

**CITY OF CORALVILLE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2006**

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Officials

Elected Officials

Name	Title	Term Expires
Jim L. Fausett	Mayor	January 1, 2008
Jean Schnake	Council Member	January 1, 2008
John Weihe	Council Member	January 1, 2008
Henry Herwig	Council Member	January 1, 2010
John Lundell	Council Member	January 1, 2010
Thomas Gill	Council Member	January 1, 2010

Appointed Officials

Kelly Hayworth	City Administrator	Indefinite
Thorston Johnson	City Clerk (effective June 1, 2006)	Indefinite
Nancy Beuter	City Clerk (through May 31, 2006)	Indefinite
Teresa Kaeding	City Finance Officer	Indefinite
Donald L. Diehl	City Attorney	Indefinite
Kevin Olson	Assistant City Attorney	Indefinite

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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, 2006, 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, 2006 Form 990 filing with the Internal Revenue Service and other internal records, the component unit would have approximately reported assets of \$970,000, no liabilities, net assets of \$970,000, revenue of \$10,000 and no expenses at and for the year ended June 30, 2006.

In our opinion, because of the omission of the discretely presented component unit, 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 unit of the City of Coralville, Iowa, at June 30, 2006, or the changes in financial position thereof for the year then ended.

Steven K. Duggan Dennis E. Hogan

Anne M. Halbmaier Stephen J. Kos Dale E. Minor Lisa M. Wall Susan M. Wilson Karilyn A. Wood

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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 the discrete component unit 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, 2006, 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, 2006, 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 January 11, 2007 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 44 and 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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, 2005 (which are not presented herein) and expressed a qualified opinion on the 2005 financial statements and unqualified opinions on the 2003 and 2004 financial statements. Other supplementary information on Pages 46 through 60, and the Schedule of Expenditures of Federal Awards on Page 65 required by the U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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Waterloo, Iowa
January 11, 2007

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, 2006.

Financial Highlights

- The assets of the City of Coralville exceeded its liabilities at June 30, 2006 and 2005, by \$57,704,991 and \$46,580,248, respectively, (net assets). Of this amount, \$9,687,112 and \$6,245,582, 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 \$52,480,809, a decrease of 18% as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,651,320, or 46%, of the 2006 total general fund expenditures. At June 30, 2005, unreserved general fund balance was \$3,825,495, or 41%, of the 2005 total general fund expenditures.
- Total debt increased by approximately \$30 million during the current fiscal year. The City issued \$45,295,000 of new bonds and retired \$15,829,605 of existing bonds and other debt. The large increase was due primarily to finance capital projects.

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, 2006 follows.

City of Coralville's Net Assets

	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 41,735,850	\$ 2,657,668	\$ 44,393,518
Restricted assets	40,467,584	2,840,755	43,308,339
Capital assets	144,062,501	37,693,351	181,755,852
Other noncurrent assets	<u>4,351,697</u>	<u>—</u>	<u>4,351,697</u>
Total Assets	<u>\$ 230,617,632</u>	<u>\$ 43,191,774</u>	<u>\$ 273,809,406</u>
Current liabilities	\$ 87,897,420	\$ 1,651,842	\$ 89,549,262
Noncurrent liabilities	<u>109,572,572</u>	<u>16,982,581</u>	<u>126,555,153</u>
Total Liabilities	<u>\$ 197,469,992</u>	<u>\$ 18,634,423</u>	<u>\$ 216,104,415</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 14,870,124	\$ 20,649,316	\$ 35,519,440
Restricted	10,680,189	1,818,250	12,498,439
Unrestricted	<u>7,597,327</u>	<u>2,089,785</u>	<u>9,687,112</u>
Total Net Assets	<u>\$ 33,147,640</u>	<u>\$ 24,557,351</u>	<u>\$ 57,704,991</u>

\$12,498,439 of the City of Coralville's net assets (22%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets totaling \$9,687,112 (17%) 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 \$11,789,985 and \$9,819,157 during the years ended June 30, 2006 and 2005, respectively. The governmental-type activities increased by \$12,722,449 and \$8,736,322 during the years ended June 30, 2006 and 2005, 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, 2006 follows:

City of Coralville's Governmental and Business-Type Activities

	Governmental Activities	Business-Type Activities	Total
Revenue			
Charges for services	\$ 2,444,533	\$ 6,799,122	\$ 9,243,655
Operating grants and contributions	1,765,646	410,278	2,175,924
Capital grants and contributions	6,856,408	—	6,856,408
Other General Revenue			
Property taxes	8,112,350	—	8,112,350
Other taxes	11,480,974	—	11,480,974
Other	2,411,379	97,960	2,509,339
Total Revenue	<u>33,071,290</u>	<u>7,307,360</u>	<u>40,378,650</u>
Expenses			
Public safety	3,559,959	—	3,559,959
Public works	1,497,936	—	1,497,936
Health and social services	130,441	—	130,441
Culture and recreation	3,430,280	—	3,430,280
Community and economic development	3,733,907	—	3,733,907
General government	1,611,572	—	1,611,572
Depreciation - unallocated	11,393	—	11,393
Interest on long-term debt	6,919,376	—	6,919,376
Water	—	1,559,181	1,559,181
Sewer	—	2,081,069	2,081,069
Golf	—	2,140,559	2,140,559
Solid waste	—	586,839	586,839
Transit	—	1,325,791	1,325,791
Hotel parking	—	362	362
Total Expenses	<u>20,894,864</u>	<u>7,693,801</u>	<u>28,588,665</u>
Increase (Decrease) in Net Assets Before Transfers			
Assets Before Transfers	12,176,426	(386,441)	11,789,985
Transfers	546,023	(546,023)	—
Increase in Net Assets	12,722,449	(932,464)	11,789,985
Beginning net assets, as restated (Note 16)	<u>20,425,191</u>	<u>25,489,815</u>	<u>45,915,006</u>
Ending Net Assets	<u>\$ 33,147,640</u>	<u>\$ 24,557,351</u>	<u>\$ 57,704,991</u>

Governmental Activities

Total governmental activities' revenue was \$33,071,290 and \$27,358,422 for the years ended June 30, 2006 and 2005, respectively. The largest single revenue source for the City was property and other taxes of \$19,593,324 and \$15,462,145 recorded for the years ended June 30, 2006 and 2005, respectively, which includes property taxes paid in the Tax Increment Financing Areas of the City. The increase is a result of 9.32% increase in the assessed value of property and a 9.79% 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 \$52,480,809. Approximately \$41,000,000 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to pay debt service (\$5,201,770) and 2) for a variety of other restricted purposes 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 \$4,651,320, while total fund balance reached \$4,944,306. Unreserved fund balance represents 46% of total General Fund expenditures, while total fund balance represents 49% of that same amount. The General Fund revenue increased approximately \$690,000, or 8%, over fiscal year 2005, while expenditures increased approximately \$780,000, or 8%, over the prior year. Key factors in this increase included an increase in property taxes, offset by normal increases in compensation and other costs.

Proprietary Funds

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, solid waste, transit, and golf course activities.

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

Charges for sales and service increased approximately \$306,000, or 5%, over the prior year, while operating expenses increased approximately \$434,000, or 7%. Proprietary funds reported total change in net assets of (\$932,464) compared to an increase of \$1,082,835 in the prior year. The decrease was mainly attributable to larger transfers in from governmental funds during 2005 than in 2006.

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 2006 budget.

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Governmental Fund Types	Proprietary Funds	Total	
Receipts						
Property taxes	\$ 7,933,426	\$ 7,933,426	\$ 8,091,361	\$ —	\$ 8,091,361	\$ 157,935
Tax increment financing	9,222,373	9,222,373	9,611,637	—	9,611,637	389,264
Other city taxes	1,617,107	1,667,107	1,509,979	—	1,509,979	(157,128)
Licenses and permits	621,800	694,666	626,046	—	626,046	(68,620)
Use of money and property	117,000	1,511,000	2,220,791	105,325	2,326,116	815,116
Intergovernmental	10,404,120	6,033,463	5,340,886	253,959	5,594,845	(438,618)
Charges for services	10,278,319	10,278,319	1,544,817	6,940,385	8,485,202	(1,793,117)
Special assessments	588,177	876,632	890,753	—	890,753	14,121
Miscellaneous	359,431	560,983	1,122,890	38,610	1,161,500	600,517
Total Receipts	<u>41,141,753</u>	<u>38,777,969</u>	<u>30,959,160</u>	<u>7,338,279</u>	<u>38,297,439</u>	<u>(480,530)</u>
Disbursements						
Public safety	3,570,186	4,191,891	4,053,011	—	4,053,011	(138,880)
Public works	1,897,314	1,897,314	1,528,474	—	1,528,474	(368,840)
Health and social services	62,450	66,450	64,879	—	64,879	(1,571)
Culture and recreation	4,323,340	4,479,340	4,120,212	—	4,120,212	(359,128)
Community and economic development	534,954	3,146,644	1,317,820	—	1,317,820	(1,828,824)
General government	1,821,115	1,896,330	1,688,019	—	1,688,019	(208,311)
Debt service	15,135,362	28,192,345	28,725,000	—	28,725,000	532,655
Capital projects	28,330,064	49,505,064	51,108,731	—	51,108,731	1,603,667
Business-type activities	9,102,454	9,102,454	—	8,337,464	8,337,464	(764,990)
Total Disbursements	<u>64,777,239</u>	<u>102,477,832</u>	<u>92,606,146</u>	<u>8,337,464</u>	<u>100,943,610</u>	<u>(1,534,222)</u>
Receipts Over (Under) Disbursements	<u>(23,635,486)</u>	<u>(63,699,863)</u>	<u>(61,646,986)</u>	<u>(999,185)</u>	<u>(62,646,171)</u>	<u>1,053,692</u>
Other Financing Sources (Uses)						
Other financing sources	21,291,595	70,300,308	66,838,479	8,904,059	75,742,538	5,442,230
Other financing uses	(7,291,595)	(7,291,595)	(13,502,226)	(8,735,566)	(22,237,792)	(14,946,197)
Total Other Financing Sources (Uses)	<u>14,000,000</u>	<u>63,008,713</u>	<u>53,336,253</u>	<u>168,493</u>	<u>53,504,746</u>	<u>(9,503,967)</u>
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses						
Balance - Beginning of Year	34,512,044	34,512,044	63,154,613	4,613,946	67,768,559	<u>\$(8,450,275)</u>
Balance - End of Year	<u>\$ 24,876,558</u>	<u>\$ 33,820,894</u>	<u>\$ 54,843,880</u>	<u>\$ 3,783,254</u>	<u>\$ 58,627,134</u>	

The fiscal year 2006 budget amendment resulted in an overall increase in the appropriation. The timing of improvements in the capital projects funds increased the fiscal year 2006 expenditure needs significantly.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2006, the City's investment in capital assets is 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 2006 or under construction at June 30, 2006. The City has until June 30, 2007 to retroactively report infrastructure assets placed in service prior to July 1, 2002.

Capital Assets at Fiscal Year End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Land	\$ 41,736,858	\$ 48,325,265	\$ 3,498,526	\$ 3,498,526	\$ 45,235,384	\$ 51,823,791
Buildings and improvements	9,886,090	10,743,763	29,633,536	28,619,955	39,519,626	39,363,718
Infrastructure	18,815,046	23,527,979	—	—	18,815,046	23,527,979
Machinery and equipment	6,846,622	6,788,143	5,423,122	5,500,768	12,269,744	12,288,911
Construction-in-progress	14,365,516	54,677,351	—	74,102	14,365,516	54,751,453
Total	\$ 91,650,132	\$ 144,062,501	\$ 38,555,184	\$ 37,693,351	\$ 130,205,316	\$ 181,755,852

Long-Term Debt

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 \$287,000 for governmental activities.

The following summarizes maturities of principal and interest on bonded debt outstanding at June 30, 2006:

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		
2007	\$ 42,870,000	\$ 5,136,675	\$12,875,000	\$ 2,556,179	\$ 325,000	\$ 53,730	\$ 1,066,000	\$ 352,803	\$ 57,136,000	\$ 8,099,387
2008	7,970,000	3,062,360	2,355,000	1,907,883	330,000	36,180	1,086,000	316,851	11,741,000	5,323,274
2009	3,770,000	2,783,252	2,300,000	1,828,330	340,000	18,360	846,000	285,271	7,256,000	4,915,213
2010	3,860,000	2,628,177	2,510,000	1,734,302	—	—	871,000	258,259	7,241,000	4,620,738
2011	4,135,000	2,468,357	2,570,000	1,623,471	—	—	887,000	214,606	7,592,000	4,306,434
2012-16	29,240,000	8,930,407	9,180,000	6,787,023	—	—	3,594,000	572,169	42,014,000	16,289,599
2017-21	11,380,000	3,301,804	6,320,000	4,819,414	—	—	964,000	154,026	18,664,000	8,275,244
2022-26	8,785,000	944,623	3,780,000	3,516,726	—	—	218,000	4,687	12,783,000	4,466,036
2027-31	—	—	3,245,000	2,458,920	—	—	—	—	3,245,000	2,458,920
2032-36	—	—	7,340,000	1,552,137	—	—	—	—	7,340,000	1,552,137
	112,010,000	29,255,655	52,475,000	28,784,385	995,000	108,270	9,532,000	2,158,672	175,012,000	60,306,982
Net unamortized bond premium (discount)	(87,918)	—	(311,351)	—	—	—	5,532	—	(393,737)	—
Net	\$ 111,922,082	\$ 29,255,655	\$ 52,163,649	\$ 28,784,385	\$ 995,000	\$ 108,270	\$ 9,537,532	\$ 2,158,672	\$ 174,618,263	\$ 60,306,982

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 2006 were approximately \$550,000,000 compared to \$6,000,000 for 2005.
- The total value of building permits issued during calendar year 2006 was \$71,965,645. This compares with an amount of \$81,595,978 for 2005. This amount represents an 11.8% 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 for fiscal year 2007 will increase to 13.2864 which includes a library levy increase to debt service of 0.29. The tax levy rate for fiscal year 2006 was 12.5189.
- Property taxes provide about 58% of General Fund revenue. Over the past five years, City-wide 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 8.06%.

The City opened the Hotel/Conference Center in August, 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's \$8 million expansion continues and will utilize the new Town Center Parking Ramp. The City is also constructing an 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 and primary roads throughout the City utilizing local, state and federal grants.

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, 2006

	Governmental Activities	Business- Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 13,601,165	\$ 1,888,505	\$ 15,489,670
Receivables			
Property Taxes			
Current year delinquent, net of allowance for uncollectible taxes.....	63,889	—	63,889
Succeeding year	20,594,851	—	20,594,851
Customer accounts, net of allowance for uncollectible accounts	—	885,004	885,004
Due from other governments	3,918,974	140,170	4,059,144
Internal balances.....	817,660	(817,660)	—
Due from developers.....	1,915,358	—	1,915,358
Special assessments	475,014	—	475,014
Other	43,555	—	43,555
Inventories and prepaids.....	305,384	561,649	867,033
Total Current Assets	<u>41,735,850</u>	<u>2,657,668</u>	<u>44,393,518</u>
Restricted Assets			
Cash and pooled investments	4,927,276	1,828,975	6,756,251
Beneficial interest in a trust	35,497,807	1,011,780	36,509,587
Pledges receivable, net of allowance for uncollectible pledges.....	42,501	—	42,501
Total Restricted Assets	<u>40,467,584</u>	<u>2,840,755</u>	<u>43,308,339</u>
Noncurrent Assets			
Loans, net of allowance for uncollectible amounts	3,295,236	—	3,295,236
Special assessments.....	1,056,461	—	1,056,461
Capital assets, net of accumulated depreciation	144,062,501	37,693,351	181,755,852
Total Noncurrent Assets	<u>148,414,198</u>	<u>37,693,351</u>	<u>186,107,549</u>
Total Assets	<u>\$ 230,617,632</u>	<u>\$ 43,191,774</u>	<u>\$ 273,809,406</u>

See accompanying notes to the financial statements.

	Governmental Activities	Business- Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 7,996,288	\$ 407,055	\$ 8,403,343
Retainages payable.....	806,428	—	806,428
Accrued wages and compensated absences ..	498,397	169,717	668,114
Accrued interest payable	839,002	—	839,002
Due to other governments	4,559	1,836	6,395
Revenue bonds payable.....	—	1,066,000	1,066,000
General obligation bonds payable	42,870,000	—	42,870,000
Tax increment financing bonds payable	9,021,649	—	9,021,649
Special assessment bonds payable	325,000	—	325,000
Other loans payable	42,612	7,234	49,846
Deferred Revenue			
Succeeding year property taxes	20,594,851	—	20,594,851
Special assessments	1,045,283	—	1,045,283
Current Liabilities Payable From Restricted Assets			
Tax increment financing bonds payable...	3,853,351	—	3,853,351
Total Current Liabilities	<u>87,897,420</u>	<u>1,651,842</u>	<u>89,549,262</u>
Noncurrent Liabilities			
Revenue bonds payable.....	—	8,473,754	8,473,754
General obligation bonds payable	69,052,082	—	69,052,082
Tax increment financing bonds payable	39,288,649	—	39,288,649
Special assessment bonds payable	670,000	—	670,000
Other loans payable	561,841	170,367	732,208
Capital lease.....	—	8,338,460	8,338,460
Total Noncurrent Liabilities	<u>109,572,572</u>	<u>16,982,581</u>	<u>126,555,153</u>
Total Liabilities	<u>197,469,992</u>	<u>18,634,423</u>	<u>216,104,415</u>
Net Assets			
Invested in capital assets, net of related debt .	14,870,124	20,649,316	35,519,440
Restricted For			
Debt service	5,201,770	1,818,250	7,020,020
Special revenue - road use taxes	651,619	—	651,619
Capital projects	4,826,800	—	4,826,800
Unrestricted	7,597,327	2,089,785	9,687,112
Total Net Assets	<u>33,147,640</u>	<u>24,557,351</u>	<u>57,704,991</u>
Total Liabilities and Net Assets	<u>\$ 230,617,632</u>	<u>\$ 43,191,774</u>	<u>\$ 273,809,406</u>

Statement of Activities

Year Ended June 30, 2006

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	\$ 3,559,959	\$ 19,290	\$ 101,502	\$ 87,567	\$ (3,351,600)	\$ —	\$ (3,351,600)
Public works	1,497,936	29,867	1,445,423	—	(22,646)	—	(22,646)
Health and social services	130,441	—	—	—	(130,441)	—	(130,441)
Culture and recreation	3,430,280	1,087,151	193,968	—	(2,149,161)	—	(2,149,161)
Community and economic development	3,733,907	448,307	—	5,886,003	2,600,403	—	2,600,403
General government	1,611,572	859,918	24,753	—	(726,901)	—	(726,901)
Depreciation - unallocated	11,393	—	—	—	(11,393)	—	(11,393)
Interest on long-term debt	6,919,376	—	—	882,838	(6,036,538)	—	(6,036,538)
Total Governmental Activities	20,894,864	2,444,533	1,765,646	6,856,408	(9,828,277)	—	(9,828,277)
Business-Type Activities							
Water	1,559,181	1,850,267	—	—	—	291,086	291,086
Sewer	2,081,069	2,486,704	—	—	—	405,635	405,635
Golf	2,140,559	1,482,842	—	—	—	(657,717)	(657,717)
Solid waste	586,839	663,898	13,900	—	—	90,959	90,959
Transit	1,325,791	315,411	396,378	—	—	(614,002)	(614,002)
Hotel parking	362	—	—	—	—	(362)	(362)
Total Business-Type Activities	7,693,801	6,799,122	410,278	—	—	(484,401)	(484,401)
Total	\$ 28,588,665	\$ 9,243,655	\$ 2,175,924	\$ 6,856,408	(9,828,277)	(484,401)	(10,312,678)
General Revenue							
Taxes							
Property taxes levied for general purposes					6,436,736	—	6,436,736
Property taxes levied for debt service					1,675,614	—	1,675,614
Tax increment financing taxes					9,620,795	—	9,620,795
Other taxes					1,860,179	—	1,860,179
Investment earnings					2,247,264	97,960	2,345,224
Miscellaneous					164,115	—	164,115
Total General Revenue					22,004,703	97,960	22,102,663
Change in Net Assets Before Other Financing Sources (Uses)					12,176,426	(386,441)	11,789,985
Other Financing Sources (Uses)							
Transfers					546,023	(546,023)	—
Change in Net Assets					12,722,449	(932,464)	11,789,985
Net Assets - Beginning of Year, as restated (Note 16)					20,425,191	25,489,815	45,915,006
Net Assets - End of Year					\$ 33,147,640	\$ 24,557,351	\$ 57,704,991

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

At June 30, 2006

	General Fund	Special Revenue - Tax Increment Financing	Capital Projects - First Avenue/ Brownfields	Other Govern- mental Funds	Total
Assets					
Cash and cash equivalents ...	\$ 142,894	\$ 864,505	\$ 167,780	\$ 12,425,986	\$ 13,601,165
Receivables					
Property Taxes					
Current year delinquent	22,402	29,872	—	11,615	63,889
Succeeding year	5,364,461	11,440,226	—	3,790,164	20,594,851
Loans	—	2,719,046	—	576,190	3,295,236
Due from other funds	4,984,593	260,000	—	69,959	5,314,552
Due from other governments	—	—	2,585,189	1,333,785	3,918,974
Due from developers.....	—	—	—	1,915,358	1,915,358
Other	43,555	—	—	—	43,555
Special assessments	—	—	—	1,531,475	1,531,475
Inventories and prepaids	292,986	—	—	12,398	305,384
Restricted Assets					
Cash and cash equivalents	—	3,853,351	642,991	430,934	4,927,276
Beneficial interest in a trust	—	—	35,497,807	—	35,497,807
Pool pledges receivable.....	—	—	—	42,501	42,501
Total Assets	\$ 10,850,891	\$ 19,167,000	\$ 38,893,767	\$ 22,140,365	\$ 91,052,023
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 240,620	\$ 441,708	\$ 4,497,806	\$ 2,816,154	\$ 7,996,288
Retainages payable.....	—	—	806,428	—	806,428
Accrued liabilities.....	36,985	—	—	330	37,315
Due to other funds.....	260,000	233,640	31,190	3,972,062	4,496,892
Due to other governments.....	4,519	—	—	40	4,559
Deferred Revenue					
Succeeding years property taxes.....	5,364,461	11,440,226	—	3,790,164	20,594,851
Pool pledges receivable.....	—	—	—	42,501	42,501
Special assessments	—	—	—	1,045,283	1,045,283
Other	—	—	1,015,036	2,532,061	3,547,097
Total Liabilities	5,906,585	12,115,574	6,350,460	14,198,595	38,571,214
Fund Balances					
Reserved for					
Other	—	—	—	398,059	398,059
Debt service	—	3,150,502	—	2,051,268	5,201,770
Inventories and prepaids....	292,986	—	—	12,398	305,384
Unreserved	4,651,320	3,900,924	32,543,307	—	41,095,551
Unreserved, Reported in Nonmajor Funds					
Special revenue funds....	—	—	—	653,245	653,245
Capital projects funds....	—	—	—	4,826,800	4,826,800
Total Fund Balances	4,944,306	7,051,426	32,543,307	7,941,770	52,480,809
Total Liabilities and Fund Balances	\$ 10,850,891	\$ 19,167,000	\$ 38,893,767	\$ 22,140,365	\$ 91,052,023

See accompanying notes to the financial statements.

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

At June 30, 2006

Total Fund Balances for Governmental Funds (Page 14).....	\$ 52,480,809
 <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	3,589,598
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	144,062,501
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.....	(111,922,082)
Tax increment financing bonds payable.....	(52,163,649)
Special assessment bonds payable	(995,000)
Other loans payable	(604,453)
Accrued interest payable.....	(839,002)
Compensated absences	<u>(461,082)</u>
Net Assets of Governmental Activities (Page 12)	<u>\$ 33,147,640</u>

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

Year Ended June 30, 2006

	General Fund	Special Revenue - Tax Increment Financing	Capital Projects - First Avenue/ Brownfields	Other Govern- mental Funds	Total
Revenue					
Property taxes	\$ 5,198,192	\$ —	\$ —	\$ 2,900,486	\$ 8,098,678
TIF and other city taxes	1,776,644	9,620,796	—	—	11,397,440
Special assessments	—	—	—	882,838	882,838
Licenses and permits	730,436	—	—	—	730,436
Use of money and property	161,032	221,853	1,800,954	254,828	2,438,667
Intergovernmental	378,860	—	1,678,848	3,442,020	5,499,728
Charges for services	1,147,532	—	—	277,857	1,425,389
Miscellaneous	172,392	40,000	4,319	595,655	812,366
Total Revenue	<u>9,565,088</u>	<u>9,882,649</u>	<u>3,484,121</u>	<u>8,353,684</u>	<u>31,285,542</u>
Expenditures					
Operating					
Public safety	3,880,897	—	—	59,123	3,940,020
Public works	467,093	—	—	961,989	1,429,082
Health and social services	130,441	—	—	—	130,441
Culture and recreation	3,816,903	—	—	136,450	3,953,353
Community and economic development	291,664	1,461,784	—	23	1,753,471
General government	1,546,342	—	—	—	1,546,342
Debt Service					
Principal	—	11,035,597	—	1,220,000	12,255,597
Interest and other charges	—	5,532,120	—	1,040,637	6,572,757
Capital projects	—	—	33,330,549	20,276,030	53,606,579
Total Expenditures	<u>10,133,340</u>	<u>18,029,501</u>	<u>33,330,549</u>	<u>23,694,252</u>	<u>85,187,642</u>
Revenue Over (Under) Expenditures	<u>(568,252)</u>	<u>(8,146,852)</u>	<u>(29,846,428)</u>	<u>(15,340,568)</u>	<u>(53,902,100)</u>
Other Financing Sources (Uses)					
Bond proceeds	—	8,222,853	14,258,525	21,048,622	43,530,000
Refunding bonds issued	—	245,000	—	1,520,000	1,765,000
Payment to refunding bond escrow agent	—	—	—	(2,580,000)	(2,580,000)
Transfers in	2,193,448	52,387	—	3,037,939	5,283,774
Transfers out	(686,752)	(454,524)	(52,387)	(3,544,088)	(4,737,751)
Total Other Financing Sources (Uses)	<u>1,506,696</u>	<u>8,065,716</u>	<u>14,206,138</u>	<u>19,482,473</u>	<u>43,261,023</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses ...	938,444	(81,136)	(15,640,290)	4,141,905	(10,641,077)
Fund Balances - Beginning of Year (Restated - Note 16)	<u>4,005,862</u>	<u>7,132,562</u>	<u>48,183,597</u>	<u>3,799,865</u>	<u>63,121,886</u>
Fund Balances - End of Year	<u>\$ 4,944,306</u>	<u>\$ 7,051,426</u>	<u>\$ 32,543,307</u>	<u>\$ 7,941,770</u>	<u>\$ 52,480,809</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, 2006

Changes in Fund Balances - Total Governmental Funds
(Page 16) **\$ (10,641,077)**

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	\$ 54,479,988	
Depreciation expense	<u>(2,067,619)</u>	52,412,369

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	\$ (43,430,000)	
Long-term debt principal repaid	12,037,008	
Refunding bonds issued.....	(1,865,000)	
Payment to refunding bond escrow agent.....	2,580,000	
Amortization of discounts and premiums	218,589	
Increase in accrued interest.....	<u>(346,619)</u>	(30,806,022)

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..... 1,785,749

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 (28,570)

Change in Net Assets of Governmental Activities (Page 13) **\$ 12,722,449**

Statement of Net Assets - Proprietary Funds

At June 30, 2006

	Water	Sewer	Golf	Nonmajor Proprietary Funds	Total
Assets					
Current Assets					
Cash and pooled invest- ments	\$ 467,321	\$ 914,367	\$ 31,545	\$ 475,272	\$ 1,888,505
Receivables					
Customer accounts	335,822	456,091	—	93,091	885,004
Due from other govern- ments	—	—	—	140,170	140,170
Inventories and prepaids	<u>113,290</u>	<u>113,718</u>	<u>261,837</u>	<u>72,804</u>	<u>561,649</u>
Total Current Assets	<u>916,433</u>	<u>1,484,176</u>	<u>293,382</u>	<u>781,337</u>	<u>3,475,328</u>
Noncurrent Assets					
Restricted Assets					
Cash and pooled investments	556,576	1,222,399	—	50,000	1,828,975
Beneficial interest in a trust	—	—	1,011,780	—	1,011,780
Capital assets (net of accumulated depreciation)	<u>7,825,192</u>	<u>16,760,020</u>	<u>11,587,057</u>	<u>1,521,082</u>	<u>37,693,351</u>
Total Noncurrent Assets	<u>8,381,768</u>	<u>17,982,419</u>	<u>12,598,837</u>	<u>1,571,082</u>	<u>40,534,106</u>
Total Assets	<u>\$ 9,298,201</u>	<u>\$ 19,466,595</u>	<u>\$ 12,892,219</u>	<u>\$ 2,352,419</u>	<u>\$ 44,009,434</u>
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	\$ 58,762	\$ 193,255	\$ 101,106	\$ 53,932	\$ 407,055
Accrued liabilities and compensated absences ..	22,982	49,204	37,214	60,317	169,717
Due to other funds	—	—	684,820	132,840	817,660
Due to other governments ..	97	17	629	1,093	1,836
Current maturities of long- term debt	<u>480,000</u>	<u>536,000</u>	<u>7,234</u>	<u>50,000</u>	<u>1,073,234</u>
Total Current Liabilities	<u>561,841</u>	<u>778,476</u>	<u>831,003</u>	<u>298,182</u>	<u>2,469,502</u>
Long-Term Debt	<u>1,829,468</u>	<u>6,364,286</u>	<u>8,508,827</u>	<u>280,000</u>	<u>16,982,581</u>
Total Liabilities	<u>2,391,309</u>	<u>7,142,762</u>	<u>9,339,830</u>	<u>578,182</u>	<u>19,452,083</u>
Net Assets					
Invested in capital assets, net of related debt	5,515,724	9,859,734	4,082,776	1,191,082	20,649,316
Restricted for debt service	545,698	1,222,552	—	50,000	1,818,250
Unrestricted	<u>845,470</u>	<u>1,241,547</u>	<u>(530,387)</u>	<u>533,155</u>	<u>2,089,785</u>
Total Net Assets	<u>6,906,892</u>	<u>12,323,833</u>	<u>3,552,389</u>	<u>1,774,237</u>	<u>24,557,351</u>
Total Liabilities and Net Assets	<u>\$ 9,298,201</u>	<u>\$ 19,466,595</u>	<u>\$ 12,892,219</u>	<u>\$ 2,352,419</u>	<u>\$ 44,009,434</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2006

	Water	Sewer	Golf	Nonmajor Proprietary Funds	Total
Operating Revenue					
Charges for sales and service.....	<u>\$ 1,850,267</u>	<u>\$ 2,486,704</u>	<u>\$ 1,482,842</u>	<u>\$ 979,309</u>	<u>\$ 6,799,122</u>
Operating Expenses					
Salaries and employee benefits	444,228	379,883	337,399	1,014,484	2,175,994
Contractual services	349,650	418,001	241,413	198,241	1,207,305
Commodities.....	259,945	243,932	761,641	494,068	1,759,586
Depreciation	<u>384,938</u>	<u>763,399</u>	<u>254,232</u>	<u>185,709</u>	<u>1,588,278</u>
Total Operating Expenses	<u>1,438,761</u>	<u>1,805,215</u>	<u>1,594,685</u>	<u>1,892,502</u>	<u>6,731,163</u>
Operating Income (Loss)	<u>411,506</u>	<u>681,489</u>	<u>(111,843)</u>	<u>(913,193)</u>	<u>67,959</u>
Nonoperating Revenue (Expenses)					
Intergovernmental Revenue					
Federal.....	—	—	—	161,598	161,598
State.....	—	—	—	232,531	232,531
Other revenue.....	—	—	—	16,149	16,149
Interest revenue.....	21,579	35,105	—	—	56,684
Interest expense.....	(120,420)	(275,854)	(545,874)	(20,490)	(962,638)
Increase in beneficial interest in a trust	—	—	41,276	—	41,276
Total Nonoperating Revenue (Expenses)	<u>(98,841)</u>	<u>(240,749)</u>	<u>(504,598)</u>	<u>389,788</u>	<u>(454,400)</u>
Income (Loss) Before Contributions and Transfers.....	<u>312,665</u>	<u>440,740</u>	<u>(616,441)</u>	<u>(523,405)</u>	<u>(386,441)</u>
Transfers in.....	—	—	—	596,753	596,753
Transfers out	<u>(308,000)</u>	<u>(426,808)</u>	<u>(395,468)</u>	<u>(12,500)</u>	<u>(1,142,776)</u>
Change in Net Assets.....	<u>4,665</u>	<u>13,932</u>	<u>(1,011,909)</u>	<u>60,848</u>	<u>(932,464)</u>
Net Assets - Beginning 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>
Net Assets - End of Year	<u>\$ 6,906,892</u>	<u>\$ 12,323,833</u>	<u>\$ 3,552,389</u>	<u>\$ 1,774,237</u>	<u>\$ 24,557,351</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2006

	Water	Sewer	Golf	Nonmajor Proprietary Funds	Total
Cash Flows From Operating Activities					
Receipts from customers	\$ 1,839,199	\$ 2,495,298	\$ 1,482,842	\$ 972,195	\$ 6,789,534
Payments to suppliers.....	(623,420)	(552,059)	(1,020,147)	(687,557)	(2,883,183)
Payments to employees.....	(451,547)	(384,823)	(361,553)	(1,038,908)	(2,236,831)
Net Cash Provided by (Used in)					
Operating Activities.....	<u>764,232</u>	<u>1,558,416</u>	<u>101,142</u>	<u>(754,270)</u>	<u>1,669,520</u>
Cash Flows From Noncapital Financing Activities					
Noncapital federal and state grants	—	—	—	253,959	253,959
Other revenue	—	—	—	16,149	16,149
Net transfers.....	(308,000)	(426,808)	(395,468)	584,253	(546,023)
Net Cash Provided by (Used in)					
Noncapital Financing Activities	<u>(308,000)</u>	<u>(426,808)</u>	<u>(395,468)</u>	<u>854,361</u>	<u>(275,915)</u>
Cash Flows From Capital and Related Financing Activities					
Increase in due to other funds.....	—	—	209,095	132,528	341,623
Capital lease issuance costs	—	—	(83,904)	—	(83,904)
Proceeds from debt	—	—	8,211,156	—	8,211,156
Received from trust	—	—	68,428	—	68,428
Purchase of capital assets	(29,072)	(196,805)	(18,148)	(482,420)	(726,445)
Repayment of debt	(460,000)	(526,000)	(7,611,344)	(45,000)	(8,642,344)
Payment of interest	(120,262)	(279,075)	(449,412)	(20,687)	(869,436)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(609,334)</u>	<u>(1,001,880)</u>	<u>325,871</u>	<u>(415,579)</u>	<u>(1,700,922)</u>
Cash Flows From Investing Activities					
Interest received.....	<u>21,579</u>	<u>35,105</u>	<u>—</u>	<u>—</u>	<u>56,684</u>
Net Increase (Decrease) in Cash	<u>(131,523)</u>	<u>164,833</u>	<u>31,545</u>	<u>(315,488)</u>	<u>(250,633)</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,155,420</u>	<u>1,971,933</u>	<u>—</u>	<u>840,760</u>	<u>3,968,113</u>
Cash and Cash Equivalents at End of Year.....	<u>\$ 1,023,897</u>	<u>\$ 2,136,766</u>	<u>\$ 31,545</u>	<u>\$ 525,272</u>	<u>\$ 3,717,480</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ 411,506	\$ 681,489	\$ (111,843)	\$ (913,193)	\$ 67,959
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities					
Depreciation	384,938	763,399	254,232	185,709	1,588,278
(Increase) decrease in receivables	(11,068)	8,594	—	(7,115)	(9,589)
(Increase) decrease in inventories and prepaids.....	(4,748)	10,661	11,068	(23,437)	(6,456)
Increase (decrease) in accounts and retainages payable	(8,178)	100,139	(25,216)	30,812	97,557
Decrease in accrued liabilities and compensated absences.....	(7,319)	(4,940)	(24,154)	(24,424)	(60,837)
Decrease in due to other funds and other governments.....	(899)	(926)	(2,945)	(2,622)	(7,392)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 764,232</u>	<u>\$ 1,558,416</u>	<u>\$ 101,142</u>	<u>\$ (754,270)</u>	<u>\$ 1,669,520</u>
Schedule of Noncash Investing and Financing Activities					
Increase in Beneficial Interest in a Trust	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 41,276</u>	<u>\$ —</u>	<u>\$ 41,276</u>

See accompanying notes to the financial statements.

Statement of Fiduciary Net Assets - Fiduciary Funds

At June 30, 2006

	CEBA Agency Fund
Assets	
Loans receivable	<u>\$ 542,667</u>
Liabilities and Net Assets	
Notes payable.....	\$ 542,667
Net Assets	<u>—</u>
Total Liabilities and Net Assets	<u>\$ 542,667</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 the City's financial statements. Unaudited financial information from the Foundation's fiscal year end 2006 tax return and other internal reports includes total revenue of approximately \$10,000, no expenses, assets of approximately \$970,000, no liabilities and net assets of approximately \$970,000. 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.

(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, plus the beneficial interest in a trust, 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, 2006.

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, 2006, disbursements exceeded the amounts budgeted in the debt service and capital projects 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

Beneficial Interest in a Trust

The City has a beneficial interest in two trusts which were created with amounts borrowed to finance the hotel and convention center construction and various improvements at Brown Deer Golf Course. The trusts consist of cash, certificates of deposit and pooled cash investments, all of which are restricted for these projects.

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, 2004 assessed property valuations, is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March, 2005.

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 Prepays

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

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

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 2006.

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 - 75 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 through 2006 are included in the government-wide financial statements. Because the infrastructure assets constructed prior to 2004 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 and other project-related amounts not received within 60 days after year end.

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, 2006 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, 2006, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$11,411,865 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, 2006 were as follows:

Cash accounts.....	\$ 5,651,829
Pooled cash investments - Iowa Public Agency Investment Trust	11,411,865
Certificates of deposit.....	<u>5,182,227</u>
Total	<u>\$ 22,245,921</u>

(3) Loans Receivable

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, 2006, 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, 2006

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, 2006, no amounts of principal and interest had been received or forgiven and the loans were not in default.

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. Payments made on the loan during 2006 included \$12,954 of principal and \$16,334 of interest.

Notes to the Financial Statements

(3) Loans Receivable

During the year ended June 30, 2006, the City made forgivable economic development loans to two local businesses totaling \$1,676,190. 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, 2006, no amounts of principal and interest had been received or forgiven and the loans were not in default.

(4) Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2006 is as follows:

Due From/To	Interfund Receivables	Interfund Payables
General Fund.....	\$ 4,984,593	\$ 260,000
Special Revenue Funds		
Tax Increment Financing	260,000	233,640
Police Grants	—	7,033
Debt Service Funds		
General Obligation Bonds.....	31,190	—
Oakdale Boulevard - Special Assessments	38,769	—
North Annexation	—	15,362
Capital Projects Funds		
Highway 6/22 nd Avenue	—	476,957
Oakdale Boulevard Project	—	38,769
First Avenue/Clear Creek Projects.....	—	337,648
Camp Cardinal Road Project	—	1,173,388
First Avenue/Brownfields Projects	—	31,190
Coral Ridge Mall	—	13,958
Trail Projects	—	320,686
Morrison Creek Riffle Project	—	17,721
Street Projects	—	541,124
Highway 6 Widening Project	—	664,534
Storm Water Projects.....	—	110,674
North Corridor Land Use Project.....	—	254,208
Enterprise Funds		
Transit	—	132,528
Brown Deer Golf Course.....	—	684,820
Hotel Parking	—	312
	<u>\$ 5,314,552</u>	<u>\$ 5,314,552</u>

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

Notes to the Financial Statements

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 41,736,858	\$ 6,588,407	\$ —	\$ 48,325,265
Construction in progress	<u>14,365,516</u>	<u>45,026,490</u>	<u>4,714,655</u>	<u>54,677,351</u>
Total Capital Assets Not Being Depreciated.....	<u>56,102,374</u>	<u>51,614,897</u>	<u>4,714,655</u>	<u>103,002,616</u>
Capital Assets Being Depreciated				
Buildings and improvements	13,225,918	1,324,132	—	14,550,050
Furniture and equipment	9,590,144	598,565	376,661	9,812,048
Vehicles.....	849,584	78,636	107,900	820,320
Road network.....	15,618,488	5,578,413	—	21,196,901
Bridge network	<u>4,376,681</u>	<u>—</u>	<u>—</u>	<u>4,376,681</u>
Total Capital Assets Being Depreciated.....	<u>43,660,815</u>	<u>7,579,746</u>	<u>484,561</u>	<u>50,756,000</u>
Less Accumulated Depreciation for				
Buildings and improvements	3,339,828	466,459	—	3,806,287
Furniture and equipment	3,210,002	618,153	376,661	3,451,494
Vehicles.....	383,104	117,527	107,900	392,731
Road network.....	980,877	777,946	—	1,758,823
Bridge network	<u>199,246</u>	<u>87,534</u>	<u>—</u>	<u>286,780</u>
Total Accumulated Depreciation	<u>8,113,057</u>	<u>2,067,619</u>	<u>484,561</u>	<u>9,696,115</u>
Net Capital Assets Being Depreciated	<u>35,547,758</u>	<u>5,512,127</u>	<u>—</u>	<u>41,059,885</u>
Net Governmental Activities				
Capital Assets	<u>\$ 91,650,132</u>	<u>\$ 57,127,024</u>	<u>\$ 4,714,655</u>	<u>\$ 144,062,501</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 3,498,526	\$ —	\$ —	\$ 3,498,526
Construction in progress	<u>—</u>	<u>74,102</u>	<u>—</u>	<u>74,102</u>
Total Capital Assets Not Being Depreciated.....	<u>3,498,526</u>	<u>74,102</u>	<u>—</u>	<u>3,572,628</u>
Capital Assets Being Depreciated				
Buildings and improvements	37,705,853	71,770	—	37,777,623
Furniture and equipment	12,800,557	563,501	—	13,364,058
Vehicles.....	<u>229,731</u>	<u>17,072</u>	<u>21,923</u>	<u>224,880</u>
Total Capital Assets Being Depreciated.....	<u>50,736,141</u>	<u>652,343</u>	<u>21,923</u>	<u>51,366,561</u>
Less Accumulated Depreciation for				
Buildings and improvements	8,072,317	1,085,351	—	9,157,668
Furniture and equipment	7,402,814	494,117	—	7,896,931
Vehicles.....	<u>204,352</u>	<u>8,810</u>	<u>21,923</u>	<u>191,239</u>
Total Accumulated Depreciation	<u>15,679,483</u>	<u>1,588,278</u>	<u>21,923</u>	<u>17,245,838</u>
Net Capital Assets Being Depreciated	<u>35,056,658</u>	<u>(935,935)</u>	<u>—</u>	<u>34,120,723</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 38,555,184</u>	<u>\$ (861,833)</u>	<u>\$ —</u>	<u>\$ 37,693,351</u>

Notes to the Financial Statements

(5) Capital Assets

Depreciation expense was charged by the City as follows for the year ended June 30, 2006:

Governmental Activities	
Public safety	\$ 281,131
Public works	137,044
Culture and recreation.....	658,477
Community and economic development	869,166
General government	<u>110,408</u>
	2,056,226
Unallocated depreciation.....	<u>11,393</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,067,619</u>
Business-Type Activities	
Water.....	\$ 384,938
Sewer.....	763,399
Golf.....	254,232
Solid waste.....	46,927
Transit	<u>138,782</u>
Total Business-Type Activities Depreciation Expense.....	<u>\$ 1,588,278</u>

(6) Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2006:

	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	\$ 80,782,202	\$ 12,415,000	\$ 5,875,120	\$ 87,322,082	\$ 18,270,000	1.10%-6.00%
General obligation bond anticipation notes	—	24,600,000	—	24,600,000	24,600,000	4.125%-4.50%
Tax increment revenue bonds	52,479,386	8,280,000	8,595,737	52,163,649	12,875,000	3.00%-8.00%
Special assessment bonds	1,320,000	—	325,000	995,000	325,000	5.40%
Other long-term debt.....	644,193	—	39,740	604,453	42,612	0%-7.00%
Compensated absences ..	432,512	461,082	432,512	461,082	461,082	N/A
Totals.....	<u>\$ 135,658,293</u>	<u>\$ 45,756,082</u>	<u>\$ 15,268,109</u>	<u>\$ 166,146,266</u>	<u>\$ 56,573,694</u>	
Business-Type Activities						
Revenue bonds.....	\$ 10,571,280	\$ —	\$ 1,033,748	\$ 9,537,532	\$ 1,066,000	2.00%-5.30%
Capital lease	7,605,000	8,338,460	7,605,000	8,338,460	—	4.00%-5.00%
Other long-term debt.....	183,945	—	6,344	177,601	7,234	4.00%
Compensated absences ..	91,708	94,068	91,708	94,068	94,068	N/A
Totals.....	<u>\$ 18,451,933</u>	<u>\$ 8,432,528</u>	<u>\$ 8,736,800</u>	<u>\$ 18,147,661</u>	<u>\$ 1,167,302</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.

During the year ended June 30, 2006, the City refunded one bond issue in order to take advantage of lower interest rates. The total amount of refunding bonds issued was \$1,520,000 which was forwarded to a bond escrow agent to currently refund the debt. The current refunding resulting in an economic loss of approximately \$20,000 and reduced future debt service payments by approximately \$130,000.

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.

During the year ended June 30, 2006, the City refunded one bond issue in order to take advantage of lower interest rates. The total amount of refunding bonds issued was \$245,000 which was forwarded to a bond escrow agent to advance refund the debt. The advance refunding resulted in an economic gain of approximately \$11,000 and reduced future debt service payments by approximately \$157,000.

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 \$3,385,000 was forwarded to a bond escrow agent to currently refund two debt issues. The third issue was also a current refunding but was refunded during the year ended June 30, 2006.

Notes to the Financial Statements

(6) Long-Term Debt

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 \$4,932 through September 1, 2011, including interest at 7%.

During the year ended June 30, 2006, \$39,740 of principal was paid and interest expense was \$19,208. The unpaid balance of the contract at June 30, 2006 was \$255,953.

At June 30, 2006, annual maturities of the land purchase contract are as follows:

Year Ending June 30,	Principal	Interest	Total
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	56,336	2,843	59,179
2012	9,778	86	9,864
	<u>\$ 255,953</u>	<u>\$ 49,806</u>	<u>\$ 305,759</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 ended 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 expanded Brown Deer Golf Course from 9 to 18 holes and built 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.

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.

During the year ended June 30, 2006, the City refinanced the capital lease agreement through the issuance of \$8,335,000 of Certificates of Participation issued by Central State Bank to repay the existing obligation. The refinancing resulted in an economic loss of \$579,000 and an increase in the cash flow requirement over the term of the new obligation of approximately \$4 million compared to the original obligation. The other terms of the original agreement remained substantially the same.

At June 30, 2006, future minimum lease payments on the capital lease obligation are as follows:

Year Ending June 30,	
2007	\$ 407,676
2008	407,676
2009	407,676
2010	407,676
2011	542,676
2012-16	2,896,204
2017-21	2,955,102
2022-26	3,017,914
2027-31	3,113,630
2032-36	<u>2,567,750</u>
Total Minimum Lease Payments	16,723,980
Less: Amount representing interest	8,258,980
Original issue discount	126,540
Present Value of Net Minimum Lease Payments	<u>\$ 8,338,460</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 balance of the two SBA loans at June 30, 2006 was \$177,601. During the year ended June 30, 2006, principal paid on the two loans totaled \$6,145, and total interest expense was \$8,035.

At June 30, 2006, annual maturities of the SBA loans are as follows:

Year Ending June 30,	SBA Loans	
	Principal	Interest
2007	\$ 7,234	\$ 6,962
2008	7,529	6,667
2009	7,835	6,361
2010	8,154	6,042
2011	8,487	5,709
2012-16	47,910	23,070
2017-21	58,498	12,482
2022-26	31,954	1,567
2027-31	—	—
2032-36	—	—
Total	<u>\$ 177,601</u>	<u>\$ 68,860</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, 2006 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
2007	\$ 42,870,000	\$ 5,136,675	\$12,875,000	\$ 2,556,179	\$ 325,000	\$ 53,730	\$ 1,066,000	\$ 352,803	\$ 57,136,000	\$ 8,099,387
2008	7,970,000	3,062,360	2,355,000	1,907,883	330,000	36,180	1,086,000	316,851	11,741,000	5,323,274
2009	3,770,000	2,783,252	2,300,000	1,828,330	340,000	18,360	846,000	285,271	7,256,000	4,915,213
2010	3,860,000	2,628,177	2,510,000	1,734,302	—	—	871,000	258,259	7,241,000	4,620,738
2011	4,135,000	2,468,357	2,570,000	1,623,471	—	—	887,000	214,606	7,592,000	4,306,434
2012-16..	29,240,000	8,930,407	9,180,000	6,787,023	—	—	3,594,000	572,169	42,014,000	16,289,599
2017-21..	11,380,000	3,301,804	6,320,000	4,819,414	—	—	964,000	154,026	18,664,000	8,275,244
2022-26..	8,785,000	944,623	3,780,000	3,516,726	—	—	218,000	4,687	12,783,000	4,466,036
2027-31..	—	—	3,245,000	2,458,920	—	—	—	—	3,245,000	2,458,920
2032-36..	—	—	7,340,000	1,552,137	—	—	—	—	7,340,000	1,552,137
	112,010,000	29,255,655	52,475,000	28,784,385	995,000	108,270	9,532,000	2,158,672	175,012,000	60,306,982
Net unamor- tized bond premium (discount)	(87,918)	—	(311,351)	—	—	—	5,532	—	(393,737)	—
Net	\$111,922,082	\$29,255,655	\$52,163,649	\$28,784,385	\$ 995,000	\$ 108,270	\$ 9,537,532	\$ 2,158,672	\$ 174,618,263	\$60,306,982

Interest expense recorded in governmental fund types totaled \$6,572,757 for the year ended June 30, 2006. Interest expense recorded in proprietary fund types totaled \$962,638.

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, 2006, 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, 2006, outstanding balances on one 0% interest loan and one forgivable loan totaled \$542,667. 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.

Notes to the Financial Statements

(7) Retirement System

As of June 30, 2006, 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 years ended June 30, 2005 and 2004. 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, 2006, 2005 and 2004 were \$425,216, \$375,928 and \$335,951, respectively, and were equal to the required contributions for each year.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer From	Amount
General Fund	Special Revenue	
	Tax Increment Financing	\$ 454,525
	Nonmajor Governmental Funds	1,333,165
	Capital Projects	
	Nonmajor Governmental Funds	23,000
	Proprietary	
	Water	45,000
	Sewer	45,000
	Golf	280,258
	Nonmajor Proprietary Funds	12,500
	Tax Increment Financing	Capital Projects
	First Avenue/Brownfields	52,387
Nonmajor Special Revenue	General Fund	10,000
	Capital Projects	
	Nonmajor Governmental Funds	98,750
Nonmajor Debt Service	Proprietary	
	Sewer	24,808
	Golf	115,210
Nonmajor Capital Projects	General Fund	80,000
	Special Revenue	
	Nonmajor Governmental Funds	454,977
	Capital Projects	
	Nonmajor Governmental Funds	962,481
	Debt Service	
	Nonmajor Governmental Funds	671,713
	Water	263,000
	Sewer	357,000
	Nonmajor Proprietary	
Transit	General Fund	596,753
Total		<u>\$ 5,880,527</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, 2006:

Special Revenue	
Police Grants	\$ 7,033
Capital Projects	
Storm Water Projects	200,985
Street Projects	207,898
Highway 6 Widening Project	667,874
Camp Cardinal Road Project	1,190,398
12th Avenue Urban Renewal Project	915,358
Oakdale Boulevard Project	28,567
First Avenue/Clear Creek Project	337,648
North Corridor Land Use Project	254,208
Highway 6/22nd Avenue	488,463
Trail Projects	38,338
Proprietary Funds	
Hotel Parking	362

(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,	
2007	\$ 39,255
2008	39,255
2009	<u>39,255</u>
Total Minimum Payments Required	<u>\$ 117,765</u>

(11) Commitments

Construction

The City is involved in construction of capital assets, including streets, streetscape improvements, a library expansion, water plant improvements and a hotel and convention center. 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, 2006, the City was committed to approximately \$20 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.

Notes to the Financial Statements

(11) Commitments

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, 2006.

The City has entered into development agreements which provide for the City to contribute up to \$450,000 in development grants to two entities.

(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) 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, 2006, the City made payments of \$370,066 to the risk pool.

(13) 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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 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, 2006, 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, 2006 were \$167,890.

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

(14) Subsequent Events

Subsequent to June 30, 2006, the City entered into several agreements to purchase land and construct capital improvements. These agreements totaled approximately \$4 million.

Subsequent to June 30, 2006, the City took actions to issue approximately \$25 million of new debt to refund existing debt issues.

(15) 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. 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.

(16) Prior Period Adjustments

During the year ended June 30, 2006, management determined that intergovernmental receivables in two nonmajor capital projects accounts had been overstated by \$665,242 at June 30, 2005. The effect of this error correction was to reduce beginning-of-the-year fund balances by \$665,242.

	Other Governmental Funds						Total Other Govern- mental Funds
	Special Revenue	Debt Service	Street Projects	Capital Projects		Total Capital Projects	
First Avenue/ Clear Creek Projects				Aggregate Other Nonmajor Capital Projects			
Fund Balance - Beginning of Year, as previously reported	\$ 1,036,397	\$ 3,199,208	\$ (60,980)	\$ (40,041)	\$ 330,523	\$ 229,502	\$ 4,465,107
Prior period adjustment	—	—	(368,244)	(296,998)	—	(665,242)	(665,242)
Fund Balance - Beginning of Year, as Restated	<u>\$ 1,036,397</u>	<u>\$ 3,199,208</u>	<u>\$ (429,224)</u>	<u>\$ (337,039)</u>	<u>\$ 330,523</u>	<u>\$ (435,740)</u>	3,799,865
General Fund							4,005,862
Special Revenue - Tax Increment Financing							7,132,562
Capital Projects - First Avenue/Brownfields							<u>48,183,597</u>
Total Governmental Fund Balance - Beginning of Year, as Restated							<u>\$ 63,121,886</u>
Government-Wide Financial Statements - Governmental Activities							
Net Assets - Beginning of Year, as previously reported							\$ 21,090,433
Prior period adjustment							(665,242)
Net Assets - Beginning of Year, as Restated							<u>\$ 20,425,191</u>

Notes to the Financial Statements

(17) Designations of Fund Balances

The City Council has approved designations of unrestricted fund balances at June 30, 2006 for the following purposes:

General Fund

Equipment purchases and various special projects	\$ 1,876,071
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Special Revenue Fund

Road Use Tax Fund

Equipment purchases	221,685
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Business-Type Activities

Sewer

Equipment purchases and improvement projects	340,893
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Water

Equipment purchases	62,007
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Solid Waste

Equipment purchases	257,149
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Transit

Equipment purchases	267,931
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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, 2006

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Governmental Fund Types	Proprietary Funds	Total	
Receipts						
Property taxes	\$ 7,933,426	\$ 7,933,426	\$ 8,091,361	\$ —	\$ 8,091,361	\$ 157,935
Tax increment financing	9,222,373	9,222,373	9,611,637	—	9,611,637	389,264
Other city taxes	1,617,107	1,667,107	1,509,979	—	1,509,979	(157,128)
Licenses and permits	621,800	694,666	626,046	—	626,046	(68,620)
Use of money and property	117,000	1,511,000	2,220,791	105,325	2,326,116	815,116
Intergovernmental	10,404,120	6,033,463	5,340,886	253,959	5,594,845	(438,618)
Charges for services	10,278,319	10,278,319	1,544,817	6,940,385	8,485,202	(1,793,117)
Special assessments	588,177	876,632	890,753	—	890,753	14,121
Miscellaneous	359,431	560,983	1,122,890	38,610	1,161,500	600,517
Total Receipts	41,141,753	38,777,969	30,959,160	7,338,279	38,297,439	(480,530)
Disbursements						
Public safety	3,570,186	4,191,891	4,053,011	—	4,053,011	(138,880)
Public works	1,897,314	1,897,314	1,528,474	—	1,528,474	(368,840)
Health and social services	62,450	66,450	64,879	—	64,879	(1,571)
Culture and recreation ..	4,323,340	4,479,340	4,120,212	—	4,120,212	(359,128)
Community and economic development	534,954	3,146,644	1,317,820	—	1,317,820	(1,828,824)
General government	1,821,115	1,896,330	1,688,019	—	1,688,019	(208,311)
Debt service	15,135,362	28,192,345	28,725,000	—	28,725,000	532,655
Capital projects	28,330,064	49,505,064	51,108,731	—	51,108,731	1,603,667
Business-type activities	9,102,454	9,102,454	—	8,337,464	8,337,464	(764,990)
Total Disbursements	64,777,239	102,477,832	92,606,146	8,337,464	100,943,610	(1,534,222)
Receipts Over (Under) Disbursements	(23,635,486)	(63,699,863)	(61,646,986)	(999,185)	(62,646,171)	1,053,692
Other Financing Sources (Uses)						
Other financing sources	21,291,595	70,300,308	66,838,479	8,904,059	75,742,538	5,442,230
Other financing uses	(7,291,595)	(7,291,595)	(13,502,226)	(8,735,566)	(22,237,792)	(14,946,197)
Total Other Financing Sources (Uses)	14,000,000	63,008,713	53,336,253	168,493	53,504,746	(9,503,967)
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses						
Balance - Beginning of Year	34,512,044	34,512,044	63,154,613	4,613,946	67,768,559	
Balance - End of Year	\$ 24,876,558	\$ 33,820,894	\$ 54,843,880	\$ 3,783,254	\$ 58,627,134	

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 \$38 million. This budget amendment is reflected in the final budgeted amounts.

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation ▬

Year Ended June 30, 2006

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue	\$ 30,959,160	\$ 326,382	\$ 31,285,542
Expenditures.....	<u>92,606,146</u>	<u>7,418,504</u>	<u>85,187,642</u>
Net	(61,646,986)	7,744,886	(53,902,100)
Other financing sources (uses).....	53,336,253	(10,075,230)	43,261,023
Beginning fund balances, as restated (Note 16)	<u>63,154,613</u>	<u>(32,727)</u>	<u>63,121,886</u>
Ending Fund Balances.....	<u>\$ 54,843,880</u>	<u>\$ (2,363,071)</u>	<u>\$ 52,480,809</u>

	Proprietary Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue	\$ 7,338,279	\$ (539,157)	\$ 6,799,122
Expenditures.....	<u>8,337,464</u>	<u>(1,606,301)</u>	<u>6,731,163</u>
Net	(999,185)	1,067,144	67,959
Other financing sources (uses).....	168,493	(1,168,916)	(1,000,423)
Beginning fund balances	<u>4,613,946</u>	<u>20,875,869</u>	<u>25,489,815</u>
Ending Fund Balances.....	<u>\$ 3,783,254</u>	<u>\$ 20,774,097</u>	<u>\$ 24,557,351</u>

Other Supplementary Information

Combining Balance Sheet Schedule - Nonmajor Governmental Funds

At June 30, 2006

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and cash equivalents	\$ 428,313	\$ 1,511,765	\$ 10,485,908	\$ 12,425,986
Receivables				
Property Taxes				
Current year delinquent.....	5,233	6,382	—	11,615
Succeeding year.....	1,680,217	2,109,947	—	3,790,164
Due from other funds	—	69,959	—	69,959
Due from other governments	236,274	—	1,097,511	1,333,785
Due from developers.....	—	—	1,915,358	1,915,358
Loans	—	—	576,190	576,190
Special assessments	—	1,531,475	—	1,531,475
Inventories and prepaids	12,398	—	—	12,398
Restricted Assets				
Cash and cash equivalents.....	430,934	—	—	430,934
Pool pledges receivable.....	42,501	—	—	42,501
Total Assets	<u>\$ 2,835,870</u>	<u>\$ 5,229,528</u>	<u>\$ 14,074,967</u>	<u>\$ 22,140,365</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 42,047	\$ 7,668	\$ 2,766,439	\$ 2,816,154
Accrued liabilities.....	330	—	—	330
Due to other funds.....	7,033	15,362	3,949,667	3,972,062
Due to other governments	40	—	—	40
Deferred Revenue				
Succeeding year property taxes ...	1,680,217	2,109,947	—	3,790,164
Pool pledges receivable.....	42,501	—	—	42,501
Special assessments	—	1,045,283	—	1,045,283
Other	—	—	2,532,061	2,532,061
Total Liabilities	<u>1,772,168</u>	<u>3,178,260</u>	<u>9,248,167</u>	<u>14,198,595</u>
Fund Balances				
Reserved for				
Other	398,059	—	—	398,059
Debt service	—	2,051,268	—	2,051,268
Inventories and prepaids.....	12,398	—	—	12,398
Unreserved, Reported in Nonmajor Funds				
Special revenue funds.....	653,245	—	—	653,245
Capital projects funds.....	—	—	4,826,800	4,826,800
Total Fund Balances	<u>1,063,702</u>	<u>2,051,268</u>	<u>4,826,800</u>	<u>7,941,770</u>
Total Liabilities and Fund Balances	<u>\$ 2,835,870</u>	<u>\$ 5,229,528</u>	<u>\$ 14,074,967</u>	<u>\$ 22,140,365</u>

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

Year Ended June 30, 2006

	Special Revenue	Debt Service	Capital Projects	Total
Revenue				
Property taxes	\$ 1,224,870	\$ 1,675,616	\$ —	\$ 2,900,486
Special assessments	—	882,838	—	882,838
Use of money and property	—	12,226	242,602	254,828
Intergovernmental	1,497,937	—	1,944,083	3,442,020
Charges for services	—	—	277,857	277,857
Miscellaneous	240,227	—	355,428	595,655
Total Revenue	<u>2,963,034</u>	<u>2,570,680</u>	<u>2,819,970</u>	<u>8,353,684</u>
Expenditures				
Operating				
Public safety	59,123	—	—	59,123
Public works	961,989	—	—	961,989
Culture and recreation	136,450	—	—	136,450
Community and economic development	23	—	—	23
Debt Service				
Principal	—	1,220,000	—	1,220,000
Interest and other charges	—	1,010,457	30,180	1,040,637
Capital projects	—	—	20,276,030	20,276,030
Total Expenditures	<u>1,157,585</u>	<u>2,230,457</u>	<u>20,306,210</u>	<u>23,694,252</u>
Revenue Over (Under) Expenditures	<u>1,805,449</u>	<u>340,223</u>	<u>(17,486,240)</u>	<u>(15,340,568)</u>
Other Financing Sources (Uses)				
Bond proceeds	—	4,782	21,043,840	21,048,622
Refunding bonds issued	—	1,520,000	—	1,520,000
Payment to refunding bond escrow agent	—	(2,580,000)	—	(2,580,000)
Transfers in	10,000	238,768	2,789,171	3,037,939
Transfers out	(1,788,144)	(671,713)	(1,084,231)	(3,544,088)
Total Other Financing Sources (Uses)	<u>(1,778,144)</u>	<u>(1,488,163)</u>	<u>22,748,780</u>	<u>19,482,473</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	27,305	(1,147,940)	5,262,540	4,141,905
Fund Balances - Beginning of Year, as Restated (Note 16)	<u>1,036,397</u>	<u>3,199,208</u>	<u>(435,740)</u>	<u>3,799,865</u>
Fund Balances - End of Year	<u>\$ 1,063,702</u>	<u>\$ 2,051,268</u>	<u>\$ 4,826,800</u>	<u>\$ 7,941,770</u>

Combining Balance Sheet Schedule - Nonmajor Special Revenue Funds

At June 30, 2006

	Expendable Trust	Cemetery	Police Grants	Road Use Tax	Employee Benefit Levy	Total
Assets						
Cash and cash equivalents.....	\$ —	\$ —	\$ —	\$ 428,313	\$ —	\$ 428,313
Receivables						
Property Taxes						
Current year delinquent	—	—	—	—	5,233	5,233
Succeeding year	—	—	—	—	1,680,217	1,680,217
Due from other governments	—	—	—	236,274	—	236,274
Inventories and prepaids.....	—	—	—	12,398	—	12,398
Restricted Assets						
Cash and cash equivalents	366,063	64,871	—	—	—	430,934
Pool pledges receivable	42,501	—	—	—	—	42,501
Total Assets.....	\$ 408,564	\$ 64,871	\$ —	\$ 676,985	\$ 1,685,450	\$ 2,835,870
Liabilities and Fund Balances						
Liabilities						
Accounts payable.....	\$ 17,031	\$ 20	\$ —	\$ 24,996	\$ —	\$ 42,047
Accrued liabilities	—	—	—	330	—	330
Due to other funds.....	—	—	7,033	—	—	7,033
Due to other governments	—	—	—	40	—	40
Deferred Revenue						
Succeeding year property						
taxes	—	—	—	—	1,680,217	1,680,217
Pool pledges.....	42,501	—	—	—	—	42,501
Total Liabilities.....	59,532	20	7,033	25,366	1,680,217	1,772,168
Fund Balances						
Reserved.....	335,860	62,199	—	—	—	398,059
Reserved for inventories and						
prepaids.....	—	—	—	12,398	—	12,398
Unreserved						
Designated for capital asset						
purchases	—	—	—	221,685	—	221,685
Undesignated	13,172	2,652	(7,033)	417,536	5,233	431,560
Total Fund Balances.....	349,032	64,851	(7,033)	651,619	5,233	1,063,702
Total Liabilities and Fund						
Balances.....	\$ 408,564	\$ 64,871	\$ —	\$ 676,985	\$ 1,685,450	\$ 2,835,870

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

Year Ended June 30, 2006

	Expendable Trust	Cemetery	Police Grants	Road Use Tax	Employee Benefit Levy	Total
Revenue						
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ 1,224,870	\$ 1,224,870
Intergovernmental	—	—	52,514	1,445,423	—	1,497,937
Miscellaneous	<u>237,552</u>	<u>2,675</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>240,227</u>
Total Revenue	<u>237,552</u>	<u>2,675</u>	<u>52,514</u>	<u>1,445,423</u>	<u>1,224,870</u>	<u>2,963,034</u>
Expenditures						
Operating						
Public safety	6,930	—	52,193	—	—	59,123
Public works	—	—	—	961,989	—	961,989
Culture and recreation	136,450	—	—	—	—	136,450
Community and economic development	<u>—</u>	<u>23</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>23</u>
Total Expenditures	<u>143,380</u>	<u>23</u>	<u>52,193</u>	<u>961,989</u>	<u>—</u>	<u>1,157,585</u>
Revenue Over Expenditures ...	<u>94,172</u>	<u>2,652</u>	<u>321</u>	<u>483,434</u>	<u>1,224,870</u>	<u>1,805,449</u>
Other Financing Sources (Uses)						
Transfers in	10,000	—	—	—	—	10,000
Transfers out	<u>(91,000)</u>	<u>—</u>	<u>—</u>	<u>(472,978)</u>	<u>(1,224,166)</u>	<u>(1,788,144)</u>
Total Other Financing Sources (Uses)	<u>(81,000)</u>	<u>—</u>	<u>—</u>	<u>(472,978)</u>	<u>(1,224,166)</u>	<u>(1,778,144)</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	13,172	2,652	321	10,456	704	27,305
Fund Balance - Beginning 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>
Fund Balance - End of Year	<u>\$ 349,032</u>	<u>\$ 64,851</u>	<u>\$ (7,033)</u>	<u>\$ 651,619</u>	<u>\$ 5,233</u>	<u>\$ 1,063,702</u>

Combining Balance Sheet Schedule - Nonmajor Debt Service Funds

At June 30, 2006

	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	\$ 73,057	\$ 154,012	\$ 27,469	\$ 71,076	\$ 11,754	\$ 118,662	\$ 100,321	\$ 167,609	\$ 644,872	\$ 142,933	\$ 1,511,765
Receivables											
Property Taxes											
Current year delinquent.....	6,382	—	—	—	—	—	—	—	—	—	6,382
Succeeding year	2,109,947	—	—	—	—	—	—	—	—	—	2,109,947
Due from other funds	31,190	—	—	—	—	—	—	38,769	—	—	69,959
Special assessments	—	55,891	64,724	26,299	2,573	—	46,096	300,240	1,020,309	15,343	1,531,475
Total Assets	\$ 2,220,576	\$ 209,903	\$ 92,193	\$ 97,375	\$ 14,327	\$ 118,662	\$ 146,417	\$ 506,618	\$ 1,665,181	\$ 158,276	\$ 5,229,528
Liabilities and Fund Balance											
Liabilities											
Accounts payable	\$ 7,668	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7,668
Due to other funds	—	—	—	—	—	15,362	—	—	—	—	15,362
Deferred Revenue											
Succeeding year property taxes..	2,109,947	—	—	—	—	—	—	—	—	—	2,109,947
Special assessments	—	33,534	57,362	23,011	1,794	—	31,139	208,008	680,206	10,229	1,045,283
Total Liabilities	2,117,615	33,534	57,362	23,011	1,794	15,362	31,139	208,008	680,206	10,229	3,178,260
Fund Balance											
Reserved for debt service.....	102,961	176,369	34,831	74,364	12,533	103,300	115,278	298,610	984,975	148,047	2,051,268
Total Liabilities and Fund Balance	\$ 2,220,576	\$ 209,903	\$ 92,193	\$ 97,375	\$ 14,327	\$ 118,662	\$ 146,417	\$ 506,618	\$ 1,665,181	\$ 158,276	\$ 5,229,528

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

Year Ended June 30, 2006

	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	\$ 1,675,616	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,675,616
Special assessments.....	—	—	63,679	5,359	1,546	170,737	34,955	161,455	434,775	10,332	882,838
Use of money and property	12,226	—	—	—	—	—	—	—	—	—	12,226
Total Revenue.....	<u>1,687,842</u>	<u>—</u>	<u>63,679</u>	<u>5,359</u>	<u>1,546</u>	<u>170,737</u>	<u>34,955</u>	<u>161,455</u>	<u>434,775</u>	<u>10,332</u>	<u>2,570,680</u>
Expenditures											
Debt Service											
Principal	1,113,603	—	36,047	—	—	70,350	—	—	—	—	1,220,000
Interest and other charges	820,630	—	2,008	4,000	15	4,592	—	107,432	71,780	—	1,010,457
Total Expenditures.....	<u>1,934,233</u>	<u>—</u>	<u>38,055</u>	<u>4,000</u>	<u>15</u>	<u>74,942</u>	<u>—</u>	<u>107,432</u>	<u>71,780</u>	<u>—</u>	<u>2,230,457</u>
Revenue Over (Under)											
Expenditures	<u>(246,391)</u>	<u>—</u>	<u>25,624</u>	<u>1,359</u>	<u>1,531</u>	<u>95,795</u>	<u>34,955</u>	<u>54,023</u>	<u>362,995</u>	<u>10,332</u>	<u>340,223</u>
Other Financing Sources (Uses)											
Bond proceeds	4,782	—	—	—	—	—	—	—	—	—	4,782
Refunding bonds issued.....	1,520,000	—	—	—	—	—	—	—	—	—	1,520,000
Payment to refunding bond escrow agent.....	(1,520,000)	—	—	—	—	—	—	(735,000)	(325,000)	—	(2,580,000)
Transfers in.....	238,768	—	—	—	—	—	—	—	—	—	238,768
Transfers out	—	—	—	—	—	(671,713)	—	—	—	—	(671,713)
Total Other Financing Sources (Uses).....	<u>243,550</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(671,713)</u>	<u>—</u>	<u>(735,000)</u>	<u>(325,000)</u>	<u>—</u>	<u>(1,488,163)</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	<u>(2,841)</u>	<u>—</u>	<u>25,624</u>	<u>1,359</u>	<u>1,531</u>	<u>(575,918)</u>	<u>34,955</u>	<u>(680,977)</u>	<u>37,995</u>	<u>10,332</u>	<u>(1,147,940)</u>
Fund Balance - Beginning 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
Fund Balance - End of Year	<u>\$ 102,961</u>	<u>\$ 176,369</u>	<u>\$ 34,831</u>	<u>\$ 74,364</u>	<u>\$ 12,533</u>	<u>\$ 103,300</u>	<u>\$ 115,278</u>	<u>\$ 298,610</u>	<u>\$ 984,975</u>	<u>\$ 148,047</u>	<u>\$ 2,051,268</u>

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

At June 30, 2006

	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	\$ 5,604,631	\$ —	\$ —	\$ 27,825	\$ —	\$ 215,126	\$ —	\$ 850,793
Receivables								
Due from other governments	32,508	—	—	—	54,055	67,222	517,227	—
Due from developers.....	—	—	—	—	1,915,358	—	—	—
Loans	—	576,190	—	—	—	—	—	—
Total Assets	\$ 5,637,139	\$ 576,190	\$ —	\$ 27,825	\$ 1,969,413	\$ 282,348	\$ 517,227	\$ 850,793
Liabilities and Fund Balance								
Liabilities								
Accounts payable	\$ 118,107	\$ —	\$ 3,340	\$ —	\$ 17,010	\$ —	\$ 80,360	\$ 1,766,151
Due to other funds	—	13,958	664,534	—	1,173,388	320,686	541,124	—
Deferred revenue.....	32,508	—	—	—	1,969,413	—	103,641	—
Total Liabilities	150,615	13,958	667,874	—	3,159,811	320,686	725,125	1,766,151
Fund Balance								
Unreserved, undesignated	5,486,524	562,232	(667,874)	27,825	(1,190,398)	(38,338)	(207,898)	(915,358)
Total Liabilities and Fund Balance	\$ 5,637,139	\$ 576,190	\$ —	\$ 27,825	\$ 1,969,413	\$ 282,348	\$ 517,227	\$ 850,793

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

At June 30, 2006

	Oakdale Boulevard Project	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	\$ 10,202	\$ 2,815,834	\$ —	\$ —	\$ 961,497	\$ —	\$ —	\$ 10,485,908
Receivables								
Due from other governments	—	—	148,499	—	278,000	—	—	1,097,511
Due from developers.....	—	—	—	—	—	—	—	1,915,358
Loans	—	—	—	—	—	—	—	576,190
Total Assets	<u>\$ 10,202</u>	<u>\$ 2,815,834</u>	<u>\$ 148,499</u>	<u>\$ —</u>	<u>\$ 1,239,497</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14,074,967</u>
Liabilities and Fund Balance								
Liabilities								
Accounts payable	\$ —	\$ 361,335	\$ —	\$ —	\$ 318,319	\$ 11,506	\$ 90,311	\$ 2,766,439
Due to other funds	38,769	—	337,648	254,208	17,721	476,957	110,674	3,949,667
Deferred revenue.....	—	—	148,499	—	278,000	—	—	2,532,061
Total Liabilities	<u>38,769</u>	<u>361,335</u>	<u>486,147</u>	<u>254,208</u>	<u>614,040</u>	<u>488,463</u>	<u>200,985</u>	<u>9,248,167</u>
Fund Balance								
Unreserved, undesignated	<u>(28,567)</u>	<u>2,454,499</u>	<u>(337,648)</u>	<u>(254,208)</u>	<u>625,457</u>	<u>(488,463)</u>	<u>(200,985)</u>	<u>4,826,800</u>
Total Liabilities and Fund Balance	<u>\$ 10,202</u>	<u>\$ 2,815,834</u>	<u>\$ 148,499</u>	<u>\$ —</u>	<u>\$ 1,239,497</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14,074,967</u>

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

Year Ended June 30, 2006

	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	\$ 106,876	\$ 14,397	\$ —	\$ —	\$ 6,523	\$ —	\$ —	\$ 74,854
Intergovernmental.....	—	—	708,813	—	—	102,501	1,132,769	—
Charges for service	—	—	—	—	—	—	—	—
Miscellaneous.....	—	25,000	—	—	—	—	233,556	1,494
Total Revenue.....	106,876	39,397	708,813	—	6,523	102,501	1,366,325	76,348
Expenditures								
Interest and other charges.....	30,180	—	—	—	—	—	—	—
Capital projects.....	498,284	17,097	1,672,540	—	1,685,282	207,029	3,112,558	6,171,576
Total Expenditures.....	528,464	17,097	1,672,540	—	1,685,282	207,029	3,112,558	6,171,576
Revenue Over (Under) Expenditures.....	(421,588)	22,300	(963,727)	—	(1,678,759)	(104,528)	(1,746,233)	(6,095,228)
Other Financing Sources (Uses)								
Bond proceeds	6,007,242	600,000	500,000	—	1,500,000	—	912,868	5,286,220
Transfers in.....	—	—	620,000	—	—	80,000	1,054,691	—
Transfers out	(98,750)	—	—	—	—	—	—	—
Total Other Financing Sources (Uses).....	5,908,492	600,000	1,120,000	—	1,500,000	80,000	1,967,559	5,286,220
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	5,486,904	622,300	156,273	—	(178,759)	(24,528)	221,326	(809,008)
Fund Balance - Beginning of Year, as previously reported	(380)	(60,068)	(824,147)	27,825	(1,011,639)	(13,810)	(60,980)	(106,350)
Prior period adjustment (Note 16)	—	—	—	—	—	—	(368,244)	—
Fund Balance - Beginning of Year, as Restated (Note 16)	(380)	(60,068)	(824,147)	27,825	(1,011,639)	(13,810)	(429,224)	(106,350)
Fund Balance - End of Year.....	\$ 5,486,524	\$ 562,232	\$ (667,874)	\$ 27,825	\$ (1,190,398)	\$ (38,338)	\$ (207,898)	\$ (915,358)

**Combining Schedule of Revenue, Expenditures and Changes in Fund
Balances - Nonmajor Capital Projects Funds**

Year Ended June 30, 2006

	Oakdale Boulevard Project	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	\$ —	\$ 36,952	\$ —	\$ —	\$ 3,000	\$ —	\$ —	\$ 242,602
Intergovernmental.....	—	—	—	—	—	—	—	1,944,083
Charges for services.....	—	—	—	86,451	—	—	191,406	277,857
Miscellaneous.....	94,959	413	—	—	—	—	6	355,428
Total Revenue.....	94,959	37,365	—	86,451	3,000	—	191,412	2,819,970
Expenditures								
Interest and other charges.....	—	—	—	—	—	—	—	30,180
Capital projects.....	721	5,687,481	609	4,064	721,389	28,238	469,162	20,276,030
Total Expenditures.....	721	5,687,481	609	4,064	721,389	28,238	469,162	20,306,210
Revenue Over (Under) Expenditures.....	94,238	(5,650,116)	(609)	82,387	(718,389)	(28,238)	(277,750)	(17,486,240)
Other Financing Sources (Uses)								
Bond proceeds	—	6,237,510	—	—	—	—	—	21,043,840
Transfers in.....	—	955,371	—	—	—	79,109	—	2,789,171
Transfers out	(79,109)	—	—	—	(883,372)	—	(23,000)	(1,084,231)
Total Other Financing Sources (Uses).....	(79,109)	7,192,881	—	—	(883,372)	79,109	(23,000)	22,748,780
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	15,129	1,542,765	(609)	82,387	(1,601,761)	50,871	(300,750)	5,262,540
Fund Balance - Beginning of Year, as previously reported	(43,696)	911,734	(40,041)	(336,595)	2,227,218	(539,334)	99,765	229,502
Prior period adjustment (Note 16)	—	—	(296,998)	—	—	—	—	(665,242)
Fund Balance - Beginning of Year, as Restated (Note 16)	(43,696)	911,734	(337,039)	(336,595)	2,227,218	(539,334)	99,765	(435,740)
Fund Balance - End of Year.....	\$ (28,567)	\$ 2,454,499	\$ (337,648)	\$ (254,208)	\$ 625,457	\$ (488,463)	\$ (200,985)	\$ 4,826,800

Combining Balance Sheet Schedule - Nonmajor Proprietary Funds

At June 30, 2006

	Solid Waste	Transit	Hotel Parking	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 207,342	\$ 267,930	\$ —	\$ 475,272
Receivables				
Customer accounts	93,091	—	—	93,091
Due from other governments	—	140,170	—	140,170
Inventories and prepaids	<u>17,379</u>	<u>55,425</u>	<u>—</u>	<u>72,804</u>
Total Current Assets	<u>317,812</u>	<u>463,525</u>	<u>—</u>	<u>781,337</u>
Noncurrent Assets				
Restricted Assets				
Cash and cash equivalents	50,000	—	—	50,000
Capital assets (net of accumulated depreciation)	<u>729,207</u>	<u>791,875</u>	<u>—</u>	<u>1,521,082</u>
Total Noncurrent Assets	<u>779,207</u>	<u>791,875</u>	<u>—</u>	<u>1,571,082</u>
Total Assets	<u>\$ 1,097,019</u>	<u>\$ 1,255,400</u>	<u>\$ —</u>	<u>\$ 2,352,419</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 34,052	\$ 19,830	\$ 50	\$ 53,932
Accrued liabilities and compensated absences	21,468	38,849	—	60,317
Due to other funds	—	132,528	312	132,840
Due to other governments	—	1,093	—	1,093
Current maturities of long-term debt	<u>50,000</u>	<u>—</u>	<u>—</u>	<u>50,000</u>
Total Current Liabilities	<u>105,520</u>	<u>192,300</u>	<u>362</u>	<u>298,182</u>
Long-Term Debt	<u>280,000</u>	<u>—</u>	<u>—</u>	<u>280,000</u>
Total Liabilities	<u>385,520</u>	<u>192,300</u>	<u>362</u>	<u>578,182</u>
Net Assets				
Invested in capital assets, net of related debt	399,207	791,875	—	1,191,082
Restricted for debt service	50,000	—	—	50,000
Unrestricted	<u>262,292</u>	<u>271,225</u>	<u>(362)</u>	<u>533,155</u>
Total Net Assets	<u>711,499</u>	<u>1,063,100</u>	<u>(362)</u>	<u>1,774,237</u>
Total Liabilities and Net Assets	<u>\$ 1,097,019</u>	<u>\$ 1,255,400</u>	<u>\$ —</u>	<u>\$ 2,352,419</u>

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

Year Ended June 30, 2006

	Solid Waste	Transit	Hotel Parking	Total
Operating Revenue				
Charges for sales and service	<u>\$ 663,898</u>	<u>\$ 315,411</u>	<u>\$ —</u>	<u>\$ 979,309</u>
Operating Expenses				
Salaries and employee benefits	305,529	708,955	—	1,014,484
Contractual services	39,662	158,579	—	198,241
Commodities	174,231	319,475	362	494,068
Depreciation	<u>46,927</u>	<u>138,782</u>	<u>—</u>	<u>185,709</u>
Total Operating Expenses	<u>566,349</u>	<u>1,325,791</u>	<u>362</u>	<u>1,892,502</u>
Operating Income (Loss)	<u>97,549</u>	<u>(1,010,380)</u>	<u>(362)</u>	<u>(913,193)</u>
Nonoperating Revenue (Expenses)				
Intergovernmental Revenue				
Federal	—	161,598	—	161,598
State	—	232,531	—	232,531
Other revenue	13,900	2,249	—	16,149
Interest expense	<u>(20,490)</u>	<u>—</u>	<u>—</u>	<u>(20,490)</u>
Total Nonoperating Revenue (Expenses)	<u>(6,590)</u>	<u>396,378</u>	<u>—</u>	<u>389,788</u>
Change in Net Assets Before Transfers				
Transfers	90,959	(614,002)	(362)	(523,405)
Transfers in	—	596,753	—	596,753
Transfers out	<u>(12,500)</u>	<u>—</u>	<u>—</u>	<u>(12,500)</u>
Change in Net Assets	78,459	(17,249)	(362)	60,848
Net Assets - Beginning of Year	<u>633,040</u>	<u>1,080,349</u>	<u>—</u>	<u>1,713,389</u>
Net Assets - End of Year	<u>\$ 711,499</u>	<u>\$ 1,063,100</u>	<u>\$ (362)</u>	<u>\$ 1,774,237</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2006

	Solid Waste	Transit	Hotel Parking	Total
Cash Flows From Operating Activities				
Receipts from customers.....	\$ 656,784	\$ 315,411	\$ —	\$ 972,195
Payments to suppliers	(203,284)	(484,273)	—	(687,557)
Payments to employees	(313,901)	(725,007)	—	(1,038,908)
Net Cash Provided by (Used in) Operating Activities	<u>139,599</u>	<u>(893,869)</u>	<u>—</u>	<u>(754,270)</u>
Cash Flows From Noncapital Financing Activities				
Noncapital federal and state grants	—	253,959	—	253,959
Other revenue	13,900	2,249	—	16,149
Net transfers	(12,500)	596,753	—	584,253
Net Cash Provided by Noncapital Financing Activities.....	<u>1,400</u>	<u>852,961</u>	<u>—</u>	<u>854,361</u>
Cash Flows From Capital and Related Financing Activities				
Increase in due to other funds	—	132,528	—	132,528
Purchase of capital assets	(203,728)	(278,692)	—	(482,420)
Repayment of debt.....	(45,000)	—	—	(45,000)
Payment of interest	(20,687)	—	—	(20,687)
Net Cash Used in Capital and Related Financing Activities.....	<u>(269,415)</u>	<u>(146,164)</u>	<u>—</u>	<u>(415,579)</u>
Net Decrease in Cash.....	<u>(128,416)</u>	<u>(187,072)</u>	<u>—</u>	<u>(315,488)</u>
Cash and Cash Equivalents at Beginning of Year	<u>385,758</u>	<u>455,002</u>	<u>—</u>	<u>840,760</u>
Cash and Cash Equivalents at End of Year	<u>\$ 257,342</u>	<u>\$ 267,930</u>	<u>\$ —</u>	<u>\$ 525,272</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss).....	\$ 97,549	\$ (1,010,380)	\$ (362)	\$ (913,193)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities				
Depreciation.....	46,927	138,782	—	185,709
Increase in receivables	(7,115)	—	—	(7,115)
Increase in inventories and prepaids	(5,690)	(17,747)	—	(23,437)
Increase in accounts and retainages payable	17,243	13,519	50	30,812
Decrease in accrued liabilities and compensated absences.....	(8,372)	(16,052)	—	(24,424)
Increase (decrease) in due to other funds and other governments	(943)	(1,991)	312	(2,622)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 139,599</u>	<u>\$ (893,869)</u>	<u>\$ —</u>	<u>\$ (754,270)</u>

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

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Assets				
Notes Receivable.....	<u>\$ 572,000</u>	<u>\$ —</u>	<u>\$ 29,333</u>	<u>\$ 542,667</u>
 Liabilities				
Notes Payable.....	<u>\$ 572,000</u>	<u>\$ —</u>	<u>\$ 29,333</u>	<u>\$ 542,667</u>

Schedule of Revenue by Source and Expenditures by Function All Governmental Funds

Years Ended June 30, 2003 Through 2006

	2006	2005	2004	2003
Revenue				
Property taxes	\$ 8,098,678	\$ 7,542,431	\$ 6,713,588	\$ 6,168,644
TIF and other city taxes	11,397,440	9,586,743	9,099,939	7,911,524
Special assessments	882,838	1,227,337	1,536,066	1,473,270
Licenses and permits	730,436	659,633	596,342	563,513
Use of money and property	2,438,667	1,353,761	323,054	284,584
Intergovernmental	5,499,728	3,519,790	3,558,617	4,605,928
Charges for service	1,425,389	1,393,208	1,596,393	912,440
Miscellaneous	<u>812,366</u>	<u>871,612</u>	<u>892,575</u>	<u>702,272</u>
Total Revenue	<u>\$ 31,285,542</u>	<u>\$ 26,154,515</u>	<u>\$ 24,316,574</u>	<u>\$ 22,622,175</u>
Expenditures				
Operating				
Public safety	\$ 3,940,020	\$ 3,404,787	\$ 3,034,531	\$ 2,894,491
Public works	1,429,082	1,300,160	1,189,911	1,330,057
Health and social services	130,441	105,521	79,762	42,059
Culture and recreation	3,953,353	3,833,780	3,479,381	3,352,081
Community and economic development	1,753,471	928,797	666,021	589,598
General government	1,546,342	1,457,547	1,524,885	1,306,679
Debt service	18,828,354	8,748,113	25,197,407	6,572,540
Capital projects	<u>53,606,579</u>	<u>27,810,276</u>	<u>20,809,981</u>	<u>11,211,016</u>
Total Expenditures	<u>\$ 85,187,642</u>	<u>\$ 47,588,981</u>	<u>\$ 55,981,879</u>	<u>\$ 27,298,521</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, 2006, and have issued our report thereon dated January 11, 2007. 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 of Coralville, Iowa'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 an opinion on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the City of Coralville, Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider Item 06-II-R-1 to be a material weakness.

Steven K. Duggan Dennis E. Hogan
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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 or other matters that are described in Section IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 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
January 11, 2007

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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, 2006. 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, 2006.

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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
January 11, 2007

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

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 Education			
Indirect			
Pass-Through Iowa Department of Education Summer Food Service Program for Children .	10.559	528039	<u>\$ 9,754</u>
U.S. Department of Transportation			
Direct			
Federal Transit - Formula Grants.....	20.507	IA-90-X263 Equipment	140,170 <u>21,428</u> <u>161,598</u>
Indirect			
Pass-Through Iowa Department of Transportation Highway Planning and Construction	20.205	STP-U-1557(617)--70-52 STP-E-1557(620)--8V-52 STP-U-1157(621)-70-52	708,796 132,000 <u>631,756</u> <u>1,472,552</u>
Pass-Through Governor's Traffic Safety Bureau Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants.....	20.601	PAP03-04, Task 08	<u>2,150</u>
Total U.S. Department of Transportation			<u>1,636,300</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	13,726 <u>274,446</u> <u>288,172</u>
U.S. Department of Homeland Security			
Direct			
Assistance to Firefighters Grant.....	97.044	EMW-2005-FG-08755	<u>63,384</u>
Total Expenditures of Federal Awards			<u>\$ 1,997,610</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, 2006

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Qualified

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, 2006

Section II: Findings Related to the Financial Statements:

Instances of Noncompliance

There were no reported instances of noncompliance.

Reportable Conditions

06-II-R-1 Proper Review and Approval of Vendor Invoices

Finding - During our audit, we found that the invoices for a consultant being used as part of the hotel and conference center construction were being approved by the Coralville Hospitality Corporation (a blended component unit) Board of Directors and paid by the City without any further review by the City finance department staff. We identified a few questionable expenses totaling approximately \$1,000.

Auditor's Recommendation - We recommend that all expenditures of City funds be processed through the internal control system of the City in the same manner, regardless of the nature of the project or any other management oversight which may be occurring in conjunction with the expenditures.

City's Response - The City is now processing all of the consultant invoices in the same manner as all other City invoices. The City has also reviewed all of the previously paid invoices to identify questionable expenses and they have been deducted from invoices in FY 07.

Auditor's Conclusion - Response accepted.

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

06-IV-A Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

City's Response - The budget will be amended in the future, if applicable.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2006

- 06-IV-B 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, except as noted in finding 06-II-R-1 above.
- 06-IV-C Travel Expense** - No disbursements of the City of Coralville money for travel expenses of spouses of City officials or employees were noted.
- 06-IV-D Business Transactions** - We noted no business transactions between the City of Coralville officials or employees and the City exceeding \$1,500 in the aggregate.
- 06-IV-E 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.
- 06-IV-F 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.
- 06-IV-G 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.
- 06-IV-H 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.
- 06-IV-I Financial Condition** - The funds listed below had deficit balances at June 30, 2006 as noted:

Special Revenue	
Police Grants	\$ 7,033
Capital Projects	
Storm Water Projects	200,985
Street Projects	207,898
Highway 6 Widening Project	667,874
Camp Cardinal Road Project	1,190,398
12th Avenue Urban Renewal Project	915,358
Oakdale Boulevard Project	28,567
First Avenue/Clear Creek Project	337,648
North Corridor Land Use Project	254,208
Highway 6/22nd Avenue	488,463
Trail Projects	38,338
Proprietary Funds	
Hotel Parking	362

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.