	—	—	38,769	—	—	69,959
Special assessments	—	55,891	125,462	29,586	3,790	—	76,281	323,677	1,360,411	11,414	1,986,512
Total Assets	\$ 1,786,361	\$ 209,903	\$ 125,462	\$ 99,304	\$ 14,013	\$ 681,919	\$ 139,368	\$ 1,211,031	\$ 1,967,288	\$ 143,715	\$ 6,378,364
Liabilities and Fund Balance											
Liabilities											
Accounts payable	\$ 6,563	\$ —	\$ —	\$ —	\$ —	\$ 2,701	\$ —	\$ —	\$ —	\$ —	\$ 9,264
Due to other funds	—	—	3,493	—	—	—	—	—	—	—	3,493
Deferred Revenue											
Succeeding year property taxes..	1,673,996	—	—	—	—	—	—	—	—	—	1,673,996
Special assessments	—	33,534	112,762	26,299	3,011	—	59,045	231,444	1,020,308	6,000	1,492,403
Total Liabilities	1,680,559	33,534	116,255	26,299	3,011	2,701	59,045	231,444	1,020,308	6,000	3,179,156
Fund Balance											
Reserved for debt service.....	<u>105,802</u>	<u>176,369</u>	<u>9,207</u>	<u>73,005</u>	<u>11,002</u>	<u>679,218</u>	<u>80,323</u>	<u>979,587</u>	<u>946,980</u>	<u>137,715</u>	<u>3,199,208</u>
Total Liabilities and Fund Balance	\$ 1,786,361	\$ 209,903	\$ 125,462	\$ 99,304	\$ 14,013	\$ 681,919	\$ 139,368	\$ 1,211,031	\$ 1,967,288	\$ 143,715	\$ 6,378,364

Combining Schedule of Revenue, Expenditures and Changes in Fund

Balances - Nonmajor Debt Service Funds

Year Ended June 30, 2005

	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	\$ 1,522,017	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,522,017
Special assessments.....	—	—	184,144	13,225	3,992	138,153	63,320	302,995	477,666	43,842	1,227,337
Use of money and property	18,424	—	—	—	—	918	—	597	373	—	20,312
Total Revenue.....	1,540,441	—	184,144	13,225	3,992	139,071	63,320	303,592	478,039	43,842	2,769,666
Expenditures											
Debt Service											
Principal	988,103	—	31,447	—	10,000	319,716	—	—	320,000	—	1,669,266
Interest and other charges	695,939	—	2,905	4,008	1,885	16,403	—	46,850	88,560	—	856,550
Total Expenditures.....	1,684,042	—	34,352	4,008	11,885	336,119	—	46,850	408,560	—	2,525,816
Revenue Over (Under)											
Expenditures	(143,601)	—	149,792	9,217	(7,893)	(197,048)	63,320	256,742	69,479	43,842	243,850
Other Financing Sources (Uses)											
Bond proceeds	700,000	—	—	—	—	—	—	—	—	—	700,000
Refunding bonds issued.....	960,000	—	—	—	—	—	—	—	—	—	960,000
Payment to refunding bond escrow agent	(960,000)	—	—	—	—	—	—	—	—	—	(960,000)
Transfers in.....	134,890	—	—	—	—	—	—	—	—	—	134,890
Transfers out	(700,000)	—	(224,550)	—	—	(16,340)	—	—	—	—	(940,890)
Total Other Financing Sources (Uses).....	134,890	—	(224,550)	—	—	(16,340)	—	—	—	—	(106,000)
Revenue and Other Financing Sources Over (Under)											
Expenditures and Other Financing Uses.....	(8,711)	—	(74,758)	9,217	(7,893)	(213,388)	63,320	256,742	69,479	43,842	137,850
Fund Balance - Beginning 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
Fund Balance - End of Year	\$ 105,802	\$ 176,369	\$ 9,207	\$ 73,005	\$ 11,002	\$ 679,218	\$ 80,323	\$ 979,587	\$ 946,980	\$ 137,715	\$ 3,199,208

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

At June 30, 2005

	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
Assets								
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ 27,825	\$ —	\$ —	\$ —	\$ —
Receivables								
Due from other funds	—	—	—	—	—	—	—	—
Due from other governments	—	—	—	—	437,584	67,222	853,900	—
Due from developers.....	—	—	—	—	564,253	—	184,560	—
Total Assets	\$ —	\$ —	\$ —	\$ 27,825	\$ 1,001,837	\$ 67,222	\$ 1,038,460	\$ —
Liabilities and Fund Balance								
Liabilities								
Accounts payable	\$ —	\$ —	\$ 258,072	\$ —	\$ 65,618	\$ 28,108	\$ 268,962	\$ 29,454
Due to other funds	380	60,068	566,075	—	946,021	52,924	160,262	76,896
Deferred revenue.....	—	—	—	—	1,001,837	—	670,216	—
Total Liabilities	380	60,068	824,147	—	2,013,476	81,032	1,099,440	106,350
Fund Balance								
Unreserved, undesignated	(380)	(60,068)	(824,147)	27,825	(1,011,639)	(13,810)	(60,980)	(106,350)
Total Liabilities and Fund Balance	\$ —	\$ —	\$ —	\$ 27,825	\$ 1,001,837	\$ 67,222	\$ 1,038,460	\$ —

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

At June 30, 2005

	Oakdale Boulevard Project	Aquatic Center/ Recreation 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 cash equivalents	\$ —	\$ 929,065	\$ —	\$ —	\$ 2,246,328	\$ —	\$ 82,576	\$ 3,285,794
Receivables								
Due from other funds	—	—	—	—	—	—	17,721	17,721
Due from other governments	—	—	296,998	—	—	—	—	1,655,704
Due from developers.....	—	—	—	—	—	—	—	748,813
Total Assets	\$ —	\$ 929,065	\$ 296,998	\$ —	\$ 2,246,328	\$ —	\$ 100,297	\$ 5,708,032
Liabilities and Fund Balance								
Liabilities								
Accounts payable	\$ —	\$ 17,331	\$ —	\$ —	\$ 1,389	\$ 12,859	\$ 532	\$ 682,325
Due to other funds	43,696	—	337,039	336,595	17,721	526,475	—	3,124,152
Deferred revenue.....	—	—	—	—	—	—	—	1,672,053
Total Liabilities	43,696	17,331	337,039	336,595	19,110	539,334	532	5,478,530
Fund Balance								
Unreserved, undesignated	(43,696)	911,734	(40,041)	(336,595)	2,227,218	(539,334)	99,765	229,502
Total Liabilities and Fund Balance	\$ —	\$ 929,065	\$ 296,998	\$ —	\$ 2,246,328	\$ —	\$ 100,297	\$ 5,708,032

Combining Schedule of Revenue, Expenditures and Changes in Fund

Balances - Nonmajor Capital Projects Funds

Year Ended June 30, 2005

	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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 80,772
Intergovernmental.....	—	—	706,834	—	—	264,582	439,340	—
Charges for service	—	—	—	—	—	—	—	—
Miscellaneous.....	—	—	264	—	—	4,287	—	1,722
Total Revenue.....	—	—	707,098	—	—	268,869	439,340	82,494
Expenditures								
Capital projects.....	380	143,621	1,932,198	—	694,201	202,787	1,492,391	330,295
Revenue Over (Under) Expenditures.....	(380)	(143,621)	(1,225,100)	—	(694,201)	66,082	(1,053,051)	(247,801)
Other Financing Sources (Uses)								
Bond proceeds	—	—	—	—	—	—	1,750,000	—
Transfers in.....	—	93,553	—	—	—	80,000	356,521	145,332
Transfers out	—	—	(203)	—	(70)	—	(25,903)	—
Total Other Financing Sources (Uses).....	—	93,553	(203)	—	(70)	80,000	2,080,618	145,332
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	(380)	(50,068)	(1,225,303)	—	(694,271)	146,082	1,027,567	(102,469)
Fund Balance - Beginning of Year, as previously reported	—	(10,000)	401,156	27,825	(50,137)	(159,892)	(1,088,547)	(3,881)
Prior period adjustment (Note 18)	—	—	—	—	(267,231)	—	—	—
Fund Balance - Beginning of Year, as Restated	—	(10,000)	401,156	27,825	(317,368)	(159,892)	(1,088,547)	(3,881)
Fund Balance - End of Year.....	\$ (380)	\$ (60,068)	\$ (824,147)	\$ 27,825	\$ (1,011,639)	\$ (13,810)	\$ (60,980)	\$ (106,350)

Combining Schedule of Revenue, Expenditures and Changes in Fund

Balances - Nonmajor Capital Projects Funds

Year Ended June 30, 2005

	Oakdale Boulevard Project	Aquatic Center/ Recreation 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	\$ —	\$ —	\$ —	\$ —	\$ 2,753	\$ —	\$ 49	\$ 83,574
Intergovernmental.....	1,322	—	148,499	—	—	21,028	—	1,581,605
Charges for services.....	—	—	—	169,522	—	—	111,469	280,991
Miscellaneous.....	132,693	49,639	—	—	—	—	—	188,605
Total Revenue.....	134,015	49,639	148,499	169,522	2,753	21,028	111,518	2,134,775
Expenditures								
Capital projects.....	28,883	175,963	7,824	359,316	192,887	358,116	14,213	5,933,075
Revenue Over (Under) Expenditures.....	105,132	(126,324)	140,675	(189,794)	(190,134)	(337,088)	97,305	(3,798,300)
Other Financing Sources (Uses)								
Bond proceeds	—	1,175,000	—	—	75,000	—	—	3,000,000
Transfers in.....	37,527	762,436	—	—	1,342,908	822,200	—	3,640,477
Transfers out	—	—	—	(98,228)	—	—	(136,908)	(261,312)
Total Other Financing Sources (Uses).....	37,527	1,937,436	—	(98,228)	1,417,908	822,200	(136,908)	6,379,165
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	142,659	1,811,112	140,675	(288,022)	1,227,774	485,112	(39,603)	2,580,865
Fund Balance - Beginning of Year, as previously reported	(186,355)	(899,378)	(180,716)	(48,573)	999,444	(1,024,446)	139,368	(2,084,132)
Prior period adjustment	—	—	—	—	—	—	—	(267,231)
Fund Balance - Beginning of Year, as Restated	(186,355)	(899,378)	(180,716)	(48,573)	999,444	(1,024,446)	139,368	(2,351,363)
Fund Balance - End of Year.....	\$ (43,696)	\$ 911,734	\$ (40,041)	\$ (336,595)	\$ 2,227,218	\$ (539,334)	\$ 99,765	\$ 229,502

Combining Balance Sheet Schedule - Nonmajor Proprietary Funds

At June 30, 2005

	Solid Waste	Transit	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 335,758	\$ 455,002	\$ 790,760
Customer accounts receivables	85,976	—	85,976
Inventories and prepaids	11,689	37,678	49,367
Total Current Assets	<u>433,423</u>	<u>492,680</u>	<u>926,103</u>
Noncurrent Assets			
Restricted Assets			
Cash and cash equivalents	50,000	—	50,000
Capital assets (net of accumulated depreciation)	572,406	651,965	1,224,371
Total Noncurrent Assets	<u>622,406</u>	<u>651,965</u>	<u>1,274,371</u>
Total Assets	<u>\$ 1,055,829</u>	<u>\$ 1,144,645</u>	<u>\$ 2,200,474</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 16,809	\$ 6,311	\$ 23,120
Accrued liabilities and compensated absences ..	30,037	54,901	84,938
Due to other governments	943	3,084	4,027
Current maturities of long-term debt	45,000	—	45,000
Total Current Liabilities	<u>92,789</u>	<u>64,296</u>	<u>157,085</u>
Long-Term Debt	<u>330,000</u>	<u>—</u>	<u>330,000</u>
Total Liabilities	<u>422,789</u>	<u>64,296</u>	<u>487,085</u>
Net Assets			
Invested in capital assets, net of related debt	197,406	651,965	849,371
Restricted for debt service	50,000	—	50,000
Unrestricted	385,634	428,384	814,018
Total Net Assets	<u>633,040</u>	<u>1,080,349</u>	<u>1,713,389</u>
Total Liabilities and Net Assets	<u>\$ 1,055,829</u>	<u>\$ 1,144,645</u>	<u>\$ 2,200,474</u>

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

Year Ended June 30, 2005

	Solid Waste	Transit	Total
Operating Revenue			
Charges for sales and service	<u>\$ 653,921</u>	<u>\$ 294,991</u>	<u>\$ 948,912</u>
Operating Expenses			
Salaries and employee benefits	273,291	674,594	947,885
Contractual services	43,325	146,731	190,056
Commodities	169,112	277,246	446,358
Depreciation	<u>41,092</u>	<u>150,889</u>	<u>191,981</u>
Total Operating Expenses	<u>526,820</u>	<u>1,249,460</u>	<u>1,776,280</u>
Operating Income (Loss)	<u>127,101</u>	<u>(954,469)</u>	<u>(827,368)</u>
Nonoperating Revenue (Expenses)			
Intergovernmental Revenue			
Federal	—	153,340	153,340
State	—	163,060	163,060
Interest expense	<u>(22,853)</u>	<u>—</u>	<u>(22,853)</u>
Total Nonoperating Revenue (Expenses)	<u>(22,853)</u>	<u>316,400</u>	<u>293,547</u>
Change in Net Assets Before Transfers	104,248	(638,069)	(533,821)
Transfers in	—	588,840	588,840
Transfers out	<u>(7,500)</u>	<u>—</u>	<u>(7,500)</u>
Change in Net Assets	96,748	(49,229)	47,519
Net Assets - Beginning of Year	<u>536,292</u>	<u>1,129,578</u>	<u>1,665,870</u>
Net Assets - End of Year	<u>\$ 633,040</u>	<u>\$ 1,080,349</u>	<u>\$ 1,713,389</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2005

	Solid Waste	Transit	Total
Cash Flows From Operating Activities			
Receipts from customers.....	\$ 649,791	\$ 294,991	\$ 944,782
Payments to suppliers.....	(205,809)	(446,938)	(652,747)
Payments to employees.....	<u>(271,400)</u>	<u>(664,645)</u>	<u>(936,045)</u>
Net Cash Provided by (Used in) Operating Activities.....	<u>172,582</u>	<u>(816,592)</u>	<u>(644,010)</u>
Cash Flows From Noncapital Financing Activities			
Noncapital federal and state grants.....	—	316,400	316,400
Net transfers.....	<u>(7,500)</u>	<u>588,840</u>	<u>581,340</u>
Net Cash Provided by (Used in) Noncapital Financing Activities.....	<u>(7,500)</u>	<u>905,240</u>	<u>897,740</u>
Cash Flows From Capital and Related Financing Activities			
Purchase of capital assets.....	—	(23,176)	(23,176)
Repayment of debt.....	(45,000)	—	(45,000)
Payment of interest.....	<u>(23,050)</u>	<u>—</u>	<u>(23,050)</u>
Net Cash Used in Capital and Related Financing Activities.....	<u>(68,050)</u>	<u>(23,176)</u>	<u>(91,226)</u>
Net Increase in Cash.....	97,032	65,472	162,504
Cash and Cash Equivalents at Beginning of Year.....	<u>288,726</u>	<u>389,530</u>	<u>678,256</u>
Cash and Cash Equivalents at End of Year	<u>\$ 385,758</u>	<u>\$ 455,002</u>	<u>\$ 840,760</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used in) Operating Activities			
Operating income (loss).....	\$ 127,101	\$ (954,469)	\$ (827,368)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided By (Used in) Operating Activities			
Depreciation.....	41,092	150,889	191,981
Increase in receivables.....	(4,130)	—	(4,130)
(Increase) decrease in inventories and prepaids.....	4,767	(18,747)	(13,980)
Increase (decrease) in accounts and retainages payable.....	1,665	(4,762)	(3,097)
Increase in accrued liabilities and compensated absences.....	1,891	9,949	11,840
Increase in due to other funds and other governments.....	<u>196</u>	<u>548</u>	<u>744</u>
Net Cash Provided By (Used in) Operating Activities.....	<u>\$ 172,582</u>	<u>\$ (816,592)</u>	<u>\$ (644,010)</u>

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

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Assets				
Notes Receivable.....	<u>\$ 628,000</u>	<u>\$ —</u>	<u>\$ 56,000</u>	<u>\$ 572,000</u>
 Liabilities				
Notes Payable.....	<u>\$ 628,000</u>	<u>\$ —</u>	<u>\$ 56,000</u>	<u>\$ 572,000</u>

Financial Assistance Section



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

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, 2005, and have issued our report thereon dated December 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting 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. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses.

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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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.

To the Mayor and City Council
City of Coralville, Iowa
Page 2

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 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.

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
December 28, 2005

Independent Auditor's Report on Compliance With Requirements Applicable to the 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, 2005. The City of Coralville, Iowa's major federal program is 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 grant agreements applicable to its major federal program 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; 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, 2005.

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 grant agreements 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 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 noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to the 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
December 28, 2005

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Catalog of Federal Domestic Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Number	Federal Program/ Pass-Through Grantor's Number	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>\$ 45,749</u>
U.S. Department of Transportation			
Direct			
Federal Transit - Formula Grants.....	20.507	IA-90-X263 Equipment	136,714 <u>16,626</u> <u>153,340</u>
Indirect			
Pass-Through Iowa Department of Transportation Highway Planning and Construction	20.205	STP-U-1557(617)--70-52 6-02-STP-U-32-2002-16-143 STP-U-1157(621)-70-52	504,338 31,204 <u>368,244</u> <u>903,786</u>
Recreational Trails Program.....	20.219	NRT-NT03(4)9G-52 NRT-NT01(5)9G-52 NRT-NT02(5)9G-52	123,045 11,386 <u>42,236</u> <u>176,667</u>
Pass-Through Governor's Traffic Safety Bureau Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants.....	20.601	PAP03-04, Task 08	<u>2,625</u>
Total U.S. Department of Transportation			<u>1,236,418</u>
U.S. Environmental Protection Agency			
Direct			
Brownfields Assessment and Cleanup Cooperative Agreements.....	66.818	07-BP-217 BP 997638-01-2 BF 98748-00-1	(8,679) <u>56,618</u> <u>47,939</u>
Total Expenditures of Federal Awards			<u>\$ 1,330,106</u>

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, 2005

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

20.205

Name of Federal Program or Cluster

Highway Planning and Construction

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, 2005

Section II: Findings Related to the Financial Statements:

Instances of Noncompliance:

There were no reported instances of noncompliance.

Reportable Conditions

There were no matters reported.

Section III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance

There were no reported instances of noncompliance.

Reportable Conditions

There were no matters reported.

Section IV: Findings Related to Statutory Reporting

- 05-IV-A Official Depositories** - A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- 05-IV-B Certified Budget** - Disbursements during the year ended June 30, 2005 did not exceed the amount budgeted.
- 05-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.
- 05-IV-D Travel Expense** - No disbursements of the City of Coralville money for travel expenses of spouses of City officials or employees were noted.
- 05-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.
- 05-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.
- 05-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.
- 05-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.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

05-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.

05-IV-J Financial Condition - The funds listed below had deficit balances at June 30, 2005 as noted:

Special Revenue	
Police Grants.....	\$ 7,354
Capital Projects	
Library Expansion.....	380
Coral Ridge Mall.....	60,068
Street Projects.....	60,980
Highway 6 Widening Project	824,147
Camp Cardinal Road Project.....	1,011,639
12th Avenue Urban Renewal Project	106,350
Oakdale Boulevard Project.....	43,696
First Avenue/Clear Creek Project.....	40,041
North Corridor Land Use Project.....	336,595
Highway 6/22nd Avenue	539,334
Trail Projects	13,810

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.