

**CITY OF CORALVILLE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008**

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Officials

Elected Officials

Name	Title	Term Expires
Jim L. Fausett	Mayor	January 1, 2010
Thomas Gill	Council Member	January 1, 2010
Henry Herwig	Council Member	January 1, 2010
John Lundell	Council Member	January 1, 2010
Mitch Gross	Council Member	January 1, 2012
John Weihe	Council Member	January 1, 2012

Appointed Officials

Kelly Hayworth	City Administrator	Indefinite
Thorsten Johnson	City Clerk	Indefinite
Kathryn Scheetz	Deputy City Clerk	Indefinite
Teresa Kaeding	City Finance Officer	Indefinite
Donald L. Diehl	City Attorney	Indefinite
Kevin Olson	Assistant City Attorney	Indefinite

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Coralville, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the City of Coralville, Iowa'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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2008 Form 990 filing with the Internal Revenue Service and other internal records, the component unit would have reported assets of \$13,426, liabilities of \$82,086, net deficit of \$95,512, revenue of \$191,175 and expenses of \$19,710 at and for the year ended June 30, 2008.

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, 2008, or the changes in financial position thereof for the year then ended.

To the Honorable Mayor and
Members of the City Council
City of Coralville, Iowa
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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 and the aggregate remaining fund information of the City of Coralville, Iowa, at June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 23, 2009 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 required supplementary information. 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, 2007 (which are not presented herein) and expressed qualified opinions on the 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, *Audits of States, Local Governments and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
January 23, 2009

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, 2008.

Financial Highlights

- The assets of the City of Coralville exceeded its liabilities at June 30, 2008 and 2007, by \$81,737,849 and \$78,293,971, respectively, (net assets). Of this amount, \$11,814,863 and \$10,393,576, 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 \$15,004,786, a decrease of 21% as compared to the prior fiscal year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,062,617, or 40%, of the 2008 total general fund expenditures. At June 30, 2007, unreserved general fund balance was \$5,022,386, or 44%, of the 2007 total general fund expenditures.
- Total governmental long-term debt decreased by approximately \$3.4 million during the current fiscal year. The City issued \$19,295,000 of new debt and retired \$22,706,292 of existing debt.
- Total business-type activity debt decreased by approximately \$1.2 million.

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, 2008 and 2007 follows.

City of Coralville's Net Assets

	2008			2007		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 34,408,997	\$ 6,732,829	\$ 41,141,826	\$ 39,454,902	\$ 6,012,084	\$ 45,466,986
Restricted assets	6,365,355	7,825,773	14,191,128	7,523,538	8,585,123	16,108,661
Capital assets	166,763,594	109,594,044	276,357,638	154,820,119	114,253,540	269,073,659
Other noncurrent assets	4,390,320	—	4,390,320	4,788,251	—	4,788,251
Total Assets	<u>\$ 211,928,266</u>	<u>\$ 124,152,646</u>	<u>\$ 336,080,912</u>	<u>\$ 206,586,810</u>	<u>\$ 128,850,747</u>	<u>\$ 335,437,557</u>
Current liabilities	\$ 49,836,397	\$ 4,424,302	\$ 54,260,699	\$ 40,816,168	\$ 3,353,293	\$ 44,169,461
Noncurrent liabilities	138,872,658	61,209,706	200,082,364	149,599,106	63,375,019	212,974,125
Total Liabilities	<u>\$ 188,709,055</u>	<u>\$ 65,634,008</u>	<u>\$ 254,343,063</u>	<u>\$ 190,415,274</u>	<u>\$ 66,728,312</u>	<u>\$ 257,143,586</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 7,662,239	\$ 52,631,537	\$ 60,293,776	\$ (2,707,846)	\$ 56,766,102	\$ 54,058,256
Restricted	8,244,743	1,384,467	9,629,210	6,018,818	7,823,321	13,842,139
Unrestricted	7,312,229	4,502,634	11,814,863	12,860,564	(2,466,988)	10,393,576
Total Net Assets	<u>\$ 23,219,211</u>	<u>\$ 58,518,638</u>	<u>\$ 81,737,849</u>	<u>\$ 16,171,536</u>	<u>\$ 62,122,435</u>	<u>\$ 78,293,971</u>

\$9,629,210 of the City of Coralville's net assets (12%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets totaling \$11,814,863 (14%) 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 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 the hotel and conference center, water, sewer, solid waste, transit, hotel parking and golf activities.

Statement of Activities

A condensed version of the Statement of Activities as of June 30, 2008 and 2007 follows:

City of Coralville's Governmental and Business-Type Activities

	2008			2007		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenue						
Charges for services	\$ 2,396,644	\$ 20,003,925	\$ 22,400,569	\$ 2,486,528	\$ 16,965,753	\$ 19,452,281
Operating grants and contributions	3,148,818	574,940	3,723,758	1,730,041	565,913	2,295,954
Capital grants and contributions	1,771,767	—	1,771,767	11,326,269	—	11,326,269
Other General Revenue						
Property taxes	22,595,145	—	22,595,145	20,976,874	—	20,976,874
Other taxes	2,343,060	—	2,343,060	2,089,372	—	2,089,372
Other	964,090	327,584	1,291,674	1,392,954	811,810	2,204,764
Total Revenue	33,219,524	20,906,449	54,125,973	40,002,038	18,343,476	58,345,514
Expenses						
Public safety	4,468,606	—	4,468,606	3,687,594	—	3,687,594
Public works	1,766,088	—	1,766,088	1,558,553	—	1,558,553
Health and social services	86,859	—	86,859	114,444	—	114,444
Culture and recreation	4,583,108	—	4,583,108	5,209,559	—	5,209,559
Community and economic development	3,730,534	—	3,730,534	2,956,141	—	2,956,141
General government	1,856,267	—	1,856,267	1,948,498	—	1,948,498
Depreciation - unallocated	11,393	—	11,393	11,393	—	11,393
Interest on long-term debt	8,101,941	—	8,101,941	8,509,377	—	8,509,377
Hotel and conference center	—	15,700,403	15,700,403	—	13,641,510	13,641,510
Water	—	1,632,719	1,632,719	—	1,633,031	1,633,031
Sewer	—	2,181,174	2,181,174	—	2,088,912	2,088,912
Golf	—	2,334,102	2,334,102	—	2,455,619	2,455,619
Solid waste	—	642,588	642,588	—	616,276	616,276
Transit	—	1,464,127	1,464,127	—	1,437,681	1,437,681
Hotel parking	—	647,340	647,340	—	441,813	441,813
Total Expenses	24,604,796	24,602,453	49,207,249	23,995,559	22,314,842	46,310,401
Increase (Decrease) in Net Assets						
Before Transfers	8,614,728	(3,696,004)	4,918,724	16,006,479	(3,971,366)	12,035,113
Transfers	(92,207)	92,207	—	(41,536,450)	41,536,450	—
Increase (Decrease) in Net Assets	8,522,521	(3,603,797)	4,918,724	(25,529,971)	37,565,084	12,035,113
Beginning net assets (restated)	14,696,690	62,122,435	76,819,125	41,701,507	24,557,351	66,258,858
Ending Net Assets	\$ 23,219,211	\$ 58,518,638	\$ 81,737,849	\$ 16,171,536	\$ 62,122,435	\$ 78,293,971

Governmental Activities

Total governmental activities' revenue was \$33,219,524 and \$40,002,038 for the years ended June 30, 2008 and 2007, respectively. The largest single revenue source for the City was property and other taxes of \$24,938,205 and \$23,066,246 recorded for the years ended June 30, 2008 and 2007, respectively, which includes property taxes paid in the Tax Increment Financing Areas of the City. The increase is a result of 6.17% increase in the assessed value of property and a 6.5% 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.

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 over 30 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 General Obligation Bonds Fund, all of which are considered to be major funds. Data from the 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 approximately \$15,000,000. Approximately \$7,000,000 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 (\$7,392,661) 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 \$5,062,617, while total fund balance reached \$5,552,779. Unreserved fund balance represents 91% of total General Fund balance. The General Fund revenue increased approximately \$1,400,000, or 14% over fiscal year 2007, while expenditures increased approximately \$1,400,000, or 12%, over the prior year. Key factors in this increase included an increase in property and other city taxes and increases in federal and state grant revenue, 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 hotel and conference center, 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 hotel and conference center, water fund, sewer fund and golf fund, as these are considered major funds of the City. Data from the other three 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 \$3,000,000, or 18%, over the prior year, while operating expenses increased approximately \$2,000,000, or 10%. Proprietary funds reported total decrease in net assets of \$3,603,797 compared to an increase of \$37,565,084 in the prior year. The decrease was mainly attributable to large transfers in from governmental funds in 2007 and increases in 2008 depreciation and interest expense.

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 and to account for the operations of the hotel and conference center.

The following table presented on a budgetary basis (cash basis) demonstrates the statutory compliance with the annual fiscal year 2008 budget.

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Governmental Fund Types	Proprietary Funds	Total	
Receipts						
Property taxes	\$ 9,523,191	\$ 9,523,191	\$ 9,738,916	\$ —	\$ 9,738,916	\$ 215,725
Tax increment financing	12,686,045	12,686,045	12,642,156	—	12,642,156	(43,889)
Other city taxes	2,301,768	2,301,768	1,996,902	—	1,996,902	(304,866)
Licenses and permits	577,650	399,171	413,457	—	413,457	14,286
Use of money and property	342,200	949,119	969,324	453,319	1,422,643	473,524
Intergovernmental	3,751,417	5,830,947	5,570,672	654,479	6,225,151	394,204
Charges for services	9,540,312	24,415,812	1,569,818	21,903,533	23,473,351	(942,461)
Special assessments	691,625	1,342,446	1,267,799	—	1,267,799	(74,647)
Miscellaneous	3,305,851	3,851,088	1,385,020	66,675	1,451,695	(2,399,393)
Total Receipts	42,720,059	61,299,587	35,554,064	23,078,006	58,632,070	(2,667,517)
Disbursements						
Public safety	3,943,233	4,131,271	3,915,042	—	3,915,042	(216,229)
Public works	1,964,774	1,964,774	1,636,917	—	1,636,917	(327,857)
Health and social services	97,135	97,135	86,859	—	86,859	(10,276)
Culture and recreation	4,435,900	4,523,403	4,403,259	—	4,403,259	(120,144)
Community and economic development	1,273,457	1,895,917	1,875,158	—	1,875,158	(20,759)
General government	2,457,845	2,737,845	2,729,436	—	2,729,436	(8,409)
Debt service	19,827,968	32,887,968	32,860,577	—	32,860,577	(27,391)
Capital projects	6,120,582	15,704,582	15,326,276	—	15,326,276	(378,306)
Business-type activities	9,334,604	20,859,604	—	20,840,975	20,840,975	(18,629)
Total Disbursements	49,455,498	84,802,499	62,833,524	20,840,975	83,674,499	(1,128,000)
Receipts Over (Under) Disbursements	(6,735,439)	(23,502,912)	(27,279,460)	2,237,031	(25,042,429)	(1,539,517)
Other Financing Sources (Uses)						
Other financing sources	19,242,854	36,096,494	41,817,336	1,943,244	43,760,580	7,664,086
Other financing uses	(13,242,854)	(18,972,399)	(20,363,425)	(4,401,661)	(24,765,086)	(5,792,687)
Total Other Financing Sources (Uses)	6,000,000	17,124,095	21,453,911	(2,458,417)	18,995,494	1,871,399
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses						
Balance - Beginning of Year	17,188,786	27,256,856	16,512,138	10,744,718	27,256,856	
Balance - End of Year	\$ 16,453,347	\$ 20,878,039	\$ 10,686,589	\$ 10,523,332	\$ 21,209,921	\$ 331,882

The fiscal year 2008 budget amendment resulted in an overall increase in total appropriations. The timing of improvements in the capital projects funds, operations of the hotel and conference center and debt refunding issues increased the fiscal year 2008 expenditures significantly.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008, 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 2008 or under construction at June 30, 2008. The City retroactively reported infrastructure assets placed in service prior to July 1, 2004 during the fiscal year ended June 30, 2008.

Capital Assets at Fiscal Year End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 57,268,721	\$ 53,663,347	\$ 3,545,093	\$ 3,545,093	\$ 60,813,814	\$ 57,208,440
Land improvements	18,789,690	15,821,906	—	—	18,789,690	15,821,906
Buildings and improvements	17,031,830	10,632,526	91,577,206	94,388,563	108,609,036	105,021,089
Infrastructure	62,499,396	57,383,282	—	—	62,499,396	57,383,282
Machinery and equipment	6,767,084	6,431,220	14,240,887	16,210,952	21,007,971	22,642,172
Construction-in-progress	4,376,873	10,887,838	230,858	108,932	4,607,731	10,996,770
Total	\$ 166,733,594	\$ 154,820,119	\$ 109,594,044	\$ 114,253,540	\$ 276,327,638	\$ 269,073,659

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.

The following summarizes maturities of principal and interest on bonded debt outstanding at June 30, 2008:

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		
2009	\$16,700,000	\$ 3,881,163	\$ 3,410,000	\$ 3,506,602	\$ 340,000	\$ 18,360	\$ 1,746,000	\$ 319,921	\$ 22,196,000	\$ 7,726,046
2010	6,635,000	3,094,957	3,910,000	3,348,890	—	—	871,000	258,259	11,416,000	6,702,106
2011	4,760,000	2,832,577	3,885,000	3,164,334	—	—	887,000	214,606	9,532,000	6,211,517
2012	6,265,000	2,663,169	3,490,000	2,983,410	—	—	923,000	185,814	10,678,000	5,832,393
2013	6,135,000	2,397,528	3,650,000	2,820,642	—	—	885,000	148,053	10,670,000	5,366,223
2014-2018	33,905,000	7,622,890	19,940,000	11,456,958	—	—	2,147,000	324,581	55,992,000	19,404,429
2019-2023	9,915,000	2,075,357	2,670,000	8,140,971	—	—	821,000	72,434	13,406,000	10,288,762
2024-2028	2,905,000	265,183	4,525,000	7,465,658	—	—	—	—	7,430,000	7,730,841
2029-2033	—	—	3,655,000	6,447,923	—	—	—	—	3,655,000	6,447,923
2034-2038	—	—	8,805,000	4,558,904	—	—	—	—	8,805,000	4,558,904
2039-2043	—	—	6,400,000	2,483,750	—	—	—	—	6,400,000	2,483,750
2044-2047	—	—	5,945,000	767,000	—	—	—	—	5,945,000	767,000
	87,220,000	24,832,824	70,285,000	57,145,042	340,000	18,360	8,280,000	1,523,668	166,125,000	83,519,894
Net unamortized bond premium (discount)	(169,259)	—	415,665	—	—	—	6,700	—	253,106	—
Net	\$87,050,741	\$24,832,824	\$70,700,665	\$57,145,042	\$ 340,000	\$ 18,360	\$ 8,286,700	\$ 1,523,668	\$ 166,378,106	\$83,519,894

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 32 of the Notes to the Financial Statements.

Economic Factors

- Retail sales for the City of Coralville for 2008 were approximately \$625,200,000 compared to \$580,000,000 for 2007.
- The total value of building permits issued during calendar year 2008 was \$42,009,160. This compares with an amount of \$49,074,307 for 2007. This amount represents a 15% decrease.

Next Year's Budget and Rates

- Water, Sewer and Storm Water Management rates will remain approximately the same for fiscal year 2009 as fiscal year 2008. The Solid Waste bi-monthly rate was increased \$4 and other related fees for various stickers were increased as well.
- The City tax levy rate for fiscal year 2009 will raise to \$13.419 up from \$13.286 in 2008 and includes a library levy for debt service of 0.218.
- Property taxes provide about 59% of General Fund revenue. Over the past five years, City-wide assessed values have increased an average of 47%, while property tax limitations imposed by the State of Iowa have held taxable values to an average annual growth rate of 37%.

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 has been completed. The City is 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. The City is in the design and engineering phase for a new fire station to be located in the northern part of the City. 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, 2008

	Governmental Activities	Business- Type Activities	Total
Assets			
Current Assets			
Cash and pooled investments	\$ 6,001,532	\$ 1,184,854	\$ 7,186,386
Receivables			
Property Taxes			
Current year delinquent, net of allowance for uncollectible taxes.....	358,890	—	358,890
Succeeding year	24,870,100	—	24,870,100
Assets held by property manager	—	719,105	719,105
Customer accounts, net of allowance for uncollectible accounts.....	—	1,453,506	1,453,506
Due from other governments	—	24,000	24,000
Internal balances.....	(1,546,276)	1,546,276	—
Due from developers.....	3,647,668	—	3,647,668
Special assessments	522,406	—	522,406
Other	51,121	128,999	180,120
Inventories and prepaids.....	503,556	1,676,089	2,179,645
Total Current Assets	<u>34,408,997</u>	<u>6,732,829</u>	<u>41,141,826</u>
Restricted Assets			
Cash and pooled investments	6,365,355	1,469,737	7,835,092
Beneficial interest in a trust	—	6,356,036	6,356,036
Total Restricted Assets	<u>6,365,355</u>	<u>7,825,773</u>	<u>14,191,128</u>
Noncurrent Assets			
Loans, net of allowance for uncollectible amounts	3,927,333	—	3,927,333
Special assessments.....	462,987	—	462,987
Capital assets, net of accumulated depreciation	166,763,594	109,594,044	276,357,638
Total Noncurrent Assets	<u>171,153,914</u>	<u>109,594,044</u>	<u>280,747,958</u>
Total Assets	<u>\$ 211,928,266</u>	<u>\$ 124,152,646</u>	<u>\$ 336,080,912</u>

See accompanying notes to the financial statements.

	Governmental Activities	Business- Type Activities	Total
Liabilities			
Current Liabilities			
Accounts and retainages payable	\$ 2,559,657	\$ 1,251,325	\$ 3,810,982
Accrued expenses	1,313,243	1,064,140	2,377,383
Revenue bonds payable.....	—	361,533	361,533
General obligation bonds payable.....	16,700,000	—	16,700,000
Special assessment bonds payable	340,000	—	340,000
Other loans payable	118,697	7,837	126,534
Capital lease.....	—	355,000	355,000
Deferred Revenue			
Succeeding year property taxes	24,870,100	—	24,870,100
Special assessments	524,700	—	524,700
Current Liabilities Payable From Restricted Assets			
Tax increment financing bonds payable...	3,410,000	—	3,410,000
Revenue bonds payable	—	1,384,467	1,384,467
Total Current Liabilities	<u>49,836,397</u>	<u>4,424,302</u>	<u>54,260,699</u>
Noncurrent Liabilities			
Revenue bonds payable.....	—	6,540,700	6,540,700
General obligation bonds payable	70,350,741	—	70,350,741
Tax increment financing bonds payable	67,290,665	—	67,290,665
Other loans payable	1,231,252	151,008	1,382,260
Capital lease.....	—	54,517,998	54,517,998
Total Noncurrent Liabilities	<u>138,872,658</u>	<u>61,209,706</u>	<u>200,082,364</u>
Total Liabilities	<u>188,709,055</u>	<u>65,634,008</u>	<u>254,343,063</u>
Net Assets			
Invested in capital assets, net of related debt .	7,662,239	52,631,537	60,293,776
Restricted For			
Debt service	7,392,661	1,384,467	8,777,128
Special revenue - road use taxes	852,082	—	852,082
Unrestricted	7,312,229	4,502,634	11,814,863
Total Net Assets	<u>23,219,211</u>	<u>58,518,638</u>	<u>81,737,849</u>
Total Liabilities and Net Assets	<u>\$ 211,928,266</u>	<u>\$ 124,152,646</u>	<u>\$ 336,080,912</u>

Statement of Activities

Year Ended June 30, 2008

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	\$ 4,468,606	\$ 19,214	\$ 114,355	\$ 47,866	\$ (4,287,171)	\$ —	\$ (4,287,171)
Public works	1,766,088	37,802	1,494,467	—	(233,819)	—	(233,819)
Health and social services	86,859	—	—	—	(86,859)	—	(86,859)
Culture and recreation	4,583,108	1,241,712	126,473	15,641	(3,199,282)	—	(3,199,282)
Community and economic development	3,730,534	470,107	—	468,297	(2,792,130)	—	(2,792,130)
General government	1,856,267	627,809	1,413,523	—	185,065	—	185,065
Depreciation - unallocated	11,393	—	—	—	(11,393)	—	(11,393)
Interest on long-term debt	8,101,941	—	—	1,239,963	(6,861,978)	—	(6,861,978)
Total Governmental Activities	24,604,796	2,396,644	3,148,818	1,771,767	(17,287,567)	—	(17,287,567)
Business-Type Activities							
Hotel and conference center	15,700,403	11,669,465	—	—	—	(4,030,938)	(4,030,938)
Water	1,632,719	2,081,404	605	—	—	449,290	449,290
Sewer	2,181,174	2,565,040	164	—	—	384,030	384,030
Golf	2,334,102	1,943,110	1,011	—	—	(389,981)	(389,981)
Solid waste	642,588	878,003	—	—	—	235,415	235,415
Transit	1,464,127	438,515	573,160	—	—	(452,452)	(452,452)
Hotel parking	647,340	428,388	—	—	—	(218,952)	(218,952)
Total Business-Type Activities	24,602,453	20,003,925	574,940	—	—	(4,023,588)	(4,023,588)
Total	\$ 49,207,249	\$ 22,400,569	\$ 3,723,758	\$ 1,771,767	(17,287,567)	(4,023,588)	(21,311,155)
General Revenue							
Taxes							
Property taxes levied for general purposes					7,528,742	—	7,528,742
Property taxes levied for debt service					2,257,734	—	2,257,734
Tax increment financing taxes					12,808,669	—	12,808,669
Other taxes					2,343,060	—	2,343,060
Investment earnings					806,180	453,324	1,259,504
Loss on disposal of capital assets					—	(125,894)	(125,894)
Miscellaneous					157,910	154	158,064
Total General Revenue					25,902,295	327,584	26,229,879
Change in Net Assets Before Other Financing Sources (Uses)					8,614,728	(3,696,004)	4,918,724
Other Financing Sources (Uses)							
Transfers					(92,207)	92,207	—
Change in Net Assets					8,522,521	(3,603,797)	4,918,724
Net Assets - Beginning of Year, as Previously Reported					16,171,536	62,122,435	78,293,971
Prior period adjustment (Note 17)					(1,474,846)	—	(1,474,846)
Net Assets - Beginning of Year, as Restated					14,696,690	62,122,435	76,819,125
Net Assets - End of Year					\$ 23,219,211	\$ 58,518,638	\$ 81,737,849

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

At June 30, 2008

	General Fund	Special Revenue - Tax Increment Financing	Debt Service - General Obligation Bonds	Other Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 1,488,383	\$ 28,215	\$ 121,116	\$ 4,363,818	\$ 6,001,532
Receivables					
Property Taxes					
Current year delinquent	102,257	187,197	36,861	32,575	358,890
Succeeding year	6,049,261	14,458,577	2,379,172	1,983,090	24,870,100
Loans	—	3,351,143	—	576,190	3,927,333
Due from other funds	3,283,081	260,000	31,190	38,769	3,613,040
Due from other governments	1,315,984	—	—	2,331,684	3,647,668
Other	51,121	—	—	—	51,121
Special assessments	—	—	—	985,393	985,393
Inventories and prepaids	490,162	—	—	13,394	503,556
Restricted Assets					
Cash and pooled investments	—	5,809,502	—	555,853	6,365,355
Total Assets	\$ 12,780,249	\$ 24,094,634	\$ 2,568,339	\$ 10,880,766	\$ 50,323,988
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 788,933	\$ 97,097	\$ —	\$ 1,673,627	\$ 2,559,657
Accrued liabilities	71,379	—	—	—	71,379
Due to other funds	260,000	2,205,036	—	2,694,280	5,159,316
Deferred Revenue					
Succeeding years property taxes	6,049,261	14,458,577	2,379,172	1,983,090	24,870,100
Special assessments	—	—	—	524,700	524,700
Other	57,897	—	—	2,076,153	2,134,050
Total Liabilities	7,227,470	16,760,710	2,379,172	8,951,850	35,319,202
Fund Balances					
Reserved for					
Other	—	—	—	483,350	483,350
Debt service	—	5,809,502	189,167	1,393,992	7,392,661
Inventories and prepaids	490,162	—	—	13,394	503,556
Unreserved	5,062,617	1,524,422	—	489,702	7,076,741
Unreserved, Reported in					
Nonmajor Funds					
Special revenue funds	—	—	—	428,685	428,685
Capital projects funds	—	—	—	(880,207)	(880,207)
Total Fund Balances	5,552,779	7,333,924	189,167	1,928,916	15,004,786
Total Liabilities and Fund Balances	\$ 12,780,249	\$ 24,094,634	\$ 2,568,339	\$ 10,880,766	\$ 50,323,988

See accompanying notes to the financial statements.

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

At June 30, 2008

Total Fund Balances for Governmental Funds (Page 14).....	\$ 15,004,786
 <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	2,134,050
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds	166,763,594
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.....	(87,050,741)
Tax increment financing bonds payable.....	(70,700,665)
Special assessment bonds payable	(340,000)
Other loans payable	(1,349,949)
Accrued interest payable.....	(689,767)
Compensated absences	<u>(552,097)</u>
Net Assets of Governmental Activities (Page 12)	<u>\$ 23,219,211</u>

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

Year Ended June 30, 2008

	General Fund	Special Revenue - Tax Increment Financing	Debt Service - General Obligation Bonds	Other Govern- mental Funds	Total
Revenue					
Property taxes	\$ 5,717,515	\$ —	\$ 2,257,736	\$ 1,802,474	\$ 9,777,725
TIF and other city taxes	2,222,185	12,808,669	—	—	15,030,854
Special assessments	—	—	—	1,239,963	1,239,963
Licenses and permits	474,595	—	—	—	474,595
Use of money and property	263,663	431,016	29,981	221,543	946,203
Intergovernmental	1,675,791	—	—	3,675,235	5,351,026
Charges for services	1,311,687	—	—	369,035	1,680,722
Miscellaneous	203,304	45,080	—	1,289,280	1,537,664
Total Revenue	<u>11,868,740</u>	<u>13,284,765</u>	<u>2,287,717</u>	<u>8,597,530</u>	<u>36,038,752</u>
Expenditures					
Operating					
Public safety	4,183,838	—	—	17,347	4,201,185
Public works	499,405	—	—	1,136,283	1,635,688
Health and social services	86,859	—	—	—	86,859
Culture and recreation	4,819,255	—	—	105,881	4,925,136
Community and economic development	1,299,545	524,677	—	75	1,824,297
General government	1,852,344	—	—	—	1,852,344
Debt Service					
Principal	—	11,334,381	1,546,694	330,000	13,211,075
Interest and other charges	—	7,075,757	962,917	171,132	8,209,806
Capital projects	—	—	—	13,730,878	13,730,878
Total Expenditures	<u>12,741,246</u>	<u>18,934,815</u>	<u>2,509,611</u>	<u>15,491,596</u>	<u>49,677,268</u>
Revenue Under Expenditures	<u>(872,506)</u>	<u>(5,650,050)</u>	<u>(221,894)</u>	<u>(6,894,066)</u>	<u>(13,638,516)</u>
Other Financing Sources (Uses)					
Bond proceeds	—	4,600,000	138,588	5,080,412	9,819,000
Refunding bonds issued	—	4,601,000	4,875,000	—	9,476,000
Refunding bond principal payments	—	(4,601,000)	(4,875,000)	—	(9,476,000)
Transfers in	2,313,783	3,127,437	145,210	4,175,617	9,762,047
Transfers out	(1,299,810)	(4,524,009)	—	(4,030,435)	(9,854,254)
Total Other Financing Sources (Uses)	<u>1,013,973</u>	<u>3,203,428</u>	<u>283,798</u>	<u>5,225,594</u>	<u>9,726,793</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses ...	141,467	(2,446,622)	61,904	(1,668,472)	(3,911,723)
Fund Balances - Beginning of Year	<u>5,411,312</u>	<u>9,780,546</u>	<u>127,263</u>	<u>3,597,388</u>	<u>18,916,509</u>
Fund Balances - End of Year	<u>\$ 5,552,779</u>	<u>\$ 7,333,924</u>	<u>\$ 189,167</u>	<u>\$ 1,928,916</u>	<u>\$ 15,004,786</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, 2008

Changes in Fund Balances - Total Governmental Funds
(Page 16) **\$ (3,911,723)**

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	\$ 15,969,439	
Depreciation expense	<u>(4,145,964)</u>	11,823,475

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	\$ (19,295,000)	
Long-term debt principal repaid	22,725,508	
Amortization of discounts and premiums	(19,216)	
Increase in accrued interest	<u>88,648</u>	3,499,940

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 (2,819,228)

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 (69,943)

Change in Net Assets of Governmental Activities (Page 13) **\$ 8,522,521**

Statement of Net Assets - Proprietary Funds

At June 30, 2008

	Hotel and Conference Center	Water	Sewer	Golf	Nonmajor Proprietary Funds	Total
Assets						
Current Assets						
Cash and pooled invest- ments.....	\$ 546,455	\$ —	\$ —	10,000	\$ 628,399	\$ 1,184,854
Receivables						
Assets held by property manager.....	602,908	—	—	116,197	—	719,105
Customer accounts	447,659	340,040	467,598	85,845	112,364	1,453,506
Due from other funds.....	—	959,618	1,074,921	—	492,730	2,527,269
Due from other governments	—	—	—	—	24,000	24,000
Other.....	—	—	—	—	128,999	128,999
Inventories and prepaids.....	1,138,057	88,655	89,018	273,835	86,524	1,676,089
Total Current Assets....	2,735,079	1,388,313	1,631,537	485,877	1,473,016	7,713,822
Noncurrent Assets						
Restricted Assets						
Cash and pooled investments.....	—	349,322	985,145	—	135,270	1,469,737
Beneficial interest in a trust.....	5,559,364	—	—	796,672	—	6,356,036
Capital assets (net of accumulated depreciation)	63,271,232	7,273,461	17,199,438	11,213,922	10,635,991	109,594,044
Total Noncurrent Assets	68,830,596	7,622,783	18,184,583	12,010,594	10,771,261	117,419,817
Total Assets.....	\$ 71,565,675	\$ 9,011,096	\$ 19,816,120	\$ 12,496,471	\$ 12,244,277	\$ 125,133,639
Liabilities and Net Assets						
Current Liabilities						
Accounts payable.....	\$ 721,808	\$ 132,026	\$ 48,382	\$ 226,322	\$ 119,516	\$ 1,248,054
Retainage payable	—	3,271	—	—	—	3,271
Accrued liabilities and compensated absences	671,547	121,298	54,407	125,285	91,603	1,064,140
Due to other funds.....	—	—	—	839,478	141,515	980,993
Current maturities of long- term debt	355,000	225,000	1,466,000	7,837	55,000	2,108,837
Total Current Liabilities	1,748,355	481,595	1,568,789	1,198,922	407,634	5,405,295
Long-Term Debt	46,170,812	1,122,210	5,243,490	8,498,194	175,000	61,209,706
Total Liabilities	47,919,167	1,603,805	6,812,279	9,697,116	582,634	66,615,001
Net Assets						
Invested in capital assets, net of related debt.....	22,304,784	5,926,251	10,489,948	3,504,563	10,405,991	52,631,537
Restricted for debt service ..	—	349,322	985,145	—	50,000	1,384,467
Unrestricted.....	1,341,724	1,131,718	1,528,748	(705,208)	1,205,652	4,502,634
Total Net Assets	23,646,508	7,407,291	13,003,841	2,799,355	11,661,643	58,518,638
Total Liabilities and Net Assets	\$ 71,565,675	\$ 9,011,096	\$ 19,816,120	\$ 12,496,471	\$ 12,244,277	\$ 125,133,639

See accompanying notes to the financial statements.

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

Year Ended June 30, 2008

	Hotel and Conference Center	Water	Sewer	Golf	Nonmajor Proprietary Funds	Total
Operating Revenue						
Charges for sales and service	<u>\$ 11,669,465</u>	<u>\$ 2,081,404</u>	<u>\$ 2,565,040</u>	<u>\$ 1,943,110</u>	<u>\$ 1,744,906</u>	<u>\$ 20,003,925</u>
Operating Expenses						
Salaries and employee benefits	—	513,211	419,670	215,777	1,328,216	2,476,874
Contractual services.....	8,075,642	310,140	606,998	750,936	319,194	10,062,910
Commodities	2,456,338	336,403	96,782	683,607	649,670	4,222,800
Depreciation	<u>2,853,843</u>	<u>383,355</u>	<u>780,795</u>	<u>265,402</u>	<u>441,494</u>	<u>4,724,889</u>
Total Operating Expenses.....	<u>13,385,823</u>	<u>1,543,109</u>	<u>1,904,245</u>	<u>1,915,722</u>	<u>2,738,574</u>	<u>21,487,473</u>
Operating Income (Loss)	<u>(1,716,358)</u>	<u>538,295</u>	<u>660,795</u>	<u>27,388</u>	<u>(993,668)</u>	<u>(1,483,548)</u>
Nonoperating Revenue (Expenses)						
Intergovernmental Revenue						
Federal	—	605	164	1,011	216,400	218,180
State	—	—	—	—	356,760	356,760
Other revenue	—	—	—	—	154	154
Loss on asset disposal...	—	(1,896)	(13,851)	(21,983)	(88,164)	(125,894)
Interest revenue	24,553	46,153	42,587	11,318	—	124,611
Interest expense.....	(2,314,580)	(89,610)	(276,929)	(418,380)	(15,481)	(3,114,980)
Increase in beneficial interest in a trust.....	<u>287,031</u>	<u>—</u>	<u>—</u>	<u>41,682</u>	<u>—</u>	<u>328,713</u>
Total Nonoperating Revenue (Expenses)	<u>(2,002,996)</u>	<u>(44,748)</u>	<u>(248,029)</u>	<u>(386,352)</u>	<u>469,669</u>	<u>(2,212,456)</u>
Income (Loss) Before Transfers	<u>(3,719,354)</u>	<u>493,547</u>	<u>412,766</u>	<u>(358,964)</u>	<u>(523,999)</u>	<u>(3,696,004)</u>
Transfers in	2,905,085	—	—	80,000	634,455	3,619,540
Transfers out.....	<u>(2,901,204)</u>	<u>(391,384)</u>	<u>(77,035)</u>	<u>(145,210)</u>	<u>(12,500)</u>	<u>(3,527,333)</u>
Net Income (Loss).....	<u>(3,715,473)</u>	<u>102,163</u>	<u>335,731</u>	<u>(424,174)</u>	<u>97,956</u>	<u>(3,603,797)</u>
Net Assets - Beginning of Year	<u>27,361,981</u>	<u>7,305,128</u>	<u>12,668,110</u>	<u>3,223,529</u>	<u>11,563,687</u>	<u>62,122,435</u>
Net Assets - End of Year	<u>\$ 23,646,508</u>	<u>\$ 7,407,291</u>	<u>\$ 13,003,841</u>	<u>\$ 2,799,355</u>	<u>\$ 11,661,643</u>	<u>\$ 58,518,638</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2008

	Hotel and Conference Center	Water	Sewer	Golf	Nonmajor Proprietary Funds	Total
Cash Flows From Operating Activities						
Receipts from customers.....	\$ 11,397,467	\$ 2,082,461	\$ 2,574,849	\$ 1,986,489	\$ 1,741,160	\$ 19,782,426
Payments to suppliers.....	(10,187,969)	(478,092)	(779,833)	(1,526,849)	(967,918)	(13,940,661)
Payments to employees.....	—	(513,211)	(419,670)	(215,777)	(1,328,216)	(2,476,874)
Net Cash Provided by (Used in) Operating Activities.....	1,209,498	1,091,158	1,375,346	243,863	(554,974)	3,364,891
Cash Flows From Noncapital Financing Activities						
Noncapital federal and state grants.....	—	605	164	1,011	566,849	568,629
Other revenue.....	—	—	—	—	154	154
Net transfers.....	3,881	(391,384)	(77,035)	(65,210)	621,955	92,207
Net Cash Provided by (Used in) Noncapital Financing Activities.....	3,881	(390,779)	(76,871)	(64,199)	1,188,958	660,990
Cash Flows From Capital and Related Financing Activities						
Increase in due to other funds.....	—	—	—	17,702	38,611	56,313
Net received from trust.....	784,158	—	—	259,629	—	1,043,787
Received from sale of assets.....	—	—	—	—	27,738	27,738
Purchase of capital assets.....	—	(133,588)	(120,017)	(36,769)	(148,247)	(438,621)
Payment of debt issuance costs.....	(90,000)	—	—	—	—	(90,000)
Repayment of debt.....	—	(485,000)	(551,000)	(7,527)	(50,000)	(1,093,527)
Payment of interest.....	(2,375,288)	(89,637)	(282,509)	(414,017)	(15,700)	(3,177,151)
Net Cash Used in Capital and Related Financing Activities.....	(1,681,130)	(708,225)	(953,526)	(180,982)	(147,598)	(3,671,461)
Cash Flows From Investing Activities						
Increase in due from other funds.....	—	(959,618)	(1,074,921)	—	(605,190)	(2,639,729)
Interest received.....	24,553	46,153	42,587	11,318	—	124,611
Net Cash Provided by (Used in) Investing Activities.....	24,553	(913,465)	(1,032,334)	11,318	(605,190)	(2,515,118)
Net Increase (Decrease) in Cash.....	(443,198)	(921,311)	(687,385)	10,000	(118,804)	(2,160,698)
Cash and Pooled Investments at Beginning of Year.....	989,653	1,270,633	1,672,530	—	882,473	4,815,289
Cash and Pooled Investments at End of Year.....	\$ 546,455	\$ 349,322	\$ 985,145	\$ 10,000	\$ 763,669	\$ 2,654,591
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities						
Operating income (loss).....	\$ (1,716,358)	\$ 538,295	\$ 660,795	\$ 27,388	\$ (993,668)	\$ (1,483,548)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities						
Depreciation.....	2,853,843	383,355	780,795	265,402	441,494	4,724,889
(Increase) decrease in receivables.....	(271,998)	1,057	8,579	43,379	(3,746)	(222,729)
(Increase) decrease in inventories and prepaids.....	116,215	9,152	11,089	2,507	(1,834)	137,129
Decrease in due to other funds and other governments.....	—	4,540	1,230	—	—	5,770
Increase (decrease) in accounts and retainages payable.....	189,583	54,837	(91,022)	(64,629)	(12,431)	76,338
Increase (decrease) in accrued liabilities and compensated absences.....	76,824	99,922	3,880	(30,184)	15,211	165,653
Decrease in due to other funds and other governments.....	(38,611)	—	—	—	—	(38,611)
Net Cash Provided by (Used in) Operating Activities.....	\$ 1,209,498	\$ 1,091,158	\$ 1,375,346	\$ 243,863	\$ (554,974)	\$ 3,364,891
Schedule of Noncash Investing and Financing Activities						
Cash Paid for Capital Assets						
Capital asset additions.....	\$ —	\$ 133,588	\$ 29,419	\$ 36,769	\$ 148,247	\$ 348,023
Prior year retainage payable.....	—	—	90,598	—	—	90,598
Cash Paid for Capital Assets.....	\$ —	\$ 133,588	\$ 120,017	\$ 36,769	\$ 148,247	\$ 438,621
Loss on Asset Disposal						
Book value of assets disposed.....	\$ —	\$ 1,896	\$ 13,851	\$ 21,983	\$ 244,901	\$ 282,631
Cash received.....	—	—	—	—	(27,738)	(27,738)
Insurance proceeds accrued.....	—	—	—	—	(128,999)	(128,999)
Loss on Asset Disposal.....	\$ —	\$ 1,896	\$ 13,851	\$ 21,983	\$ 88,164	\$ 125,894

See accompanying notes to the financial statements.

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.

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 2008 tax return and other internal reports includes total revenue of \$191,175, expenses of \$19,710, assets of \$13,426, liabilities of \$82,086 and net deficit of \$95,512. Therefore, to avoid material misstatement, the Foundation should be included as a discrete component unit in the City's financial statements.

Basis of Presentation

Government-Wide Financial Statements

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, 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 General Obligation Bonds Fund is used to account for the accumulation of financial resources for, and the payment of, interest and principal on the City's general obligation debt and related costs.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City had the following major enterprise funds:

Hotel and Conference Center Fund - This fund accounts for the operation and maintenance of the City-owned hotel and conference center.

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.

Notes to the Financial Statements

(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 approximately 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, 2008.

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.

Cash and Pooled Investments

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 and certificates of deposit 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 conference 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, 2006 assessed property valuations, is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March, 2007.

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.

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 2008.

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
Land improvements	20 - 50 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
Parking ramps	50 Years

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 approximately 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 approximately 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 Pooled Investments

The City's deposits at June 30, 2008 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, 2008, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$4,757,895 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 pooled investments at June 30, 2008 were as follows:

Cash accounts.....	\$ 7,761,526
Pooled cash investments - Iowa Public Agency Investment Trust	4,757,895
Certificates of deposit.....	<u>2,502,057</u>
Total	<u>\$ 15,021,478</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, 2008, no amounts of principal and interest had been received or forgiven and the loan was not in default.

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, 2008, 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 2008 included \$14,458 of principal and \$14,742 of interest.

During the year ended June 30, 2005, the City made a forgivable economic development loan to a local business totaling \$1,100,000. 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, 2008, no amounts of principal and interest had been received or forgiven and the loan was not in default.

Notes to the Financial Statements

(3) Loans Receivable

During the year ended June 30, 2007, the City made a forgivable economic development loan to a local business totaling \$450,200. 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, 2008, no amounts of principal and interest had been received or forgiven and the loan was not in default.

During the year ended June 30, 2008, the City made a forgivable economic development loan to a local business totaling \$210,000. 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, 2008, no amounts of principal and interest had been received or forgiven and the loan was not in default.

(4) Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2008 is as follows:

Due From/To	Interfund Receivables	Interfund Payables
General Fund.....	\$ 3,283,081	\$ 260,000
Special Revenue Funds		
Tax Increment Financing	260,000	2,205,036
Police Grants	—	6,800
Debt Service Funds		
General Obligation Bonds.....	31,190	—
Highway 6/22nd Avenue	—	24,451
North Annexation	—	15,502
Oakdale Boulevard - Special Assessments	38,769	39,099
Capital Projects Funds		
Oakdale Boulevard Project	—	38,769
First Avenue/Brownfields Projects	—	31,190
Trail Projects	—	317,420
Highway 6 Projects	—	1,623,442
North Corridor Land Use Project.....	—	118,591
Coral Ridge Area Road Projects.....	—	261,045
Town Center Parking Ramp.....	—	74,684
Sports Complex Projects	—	40,986
1st Avenue/Clear Creek Projects.....	—	102,301
Enterprise Funds		
Water	959,618	—
Sewer.....	1,074,921	—
Brown Deer Golf Course.....	—	839,478
Solid Waste.....	492,730	—
Hotel Parking	—	141,515
	<u>\$ 6,140,309</u>	<u>\$ 6,140,309</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, 2008 was as follows:

	Balance - Beginning of Year (Restated - Note 17)	Increases	Decreases	Transfers	Balance - End of Year
Governmental Activities					
Capital Assets Not Being Depreciated					
Land.....	\$ 53,783,347	\$ 3,485,374	\$ —	\$ —	\$ 57,268,721
Construction in progress	10,887,838	8,381,050	26,560	(14,865,455)	4,376,873
Total Capital Assets Not Being Depreciated.....	64,671,185	11,866,424	26,560	(14,865,455)	61,645,594
Capital Assets Being Depreciated					
Land improvements.....	15,995,231	—	—	3,347,914	19,343,145
Buildings and improvements	14,939,726	150,188	—	6,773,839	21,863,753
Furniture and equipment	9,829,399	1,022,515	—	—	10,851,914
Vehicles.....	1,014,033	19,872	—	—	1,033,905
Road network	68,048,043	2,937,000	—	4,743,702	75,728,745
Bridge network.....	5,101,681	—	—	—	5,101,681
Parking ramps	5,522,881	—	—	—	5,522,881
Total Capital Assets Being Depreciated.....	120,450,994	4,129,575	—	14,865,455	139,446,024
Less Accumulated Depreciation for					
Land improvements.....	173,325	380,130	—	—	553,455
Buildings and improvements	4,307,200	524,722	—	—	4,831,922
Furniture and equipment	3,913,968	545,657	—	—	4,459,625
Vehicles.....	498,245	130,865	—	—	629,110
Road network	20,683,629	2,352,098	—	—	23,035,727
Bridge network.....	550,464	102,034	—	—	652,498
Parking ramps	55,229	110,458	—	—	165,687
Total Accumulated Depreciation	30,182,060	4,145,964	—	—	34,328,024
Net Capital Assets Being Depreciated	90,268,934	(16,389)	—	14,865,455	105,118,000
Net Governmental Activities					
Capital Assets.....	\$ 154,940,119	\$ 11,850,035	\$ 26,560	\$ —	\$ 166,763,594
Business-Type Activities					
Capital Assets Not Being Depreciated					
Land.....	\$ 3,545,093	\$ —	\$ —	\$ —	\$ 3,545,093
Construction in progress	108,931	184,343	—	(62,416)	230,858
Total Capital Assets Not Being Depreciated.....	3,654,024	184,343	—	(62,416)	3,775,951
Capital Assets Being Depreciated					
Buildings and improvements	105,894,090	55,910	1,571,152	—	104,378,848
Furniture and equipment	26,030,293	96,953	1,966,313	62,416	24,223,349
Vehicles.....	266,380	23,778	74,220	—	215,938
Total Capital Assets Being Depreciated.....	132,190,763	176,641	3,611,685	62,416	128,818,135
Less Accumulated Depreciation for					
Land improvements.....	620	1,864	—	—	2,484
Buildings and improvements	11,504,907	2,610,982	1,316,730	—	12,799,159
Furniture and equipment	9,883,857	2,099,381	1,925,143	—	10,058,095
Vehicles.....	201,863	12,662	74,221	—	140,304
Total Accumulated Depreciation	21,591,247	4,724,889	3,316,094	—	23,000,042
Net Capital Assets Being Depreciated	110,599,516	(4,548,248)	295,591	62,416	105,818,093
Net Business-Type Activities					
Capital Assets.....	\$ 114,253,540	\$ (4,363,905)	\$ 295,591	\$ —	\$ 109,594,044

Notes to the Financial Statements

(5) Capital Assets

Depreciation expense was charged by the City as follows for the year ended June 30, 2008:

Governmental Activities	
Public safety	\$ 304,149
Public works	136,007
Culture and recreation.....	644,326
Community and economic development	2,949,059
General government	<u>101,030</u>
	4,134,571
Unallocated depreciation.....	<u>11,393</u>
Total Governmental Activities Depreciation Expense	<u>\$ 4,145,964</u>
Business-Type Activities	
Hotel and conference center	\$ 2,853,843
Water.....	383,355
Sewer	780,795
Golf.....	265,402
Solid waste.....	45,128
Transit	116,765
Hotel parking	<u>279,601</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 4,724,889</u>

(6) Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2008:

	Balance - Beginning of Year (Restated - Note 17)	Additions	Retirements	Balance - End of Year	Amount Due in the Next Year	Range of Interest Rates
Governmental Activities						
General obligation						
bonds	\$ 81,431,018	\$ 19,295,000	\$ 13,675,277	\$ 87,050,741	\$ 16,700,000	1.10%-6.00%
Tax increment						
revenue bonds	79,289,605	—	8,588,940	70,700,665	3,410,000	3.00%-8.00%
Special assessment						
bonds	670,000	—	330,000	340,000	340,000	5.40%
Other long-term debt	1,462,024	—	112,075	1,349,949	118,697	0.00%-7.00%
Compensated						
absences.....	482,154	552,097	482,154	552,097	552,097	N/A
Totals.....	<u>\$ 163,334,801</u>	<u>\$ 19,847,097</u>	<u>\$ 23,188,446</u>	<u>\$ 159,993,452</u>	<u>\$ 21,120,794</u>	
Business-Type Activities						
Revenue bonds.....	\$ 9,373,227	\$ —	\$ 1,086,527	\$ 8,286,700	\$ 1,746,000	2.00%-5.30%
Capital leases.....	55,018,949	—	145,951	54,872,998	355,000	4.00%-5.25%
Other long-term debt	166,371	—	7,526	158,845	7,837	4.00%
Compensated						
absences.....	111,019	130,887	111,019	130,887	130,887	N/A
Totals.....	<u>\$ 64,669,566</u>	<u>\$ 130,887</u>	<u>\$ 1,351,023</u>	<u>\$ 63,449,430</u>	<u>\$ 2,239,724</u>	

Notes to the Financial Statements

(6) Long-Term Debt

Governmental Activities

General Obligation Bonds

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with substantially equal amounts of principal plus interest maturing each year. Certain general obligation bond debt service is subject to annual appropriation by the City Council. In accordance with the Code of Iowa, only that portion subject to the annual appropriation by the City Council is included in the computation of the statutory debt limit.

Tax Increment Revenue Bonds

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

Special Assessment Bonds

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

Other Long-Term Debt

Land Purchase Contracts

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, 2008, \$45,381 of principal was paid and interest expense was \$13,801.

At June 30, 2008, annual maturities of the land purchase contract are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 49,310	\$ 9,869	\$ 59,179
2010	52,538	6,641	59,179
2011	56,336	2,843	59,179
2012	9,959	85	10,044
	<u>\$ 168,143</u>	<u>\$ 19,438</u>	<u>\$ 187,581</u>

Notes to the Financial Statements

(6) Long-Term Debt

During the year ended June 30, 2007, the City purchased 33.5 acres of land for a future public park and/or public open space. The purchase was financed by a land purchase contract with the former owner which matures January 15, 2017. The contract calls for annual payments of \$125,194 through January 15, 2017, including interest at 6.5%.

During the year ended June 30, 2008, \$66,694 of principal and \$58,500 of interest was paid.

At June 30, 2008, annual maturities of the land purchase contract are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 69,386	\$ 55,808	\$ 125,194
2010	74,033	51,161	125,194
2011	78,991	46,203	125,194
2012	84,281	40,913	125,194
2013	89,925	35,269	125,194
2014-2017	<u>436,690</u>	<u>76,678</u>	<u>513,368</u>
	<u>\$ 833,306</u>	<u>\$ 306,032</u>	<u>\$ 1,139,338</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 was due through the year ended June 30, 2008. 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 through 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.

The City has pledged future water customer revenue, net of specified operating expenses, to repay water revenue notes. Proceeds from the notes provided financing for the construction of improvements to the water plant. The notes are payable solely from water customer net revenue and are payable through 2014. Net revenue is required to be at least 130% of the maximum debt service coming due in any year. The total principal and interest remaining to be paid on the notes is \$1,596,490. For the current year, maximum principal and interest due in any future year and total customer net revenue was \$294,862 and \$921,650, respectively.

The City has pledged future sewer customer revenue, net of specified operating expenses, to repay sewer revenue notes. Proceeds from the notes provided financing for the construction of improvements to the sewer plant. The notes are payable solely from sewer customer net revenue and are payable through 2022. Net revenue is required to be at least 110% of the current year debt service. The total principal and interest remaining to be paid on the notes is \$7,946,465. For the current year, principal and interest paid and total customer net revenue was \$769,740 and \$1,441,590, respectively.

Notes to the Financial Statements

(6) Long-Term Debt

Capital Lease Obligations

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.

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 terms of the new agreement remained substantially the same as the original agreement.

During the year ended June 30, 2008, interest paid totaled \$407,675 and no principal was due.

At June 30, 2008, future minimum lease payments on the capital lease obligation are as follows:

Year Ending June 30,	
2009	\$ 407,676
2010	407,676
2011	542,676
2012	577,276
2013	575,276
2014-2018	2,916,228
2019-2023	2,981,864
2024-2028	3,054,328
2029-2033	3,149,378
2034-2038	<u>1,296,250</u>
Total Minimum Lease Payments	15,908,628
Less: Amount representing interest	7,443,628
Original issue discount	<u>117,814</u>
Present Value of Net Minimum Lease Payments	<u>\$ 8,347,186</u>

Hotel and Conference Center

The City entered into various agreements to construct an upscale hotel and conference center. The hotel is being operated under a qualified management agreement by the Marriott hotel chain. To finance the construction, the City entered into an agreement to lease land it owns to Bankers Trust Company, NA (Bankers) as trustee, and in turn lease that land back from Bankers for approximately 99 years for the total lease payment of \$1. The City and Bankers further entered into a lease purchase

Notes to the Financial Statements

(6) Long-Term Debt

agreement being accounted for as a capital lease by the City. The capital lease agreement requires payments in amounts necessary to pay Bankers for the total proceeds of \$45,500,000 that Bankers obtained by selling Certificates of Participation in the lease to investors. Once the Certificates of Participation are repaid, title to the land transfers to the City. The Certificates of Participation were issued during the year ended June 30, 2007 at a premium of \$1,206,283. These additional proceeds were used for the project.

During the year ended June 30, 2008, principal paid totaled \$90,000 and interest paid totaled \$2,375,288.

At June 30, 2008, future minimum lease payments on the capital lease obligation are as follows:

Year Ending June 30,

2009	\$ 2,725,788
2010	2,808,038
2011	2,905,288
2012	2,986,537
2013	3,067,287
2014-2018.....	16,448,637
2019-2023.....	22,810,276
2024-2028.....	<u>24,986,849</u>
Total Minimum Lease Payments.....	78,738,700
Less amount representing interest.....	33,328,700
Plus original issue premium	<u>1,115,812</u>
Present Value of Net Minimum Lease Payments	<u>\$ 46,525,812</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.

At June 30, 2008, annual maturities of the SBA loans are as follows:

Year Ending June 30,	SBA Loans	
	Principal	Interest
2009	\$ 7,837	\$ 6,359
2010	8,154	6,042
2011	8,487	5,709
2012	8,832	5,364
2013	9,192	5,004
2014-2018.....	51,894	19,086
2019-2023.....	62,668	7,618
2024	<u>1,781</u>	<u>48</u>
Total.....	<u>\$ 158,845</u>	<u>\$ 55,230</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, 2008 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
2009	\$16,700,000	\$ 3,881,163	\$ 3,410,000	\$ 3,506,602	\$ 340,000	\$ 18,360	\$ 1,746,000	\$ 319,921	\$ 22,196,000	\$ 7,726,046
2010	6,635,000	3,094,957	3,910,000	3,348,890	—	—	871,000	258,259	11,416,000	6,702,106
2011	4,760,000	2,832,577	3,885,000	3,164,334	—	—	887,000	214,606	9,532,000	6,211,517
2012	6,265,000	2,663,169	3,490,000	2,983,410	—	—	923,000	185,814	10,678,000	5,832,393
2013	6,135,000	2,397,528	3,650,000	2,820,642	—	—	885,000	148,053	10,670,000	5,366,223
2014-2018	33,905,000	7,622,890	19,940,000	11,456,958	—	—	2,147,000	324,581	55,992,000	19,404,429
2019-2023	9,915,000	2,075,357	2,670,000	8,140,971	—	—	821,000	72,434	13,406,000	10,288,762
2024-2028	2,905,000	265,183	4,525,000	7,465,658	—	—	—	—	7,430,000	7,730,841
2029-2033	—	—	3,655,000	6,447,923	—	—	—	—	3,655,000	6,447,923
2034-2038	—	—	8,805,000	4,558,904	—	—	—	—	8,805,000	4,558,904
2039-2043	—	—	6,400,000	2,483,750	—	—	—	—	6,400,000	2,483,750
2044-2047	—	—	5,945,000	767,000	—	—	—	—	5,945,000	767,000
	<u>87,220,000</u>	<u>24,832,824</u>	<u>70,285,000</u>	<u>57,145,042</u>	<u>340,000</u>	<u>18,360</u>	<u>8,280,000</u>	<u>1,523,668</u>	<u>166,125,000</u>	<u>83,519,894</u>
Net unamor- tized bond premium (discount)	<u>(169,259)</u>	<u>—</u>	<u>415,665</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,700</u>	<u>—</u>	<u>253,106</u>	<u>—</u>
Net	<u>\$87,050,741</u>	<u>\$24,832,824</u>	<u>\$70,700,665</u>	<u>\$57,145,042</u>	<u>\$ 340,000</u>	<u>\$ 18,360</u>	<u>\$ 8,286,700</u>	<u>\$ 1,523,668</u>	<u>\$ 166,378,106</u>	<u>\$83,519,894</u>

Interest expense and other charges recorded in governmental fund types totaled \$8,209,806 for the year ended June 30, 2008. Interest expense recorded in proprietary fund types totaled \$3,114,980.

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, 2008, the City was in compliance with these covenants.

(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.

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, 2008, 2007 and 2006 were \$474,589, \$439,192 and \$425,216, respectively, and were equal to the required contributions for each year.

Notes to the Financial Statements

(7) Retirement System

Contribution rates were as follows:

	Police		All Other Employees	
	Employee Contribution	City Contribution	Employee Contribution	City Contribution
2006	6.16%	9.23%	3.70%	5.75%
2007	6.08	9.12	3.70	5.75
2008	5.64	8.47	3.90	6.05

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer From	Amount
General Fund	General Fund - interfund item	\$ 4,498
	Special Revenue	
	Tax Increment Financing	362,274
	Nonmajor Governmental Funds	1,826,511
	Capital Projects	
	Nonmajor Governmental Funds	18,000
	Proprietary	
	Water	45,000
	Sewer	45,000
	Nonmajor Proprietary Funds	12,500
Tax Increment Financing	General Fund	523,710
	Capital Projects	
	Nonmajor Governmental Funds	138,439
	Proprietary	
	Hotel and Conference Center	2,465,288
Nonmajor Special Revenue	General Fund	10,000
	Capital Projects	
	Nonmajor Governmental Funds	57,574
Major Debt Service	Proprietary	
	Golf	145,210
Nonmajor Capital Projects	General Fund	80,000
	Special Revenue	
	Tax Increment Financing	1,451,048
	Nonmajor Governmental Funds	236,199
	Capital Projects	
	Nonmajor Governmental Funds	539,797
	Debt Service	
	Nonmajor Governmental Funds	986,664
	Proprietary	
	Water	90,000
	Hotel and Conference Center	435,916
	Water	256,384
	Sewer	32,035

Notes to the Financial Statements

(8) Interfund Transfers

Transfer to	Transfer From	Amount
Hotel and Conference Center	Special Revenue	
	Tax Increment Financing	\$ 2,677,834
	Capital Projects	
	Nonmajor Governmental Funds	227,251
Golf Nonmajor Proprietary	General Fund	80,000
Transit	General Fund	601,600
Hotel Parking	Tax Increment Financing	32,855
Total		<u>\$ 13,381,587</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.

(9) Deficit Balances

The following individual funds had a deficit at June 30, 2008:

Special Revenue	
Police Grants	\$ 8,625
Nonmajor Debt Service	
Highway 6/22nd Avenue	24,451
North Annexation	15,502
Capital Projects	
Highway 6 Projects	2,342,086
Town Center Parking Ramp Project	79,867
First Avenue/Clear Creek Projects.....	110,625
First Avenue/Brownfields Projects	237,258
North Corridor Land Use Project.....	118,591
Trail Projects	317,420
Oakdale Boulevard Project	28,567
Sports Complex Projects	252,779

(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,	
2009.....	<u>\$ 39,255</u>

(11) Commitments

Construction

The City is involved in construction of capital assets, including streets, streetscape improvements, recreation facilities, a new fire station and water and sewer plant improvements. Some construction is funded through grants from state and federal governments. The remainder is generally funded through the proceeds of debt issues. At June 30, 2008, the City was committed to approximately \$4 million of construction contracts.

(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 563 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 200% 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, 2008, the City made payments of approximately \$483,000 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 \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 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. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the City's financial statements. As of June 30, 2008, 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 500 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, 2008 were approximately \$153,000.

Notes to the Financial Statements

(13) Risk Management

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.

(14) Subsequent Events

Subsequent to June 30, 2008, the City entered into several agreements to purchase land and construct capital improvements. These agreements totaled approximately \$10 million.

Subsequent to June 30, 2008, the City took actions to issue approximately \$17.5 million of new debt for projects, land purchases, to refund existing debt and to pay a property tax assessment dispute which has been resolved.

Subsequent to June 30, 2008, the City took actions to make economic development grants to two businesses totaling approximately \$1 million and entered into a \$1.2 million redevelopment agreement with the University of Iowa and a business.

(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) Designations of Fund Balances

The City Council has approved designations of unrestricted fund balances at June 30, 2008 for the following purposes:

General Fund

Equipment purchases and various special projects	\$ 1,854,818
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Special Revenue Fund

Road Use Tax Fund

Equipment purchases	428,685
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Notes to the Financial Statements

(16) Designations of Fund Balances

Business-Type Activities

Sewer	
Equipment purchases and improvement projects	\$ 292,750
Water	
Equipment purchases	100,007
Golf	
Equipment purchases	43,000
Solid Waste	
Equipment purchases	542,776
Transit	
Equipment purchases	713,668
Hotel Parking	
Equipment purchases	90,250

(17) Prior Period Adjustments

The following prior period adjustments were made during the year ended June 30, 2008:

Land and Related Debt was Understated in the Statement of Net Assets **\$ 120,000**

This adjustment had no effect on net assets or the change in net assets.

Discounts and premiums on governmental debt were understated in the statement of net assets at the end of the prior year.....	\$ 664,892
Deferred revenue was overstated at the end of the prior year in the fund financial statements, resulting in an overstatement of revenue in the prior year statement of activities	<u>809,954</u>

Total Decrease in Net Assets - Beginning of Year **\$ 1,474,846**

Both of these adjustments resulted in a decrease in previously reported net assets and had no effect on the current year change in net assets.

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, 2008

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Governmental Fund Types	Proprietary Funds	Total	
Receipts						
Property taxes	\$ 9,523,191	\$ 9,523,191	\$ 9,738,916	\$ —	\$ 9,738,916	\$ 215,725
Tax increment financing	12,686,045	12,686,045	12,642,156	—	12,642,156	(43,889)
Other city taxes	2,301,768	2,301,768	1,996,902	—	1,996,902	(304,866)
Licenses and permits	577,650	399,171	413,457	—	413,457	14,286
Use of money and property	342,200	949,119	969,324	453,319	1,422,643	473,524
Intergovernmental	3,751,417	5,830,947	5,570,672	654,479	6,225,151	394,204
Charges for services	9,540,312	24,415,812	1,569,818	21,903,533	23,473,351	(942,461)
Special assessments	691,625	1,342,446	1,267,799	—	1,267,799	(74,647)
Miscellaneous	3,305,851	3,851,088	1,385,020	66,675	1,451,695	(2,399,393)
Total Receipts	42,720,059	61,299,587	35,554,064	23,078,006	58,632,070	(2,667,517)
Disbursements						
Public safety	3,943,233	4,131,271	3,915,042	—	3,915,042	(216,229)
Public works	1,964,774	1,964,774	1,636,917	—	1,636,917	(327,857)
Health and social services	97,135	97,135	86,859	—	86,859	(10,276)
Culture and recreation ..	4,435,900	4,523,403	4,403,259	—	4,403,259	(120,144)
Community and economic development	1,273,457	1,895,917	1,875,158	—	1,875,158	(20,759)
General government	2,457,845	2,737,845	2,729,436	—	2,729,436	(8,409)
Debt service	19,827,968	32,887,968	32,860,577	—	32,860,577	(27,391)
Capital projects	6,120,582	15,704,582	15,326,276	—	15,326,276	(378,306)
Business-type activities	9,334,604	20,859,604	—	20,840,975	20,840,975	(18,629)
Total Disbursements	49,455,498	84,802,499	62,833,524	20,840,975	83,674,499	(1,128,000)
Receipts Over (Under) Disbursements	(6,735,439)	(23,502,912)	(27,279,460)	2,237,031	(25,042,429)	(1,539,517)
Other Financing Sources (Uses)						
Other financing sources	19,242,854	36,096,494	41,817,336	1,943,244	43,760,580	7,664,086
Other financing uses	(13,242,854)	(18,972,399)	(20,363,425)	(4,401,661)	(24,765,086)	(5,792,687)
Total Other Financing Sources (Uses)	6,000,000	17,124,095	21,453,911	(2,458,417)	18,995,494	1,871,399
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses						
Balance - Beginning of Year	17,188,786	27,256,856	16,512,138	10,744,718	27,256,856	
Balance - End of Year	\$ 16,453,347	\$ 20,878,039	\$ 10,686,589	\$ 10,523,332	\$ 21,209,921	\$ 331,882

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 \$35 million. This budget amendment is reflected in the final budgeted amounts.

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation ▬

Year Ended June 30, 2008

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue	\$ 35,554,064	\$ 484,688	\$ 36,038,752
Expenditures.....	<u>62,833,524</u>	<u>(13,156,256)</u>	<u>49,677,268</u>
Net	(27,279,460)	13,640,944	(13,638,516)
Other financing sources (uses).....	21,453,911	(11,727,118)	9,726,793
Beginning fund balances	<u>16,512,138</u>	<u>2,404,371</u>	<u>18,916,509</u>
Ending Fund Balances.....	<u>\$ 10,686,589</u>	<u>\$ 4,318,197</u>	<u>\$ 15,004,786</u>

	Proprietary Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue	\$ 23,078,006	\$ (2,045,663)	\$ 21,032,343
Expenditures.....	<u>20,840,975</u>	<u>3,887,372</u>	<u>24,728,347</u>
Net	2,237,031	(5,933,035)	(3,696,004)
Other financing sources (uses).....	(2,458,417)	2,550,624	92,207
Beginning fund balances	<u>10,744,718</u>	<u>51,377,717</u>	<u>62,122,435</u>
Ending Fund Balances.....	<u>\$ 10,523,332</u>	<u>\$ 47,995,306</u>	<u>\$ 58,518,638</u>

Other Supplementary Information

Combining Balance Sheet Schedule - Nonmajor Governmental Funds ▬

At June 30, 2008

	Special Revenue	Debt Service	Capital Projects	Total
Assets				
Cash and pooled investments	\$ 632,105	\$ 973,582	\$ 2,758,131	\$ 4,363,818
Receivables				
Property Taxes				
Current year delinquent.....	32,575	—	—	32,575
Succeeding year.....	1,983,090	—	—	1,983,090
Loans	—	—	576,190	576,190
Due from other funds	—	38,769	—	38,769
Due from other governments	236,791	—	2,094,893	2,331,684
Special assessments	—	985,393	—	985,393
Inventories and prepaids	13,394	—	—	13,394
Restricted Assets				
Cash and pooled investments.....	<u>555,853</u>	<u>—</u>	<u>—</u>	<u>555,853</u>
Total Assets	<u>\$ 3,453,808</u>	<u>\$ 1,997,744</u>	<u>\$ 5,429,214</u>	<u>\$ 10,880,766</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 48,787	\$ —	\$ 1,624,840	\$ 1,673,627
Due to other funds	6,800	79,052	2,608,428	2,694,280
Deferred Revenue				
Succeeding year property taxes ...	1,983,090	—	—	1,983,090
Special assessments	—	524,700	—	524,700
Other	<u>—</u>	<u>—</u>	<u>2,076,153</u>	<u>2,076,153</u>
Total Liabilities	<u>2,038,677</u>	<u>603,752</u>	<u>6,309,421</u>	<u>8,951,850</u>
Fund Balances				
Reserved for				
Other	483,350	—	—	483,350
Debt service	—	1,393,992	—	1,393,992
Inventories and prepaids.....	13,394	—	—	13,394
Unreserved	489,702	—	—	489,702
Unreserved, Reported in Nonmajor Funds				
Special revenue funds.....	428,685	—	—	428,685
Capital projects funds.....	<u>—</u>	<u>—</u>	<u>(880,207)</u>	<u>(880,207)</u>
Total Fund Balances	<u>1,415,131</u>	<u>1,393,992</u>	<u>(880,207)</u>	<u>1,928,916</u>
Total Liabilities and Fund Balances	<u>\$ 3,453,808</u>	<u>\$ 1,997,744</u>	<u>\$ 5,429,214</u>	<u>\$ 10,880,766</u>

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

Year Ended June 30, 2008

	Special Revenue	Debt Service	Capital Projects	Total
Revenue				
Property taxes	\$ 1,802,474	\$ —	\$ —	\$ 1,802,474
Special assessments.....	—	1,239,963	—	1,239,963
Use of money and property	—	17,985	203,558	221,543
Intergovernmental.....	1,513,813	—	2,161,422	3,675,235
Charges for services.....	—	—	369,035	369,035
Miscellaneous.....	165,253	—	1,124,027	1,289,280
Total Revenue	<u>3,481,540</u>	<u>1,257,948</u>	<u>3,858,042</u>	<u>8,597,530</u>
Expenditures				
Operating				
Public safety.....	17,347	—	—	17,347
Public works.....	1,136,283	—	—	1,136,283
Culture and recreation	105,881	—	—	105,881
Community and economic development.....	75	—	—	75
Debt Service				
Principal	—	330,000	—	330,000
Interest	—	41,180	—	41,180
Other expenditures	—	129,952	—	129,952
Capital projects.....	—	—	13,730,878	13,730,878
Total Expenditures	<u>1,259,586</u>	<u>501,132</u>	<u>13,730,878</u>	<u>15,491,596</u>
Revenue Over (Under) Expenditures	<u>2,221,954</u>	<u>756,816</u>	<u>(9,872,836)</u>	<u>(6,894,066)</u>
Other Financing Sources (Uses)				
Bond proceeds	—	—	5,080,412	5,080,412
Transfers in.....	10,000	57,574	4,108,043	4,175,617
Transfers out	(2,062,711)	(986,664)	(981,060)	(4,030,435)
Total Other Financing Sources (Uses)	<u>(2,052,711)</u>	<u>(929,090)</u>	<u>8,207,395</u>	<u>5,225,594</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	169,243	(172,274)	(1,665,441)	(1,668,472)
Fund Balances - Beginning of Year	<u>1,245,888</u>	<u>1,566,266</u>	<u>785,234</u>	<u>3,597,388</u>
Fund Balances - End of Year	<u>\$ 1,415,131</u>	<u>\$ 1,393,992</u>	<u>\$ (880,207)</u>	<u>\$ 1,928,916</u>

Combining Balance Sheet Schedule - Nonmajor Special Revenue Funds

At June 30, 2008

	Expendable Trust	Cemetery	Police Grants	Road Use Tax	Employee Benefit Levy	Total
Assets						
Cash and pooled investments....	\$ —	\$ —	\$ —	\$ 632,105	\$ —	\$ 632,105
Receivables						
Property Taxes						
Current year delinquent	—	—	—	—	32,575	32,575
Succeeding year	—	—	—	—	1,983,090	1,983,090
Due from other governments	—	—	—	236,791	—	236,791
Inventories and prepaids.....	—	—	—	13,394	—	13,394
Restricted Assets						
Cash and pooled investments..	<u>482,052</u>	<u>73,801</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>555,853</u>
Total Assets	<u>\$ 482,052</u>	<u>\$ 73,801</u>	<u>\$ —</u>	<u>\$ 882,290</u>	<u>\$ 2,015,665</u>	<u>\$ 3,453,808</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable.....	\$ 16,754	\$ —	\$ 1,825	\$ 30,208	\$ —	\$ 48,787
Due to other funds.....	—	—	6,800	—	—	6,800
Deferred Revenue						
Succeeding year property taxes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,983,090</u>	<u>1,983,090</u>
Total Liabilities	<u>16,754</u>	<u>—</u>	<u>8,625</u>	<u>30,208</u>	<u>1,983,090</u>	<u>2,038,677</u>
Fund Balances						
Reserved.....	413,399	69,951	—	—	—	483,350
Reserved for inventories and prepaids.....	—	—	—	13,394	—	13,394
Unreserved						
Designated for capital asset purchases	<u>—</u>	<u>—</u>	<u>—</u>	<u>428,685</u>	<u>—</u>	<u>428,685</u>
Undesignated	<u>51,899</u>	<u>3,850</u>	<u>(8,625)</u>	<u>410,003</u>	<u>32,575</u>	<u>489,702</u>
Total Fund Balances	<u>465,298</u>	<u>73,801</u>	<u>(8,625)</u>	<u>852,082</u>	<u>32,575</u>	<u>1,415,131</u>
Total Liabilities and Fund Balances	<u>\$ 482,052</u>	<u>\$ 73,801</u>	<u>\$ —</u>	<u>\$ 882,290</u>	<u>\$ 2,015,665</u>	<u>\$ 3,453,808</u>

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

Year Ended June 30, 2008

	Expendable Trust	Cemetery	Police Grants	Road Use Tax	Employee Benefit Levy	Total
Revenue						
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ 1,802,474	\$ 1,802,474
Intergovernmental	—	—	19,346	1,494,467	—	1,513,813
Miscellaneous	<u>161,328</u>	<u>3,925</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>165,253</u>
Total Revenue	<u>161,328</u>	<u>3,925</u>	<u>19,346</u>	<u>1,494,467</u>	<u>1,802,474</u>	<u>3,481,540</u>
Expenditures						
Operating						
Public safety	—	—	17,347	—	—	17,347
Public works	—	—	—	1,136,283	—	1,136,283
Culture and recreation	105,881	—	—	—	—	105,881
Community and economic development	<u>—</u>	<u>75</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>75</u>
Total Expenditures	<u>105,881</u>	<u>75</u>	<u>17,347</u>	<u>1,136,283</u>	<u>—</u>	<u>1,259,586</u>
Revenue Over Expenditures ...	<u>55,447</u>	<u>3,850</u>	<u>1,999</u>	<u>358,184</u>	<u>1,802,474</u>	<u>2,221,954</u>
Other Financing Sources (Uses)						
Transfers in	10,000	—	—	—	—	10,000
Transfers out	<u>(13,548)</u>	<u>—</u>	<u>—</u>	<u>(271,652)</u>	<u>(1,777,511)</u>	<u>(2,062,711)</u>
Total Other Financing Sources (Uses)	<u>(3,548)</u>	<u>—</u>	<u>—</u>	<u>(271,652)</u>	<u>(1,777,511)</u>	<u>(2,052,711)</u>
Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	51,899	3,850	1,999	86,532	24,963	169,243
Fund Balances - Beginning of Year	<u>413,399</u>	<u>69,951</u>	<u>(10,624)</u>	<u>765,550</u>	<u>7,612</u>	<u>1,245,888</u>
Fund Balances - End of Year ..	<u>\$ 465,298</u>	<u>\$ 73,801</u>	<u>\$ (8,625)</u>	<u>\$ 852,082</u>	<u>\$ 32,575</u>	<u>\$ 1,415,131</u>

Combining Balance Sheet Schedule - Nonmajor Debt Service Funds

At June 30, 2008

	Highway 6/ 22nd Avenue	Altanna Improvements	Sidewalk Improvements	North Annexation	Highway 6 Improvements	Oakdale Boulevard	Mall Area	Other Street Improvements	Total
Assets									
Cash and pooled investments	\$ —	\$ 2,118	\$ 7,671	\$ —	\$ 89,551	\$ —	\$ 718,780	\$ 155,462	\$ 973,582
Receivables									
Due from other funds	—	—	—	—	—	38,769	—	—	38,769
Special assessments	<u>178,024</u>	<u>19,724</u>	<u>1,329</u>	<u>—</u>	<u>8,300</u>	<u>432,799</u>	<u>340,103</u>	<u>5,114</u>	<u>985,393</u>
Total Assets	<u>\$ 178,024</u>	<u>\$ 21,842</u>	<u>\$ 9,000</u>	<u>\$ —</u>	<u>\$ 97,851</u>	<u>\$ 471,568</u>	<u>\$ 1,058,883</u>	<u>\$ 160,576</u>	<u>\$ 1,997,744</u>
Liabilities and Fund Balance									
Liabilities									
Due to other funds	\$ 24,451	\$ —	\$ —	\$ 15,502	\$ —	\$ 39,099	\$ —	\$ —	\$ 79,052
Deferred Revenue									
Special assessments	<u>178,024</u>	<u>16,437</u>	<u>851</u>	<u>—</u>	<u>8,300</u>	<u>321,088</u>	<u>—</u>	<u>—</u>	<u>524,700</u>
Total Liabilities	<u>202,475</u>	<u>16,437</u>	<u>851</u>	<u>15,502</u>	<u>8,300</u>	<u>360,187</u>	<u>—</u>	<u>—</u>	<u>603,752</u>
Fund Balance									
Reserved for debt service.....	<u>(24,451)</u>	<u>5,405</u>	<u>8,149</u>	<u>(15,502)</u>	<u>89,551</u>	<u>111,381</u>	<u>1,058,883</u>	<u>160,576</u>	<u>1,393,992</u>
Total Liabilities and Fund Balance	<u>\$ 178,024</u>	<u>\$ 21,842</u>	<u>\$ 9,000</u>	<u>\$ —</u>	<u>\$ 97,851</u>	<u>\$ 471,568</u>	<u>\$ 1,058,883</u>	<u>\$ 160,576</u>	<u>\$ 1,997,744</u>

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

Year Ended June 30, 2008

	Slade Boulevard	Highway 6/ 22nd Avenue	Altanna Improve- ments	Sidewalk Improve- ments	North Annexation	Highway 6 Improve- ments	Oakdale Boulevard	Mall Area	Other Street Improve- ments	Total
Revenue										
Special assessments.....	\$ —	\$ 181,314	\$ 4,913	\$ 5,871	\$ 53,261	\$ 17,014	\$ 449,990	\$ 387,439	\$ 140,161	\$ 1,239,963
Use of money and property	—	—	—	—	—	—	—	17,985	—	17,985
Total Revenue.....	—	181,314	4,913	5,871	53,261	17,014	449,990	405,424	140,161	1,257,948
Expenditures										
Debt Service										
Principal	—	—	—	—	—	—	—	330,000	—	330,000
Interest and other charges	—	—	4,000	—	—	—	—	37,180	—	41,180
Other expenditures.....	22,357	—	—	—	107,595	—	—	—	—	129,952
Total Expenditures.....	22,357	—	4,000	—	107,595	—	—	367,180	—	501,132
Revenue Over (Under) Expenditures.....	(22,357)	181,314	913	5,871	(54,334)	17,014	449,990	38,244	140,161	756,816
Other Financing Sources (Uses)										
Transfers in.....	—	—	—	—	57,574	—	—	—	—	57,574
Transfers out	—	(242,943)	—	—	(86,205)	—	(469,815)	—	(187,701)	(986,664)
Total Other Financing Sources (Uses).....	—	(242,943)	—	—	(28,631)	—	(469,815)	—	(187,701)	(929,090)
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	(22,357)	(61,629)	913	5,871	(82,965)	17,014	(19,825)	38,244	(47,540)	(172,274)
Fund Balance - Beginning of Year.....	22,357	37,178	4,492	2,278	67,463	72,537	131,206	1,020,639	208,116	1,566,266
Fund Balance - End of Year	\$ —	\$ (24,451)	\$ 5,405	\$ 8,149	\$ (15,502)	\$ 89,551	\$ 111,381	\$ 1,058,883	\$ 160,576	\$ 1,393,992

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

At June 30, 2008

	First Avenue/ Brownfields Projects	Library Expansion	Coral Ridge Area Road Projects	Highway 6 Projects	Industrial Park RISE Project	Camp Cardinal Road Project	Trail Projects	Street Projects	Town Center Parking Ramp Project
Assets									
Cash and pooled investments	\$ 74,159	\$ 865,073	\$ —	\$ —	\$ 73,430	\$ 31,636	\$ —	\$ 385,151	\$ —
Receivables									
Due from other governments	9,458	—	210,000	1,807,871	—	—	36,367	31,197	—
Loans	—	—	576,190	—	—	—	—	—	—
Total Assets	\$ 83,617	\$ 865,073	\$ 786,190	\$ 1,807,871	\$ 73,430	\$ 31,636	\$ 36,367	\$ 416,348	\$ —
Liabilities and Fund Balance									
Liabilities									
Accounts payable	\$ 280,227	\$ 359,334	\$ 2,287	\$ 718,644	\$ —	\$ —	\$ —	\$ 30,432	\$ 5,183
Due to other funds	31,190	—	261,045	1,623,442	—	—	317,420	—	74,684
Deferred revenue	9,458	—	210,000	1,807,871	—	—	36,367	12,457	—
Total Liabilities	320,875	359,334	473,332	4,149,957	—	—	353,787	42,889	79,867
Fund Balance									
Unreserved, undesignated	(237,258)	505,739	312,858	(2,342,086)	73,430	31,636	(317,420)	373,459	(79,867)
Total Liabilities and Fund Balance	\$ 83,617	\$ 865,073	\$ 786,190	\$ 1,807,871	\$ 73,430	\$ 31,636	\$ 36,367	\$ 416,348	\$ —

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

At June 30, 2008

	North Fire Station	Oakdale Boulevard Project	Sports Complex Projects	First Avenue/ Clear Creek Projects	North Corridor Land Use Project	Forevergreen Road Project	Highway 6/ 22nd Avenue	Storm Water Projects	Total
Assets									
Cash and pooled investments	\$ 1,227,176	\$ 10,202	\$ —	\$ —	\$ —	\$ 8,978	\$ 22,194	\$ 60,132	\$ 2,758,131
Receivables									
Due from other governments	—	—	—	—	—	—	—	—	2,094,893
Loans	—	—	—	—	—	—	—	—	576,190
Total Assets	<u>\$ 1,227,176</u>	<u>\$ 10,202</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,978</u>	<u>\$ 22,194</u>	<u>\$ 60,132</u>	<u>\$ 5,429,214</u>
Liabilities and Fund Balance									
Liabilities									
Accounts payable	\$ 5,450	\$ —	\$ 211,793	\$ 8,324	\$ —	\$ 215	\$ —	\$ 2,951	\$ 1,624,840
Due to other funds	—	38,769	40,986	102,301	118,591	—	—	—	2,608,428
Deferred revenue.....	—	—	—	—	—	—	—	—	2,076,153
Total Liabilities	<u>5,450</u>	<u>38,769</u>	<u>252,779</u>	<u>110,625</u>	<u>118,591</u>	<u>215</u>	<u>—</u>	<u>2,951</u>	<u>6,309,421</u>
Fund Balance									
Unreserved, undesignated	<u>1,221,726</u>	<u>(28,567)</u>	<u>(252,779)</u>	<u>(110,625)</u>	<u>(118,591)</u>	<u>8,763</u>	<u>22,194</u>	<u>57,181</u>	<u>(880,207)</u>
Total Liabilities and Fund Balance	<u>\$ 1,227,176</u>	<u>\$ 10,202</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,978</u>	<u>\$ 22,194</u>	<u>\$ 60,132</u>	<u>\$ 5,429,214</u>

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

Year Ended June 30, 2008

	First Avenue/ Brownfields Projects	Library Expansion	Coral Ridge Area Road Projects	Highway 6 Projects	Industrial Park RISE Project	Camp Cardinal Road Project	Trail Projects	Street Projects	Town Center Parking Ramp Project
Revenue									
Use of money and property	\$ 95,957	\$ 77,287	\$ 6,146	\$ —	\$ —	\$ —	\$ —	\$ 12,168	\$ 12,000
Intergovernmental.....	1,307,934	710,953	—	17,225	—	—	8,415	116,895	—
Charges for service	—	—	—	—	—	—	—	—	—
Miscellaneous.....	336,404	8,000	508,704	—	—	—	209,501	40,917	425
Total Revenue.....	<u>1,740,295</u>	<u>796,240</u>	<u>514,850</u>	<u>17,225</u>	<u>—</u>	<u>—</u>	<u>217,916</u>	<u>169,980</u>	<u>12,425</u>
Operating Expenditures									
Capital projects.....	<u>4,093,281</u>	<u>3,485,273</u>	<u>1,411,906</u>	<u>1,061,537</u>	<u>—</u>	<u>28,348</u>	<u>214,785</u>	<u>1,450,454</u>	<u>139,537</u>
Revenue Over (Under) Expenditures.....	<u>(2,352,986)</u>	<u>(2,689,033)</u>	<u>(897,056)</u>	<u>(1,044,312)</u>	<u>—</u>	<u>(28,348)</u>	<u>3,131</u>	<u>(1,280,474)</u>	<u>(127,112)</u>
Other Financing Sources (Uses)									
Bond proceeds	2,175,000	—	—	—	—	56,000	—	1,580,412	—
Transfers in.....	525,916	3,417	467,687	33,500	45,605	—	80,000	1,315,034	462,756
Transfers out	(365,692)	—	—	—	—	—	—	(33,500)	—
Total Other Financing Sources (Uses)....	<u>2,335,224</u>	<u>3,417</u>	<u>467,687</u>	<u>33,500</u>	<u>45,605</u>	<u>56,000</u>	<u>80,000</u>	<u>2,861,946</u>	<u>462,756</u>
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....	(17,762)	(2,685,616)	(429,369)	(1,010,812)	45,605	27,652	83,131	1,581,472	335,644
Fund Balances - Beginning of Year.....	(219,496)	3,191,355	742,227	(1,331,274)	27,825	3,984	(400,551)	(1,208,013)	(415,511)
Fund Balances - End of Year	<u>\$ (237,258)</u>	<u>\$ 505,739</u>	<u>\$ 312,858</u>	<u>\$ (2,342,086)</u>	<u>\$ 73,430</u>	<u>\$ 31,636</u>	<u>\$ (317,420)</u>	<u>\$ 373,459</u>	<u>\$ (79,867)</u>

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

Year Ended June 30, 2008

	North Fire Station	Oakdale Boulevard Project	Sports Complex Projects	First Avenue/ Clear Creek Projects	North Corridor Land Use Project	Forevergreen Road Project	Highway 6/ 22nd Avenue	Storm Water Projects	Total
Revenue									
Use of money and property	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 203,558
Intergovernmental.....	—	—	—	—	—	—	—	—	2,161,422
Charges for services.....	—	—	—	—	157,958	—	—	211,077	369,035
Miscellaneous.....	—	—	18,768	—	—	—	—	1,308	1,124,027
Total Revenue.....	—	—	18,768	—	157,958	—	—	212,385	3,858,042
Expenditures									
Capital projects.....	47,274	—	1,478,558	107,615	110,514	18,261	16,466	67,069	13,730,878
Revenue Over (Under) Expenditures.....	(47,274)	—	(1,459,790)	(107,615)	47,444	(18,261)	(16,466)	145,316	(9,872,836)
Other Financing Sources (Uses)									
Bond proceeds	1,269,000	—	—	—	—	—	—	—	5,080,412
Transfers in.....	—	—	955,133	—	—	187,701	31,294	—	4,108,043
Transfers out	—	(88,868)	—	—	—	(475,000)	—	(18,000)	(981,060)
Total Other Financing Sources (Uses)....	1,269,000	(88,868)	955,133	—	—	(287,299)	31,294	(18,000)	8,207,395
Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses.....									
	1,221,726	(88,868)	(504,657)	(107,615)	47,444	(305,560)	14,828	127,316	(1,665,441)
Fund Balances - Beginning of Year.....	—	60,301	251,878	(3,010)	(166,035)	314,323	7,366	(70,135)	785,234
Fund Balances - End of Year	\$ 1,221,726	\$ (28,567)	\$ (252,779)	\$ (110,625)	\$ (118,591)	\$ 8,763	\$ 22,194	\$ 57,181	\$ (880,207)

Combining Balance Sheet Schedule - Nonmajor Proprietary Funds

At June 30, 2008

	Solid Waste	Transit	Hotel Parking	Total
Assets				
Current Assets				
Cash and pooled investments	\$ —	\$ 628,399	\$ —	\$ 628,399
Receivables				
Customer accounts	112,364	—	—	112,364
Due from other funds	492,730	—	—	492,730
Due from other governments	—	24,000	—	24,000
Other	—	128,999	—	128,999
Inventories and prepaids	11,724	49,870	24,930	86,524
Total Current Assets	616,818	831,268	24,930	1,473,016
Noncurrent Assets				
Restricted Assets				
Cash and pooled investments	50,000	85,270	—	135,270
Capital assets (net of accumulated depreciation)	656,366	553,540	9,426,085	10,635,991
Total Noncurrent Assets	706,366	638,810	9,426,085	10,771,261
Total Assets	\$ 1,323,184	\$ 1,470,078	\$ 9,451,015	\$ 12,244,277
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 17,241	\$ 99,401	\$ 2,874	\$ 119,516
Accrued liabilities and compensated absences	27,207	64,396	—	91,603
Due to other funds	—	—	141,515	141,515
Current maturities of long-term debt	55,000	—	—	55,000
Total Current Liabilities	99,448	163,797	144,389	407,634
Long-Term Debt	175,000	—	—	175,000
Total Liabilities	274,448	163,797	144,389	582,634
Net Assets				
Invested in capital assets, net of related debt	426,366	553,540	9,426,085	10,405,991
Restricted for debt service	50,000	—	—	50,000
Unrestricted	572,370	752,741	(119,459)	1,205,652
Total Net Assets	1,048,736	1,306,281	9,306,626	11,661,643
Total Liabilities and Net Assets	\$ 1,323,184	\$ 1,470,078	\$ 9,451,015	\$ 12,244,277

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

Year Ended June 30, 2008

	Solid Waste	Transit	Hotel Parking	Total
Operating Revenue				
Charges for sales and service	<u>\$ 878,003</u>	<u>\$ 438,515</u>	<u>\$ 428,388</u>	<u>\$ 1,744,906</u>
Operating Expenses				
Salaries and employee benefits	330,047	754,317	243,852	1,328,216
Contractual services	60,433	160,596	98,165	319,194
Commodities	191,499	432,449	25,722	649,670
Depreciation	<u>45,128</u>	<u>116,765</u>	<u>279,601</u>	<u>441,494</u>
Total Operating Expenses	<u>627,107</u>	<u>1,464,127</u>	<u>647,340</u>	<u>2,738,574</u>
Operating Income (Loss)	<u>250,896</u>	<u>(1,025,612)</u>	<u>(218,952)</u>	<u>(993,668)</u>
Nonoperating Revenue (Expenses)				
Intergovernmental Revenue				
Federal	—	216,400	—	216,400
State	—	356,760	—	356,760
Other revenue	—	154	—	154
Loss on asset disposal	—	(88,164)	—	(88,164)
Interest expense	<u>(15,481)</u>	<u>—</u>	<u>—</u>	<u>(15,481)</u>
Total Nonoperating Revenue (Expenses)	<u>(15,481)</u>	<u>485,150</u>	<u>—</u>	<u>469,669</u>
Income (Loss) Before Transfers ...	235,415	(540,462)	(218,952)	(523,999)
Transfers in	—	601,600	32,855	634,455
Transfers out	<u>(12,500)</u>	<u>—</u>	<u>—</u>	<u>(12,500)</u>
Net Income (Loss)	222,915	61,138	(186,097)	97,956
Net Assets - Beginning of Year	<u>825,821</u>	<u>1,245,143</u>	<u>9,492,723</u>	<u>11,563,687</u>
Net Assets - End of Year	<u>\$ 1,048,736</u>	<u>\$ 1,306,281</u>	<u>\$ 9,306,626</u>	<u>\$ 11,661,643</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2008

	Solid Waste	Transit	Hotel Parking	Total
Cash Flows From Operating Activities				
Receipts from customers	\$ 874,257	\$ 438,515	\$ 428,388	\$ 1,741,160
Payments to suppliers.....	(247,535)	(598,240)	(122,143)	(967,918)
Payments to employees.....	(330,047)	(754,317)	(243,852)	(1,328,216)
Net Cash Provided by (Used in) Operating Activities	<u>296,675</u>	<u>(914,042)</u>	<u>62,393</u>	<u>(554,974)</u>
Cash Flows From Noncapital Financing Activities				
Noncapital federal and state grants	—	566,849	—	566,849
Other revenue	—	154	—	154
Net transfers.....	(12,500)	601,600	32,855	621,955
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(12,500)</u>	<u>1,168,603</u>	<u>32,855</u>	<u>1,188,958</u>
Cash Flows From Capital and Related Financing Activities				
Increase in due to other funds.....	—	—	38,611	38,611
Received from sale of assets	—	27,738	—	27,738
Purchase of capital assets	—	(148,247)	—	(148,247)
Repayment of debt	(50,000)	—	—	(50,000)
Payment of interest	(15,700)	—	—	(15,700)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(65,700)</u>	<u>(120,509)</u>	<u>38,611</u>	<u>(147,598)</u>
Cash Flows From Investing Activities				
(Increase) decrease in due from other funds.....	<u>(492,730)</u>	<u>21,399</u>	<u>(133,859)</u>	<u>(605,190)</u>
Net Increase (Decrease) in Cash	<u>(274,255)</u>	<u>155,451</u>	<u>—</u>	<u>(118,804)</u>
Cash and Pooled Investments at Beginning of Year	324,255	558,218	—	882,473
Cash and Pooled Investments at End of Year	<u>\$ 50,000</u>	<u>\$ 713,669</u>	<u>\$ —</u>	<u>\$ 763,669</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 250,896	\$(1,025,612)	\$ (218,952)	\$ (993,668)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities				
Depreciation	45,128	116,765	279,601	441,494
Increase in receivables	(3,746)	—	—	(3,746)
(Increase) decrease in inventories and prepaids.....	2,693	(6,211)	1,684	(1,834)
Increase (decrease) in accounts and retainages payable	983	(13,474)	60	(12,431)
Increase in accrued liabilities and compensated absences	721	14,490	—	15,211
Net Cash Provided by (Used in) Operating Activities	<u>\$ 296,675</u>	<u>\$ (914,042)</u>	<u>\$ 62,393</u>	<u>\$ (554,974)</u>
Schedule of Noncash Investing and Financing Activities				
Cash Paid for Capital Assets				
Capital asset additions.....	<u>\$ —</u>	<u>\$ 148,247</u>	<u>\$ —</u>	<u>\$ 148,247</u>
Loss on Asset Disposal				
Book value of assets disposed	\$ —	\$ 244,901	\$ —	\$ 244,901
Cash received	—	(27,738)	—	(27,738)
Insurance proceeds accrued.....	—	(128,999)	—	(128,999)
Loss on Asset Disposal	<u>\$ —</u>	<u>\$ 88,164</u>	<u>\$ —</u>	<u>\$ 88,164</u>

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

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Assets				
Notes Receivable.....	<u>\$ 526,667</u>	<u>\$ —</u>	<u>\$ 526,667</u>	<u>\$ —</u>
Liabilities				
Notes Payable.....	<u>\$ 526,667</u>	<u>\$ —</u>	<u>\$ 526,667</u>	<u>\$ —</u>

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

Years Ended June 30, 2005 Through 2008

	2008	2007	2006	2005
Revenue				
Property taxes	\$ 9,777,725	\$ 9,155,120	\$ 8,098,678	\$ 7,542,431
TIF and other city taxes	15,030,854	13,786,896	11,397,440	9,586,743
Special assessments	1,239,963	1,126,217	882,838	1,227,337
Licenses and permits	474,595	604,110	730,436	659,633
Use of money and property	946,203	1,347,299	2,438,667	1,353,761
Intergovernmental	5,351,026	5,384,289	5,499,728	3,519,790
Charges for service	1,680,722	1,599,894	1,425,389	1,393,208
Miscellaneous	<u>1,537,664</u>	<u>4,871,096</u>	<u>812,366</u>	<u>871,612</u>
Total Revenue	<u>\$ 36,038,752</u>	<u>\$ 37,874,921</u>	<u>\$ 31,285,542</u>	<u>\$ 26,154,515</u>
Expenditures				
Operating				
Public safety	\$ 4,201,185	\$ 3,946,226	\$ 3,940,020	\$ 3,404,787
Public works	1,635,688	1,430,685	1,429,082	1,300,160
Health and social services	86,859	114,444	130,441	105,521
Culture and recreation	4,925,136	4,748,913	3,953,353	3,833,780
Community and economic development	1,824,297	427,164	1,753,471	928,797
General government	1,852,344	1,852,670	1,546,342	1,457,547
Debt service	21,420,881	65,482,393	18,828,354	8,748,113
Capital projects	<u>13,730,878</u>	<u>37,500,330</u>	<u>53,606,579</u>	<u>27,810,276</u>
Total Expenditures	<u>\$ 49,677,268</u>	<u>\$ 115,502,825</u>	<u>\$ 85,187,642</u>	<u>\$ 47,588,981</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 accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Coralville, Iowa, as of and for the year ended June 30, 2008, and have issued our report thereon dated January 23, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the City of Coralville, Iowa's effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Coralville, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Coralville, Iowa's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of the City of Coralville, Iowa's financial statements that is more than inconsequential will not be prevented or detected by the City of Coralville, Iowa's internal control. We consider the deficiency in internal control described in Section II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe item 08-II-R-1 is a significant deficiency and a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Coralville, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. 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, 2008 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.

The City of Coralville, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Coralville, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, 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 23, 2009

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A Professional Corporation

Certified Public Accountants and Consultants

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, 2008. 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, 2008.

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 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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 23, 2009

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Program/Cluster Expenditures
U.S. Department of Education			
Indirect			
Pass-Through Iowa Department of Education Summer Food Service Program for Children .	10.559	528039	<u>\$ 7,664</u>
U.S. Department of Housing and Urban Development			
Indirect			
Pass-Through Iowa Department of Economic Development Home Investment Partnership Program.....	14.228	06-HSG-106	<u>88,657</u>
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607	2006BUBX0613515	<u>575</u>
U.S. Department of Transportation			
Direct			
Federal Transit - Formula Grants.....	20.507	Various	<u>364,943</u>
Indirect			
Pass-Through Iowa Department of Transportation			
Highway Planning and Construction	20.205	Various	<u>2,257</u>
Recreation Trails Program.....	20.219	2006-EDP007	<u>26,367</u>
Total U.S. Department of Transportation			<u>393,567</u>
U.S. Environmental Protection Agency			
Direct			
Brownfields Assessment and Cleanup Cooperative Agreements.....	66.818	BP 98778301-0 BP 98778401-0	91,695 <u>103,943</u> <u>195,638</u>
U.S. Department of Homeland Security			
Direct			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1737-DR-IA FEMA-IA-1763-DR-IA	42,821 <u>893,078</u> <u>935,899</u>
Total Expenditures of Federal Awards			<u>\$ 1,622,000</u>

Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2008

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of 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, 2008

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
Significant deficiency 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
Significant deficiency 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

20.507
97.036

Name of Federal Program or Cluster

Federal Transit - Formula Grants
Disaster Grants - Public Assistance

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, 2008

Section II: Findings Related to the Financial Statements:

Instances of Noncompliance

There were no reported instances of noncompliance.

Significant Deficiencies

08-II-R-1 Financial Statement Preparation

Current Year Finding - The City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with the cash basis of accounting. As is inherent in many entities of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures.

Auditor's Recommendation - We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

City's Response - We will consider obtaining additional knowledge.

Conclusion - Response accepted.

Section III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance

There were no reported instances of noncompliance.

Significant Deficiencies

There were no matters reported.

Section IV: Findings Related to Statutory Reporting

08-IV-A Certified Budget - Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted prior to the budget being amended. 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 prior to exceeding it.

Auditor's Conclusion - Response accepted.

08-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.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

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

08-IV-D Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Council Member Henry Herwig, President of H.J. LTD Heating & Air Conditioning	Repairs and new equipment	\$22,799

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Council Member may represent conflicts of interest since total transactions were more than \$1,500 during the fiscal year and were not entered into through competitive bidding.

08-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.

08-IV-F Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not except as noted below. 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.

08-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.

08-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.

08-IV-I Financial Condition - The funds listed below had deficit balances at June 30, 2008 as noted:

Special Revenue	
Police Grants.....	\$ 8,625
Nonmajor Debt Service	
Highway 6/22nd Avenue	24,451
North Annexation.....	15,502
Capital Projects	
Highway 6 Projects.....	2,342,086
Town Center Parking Ramp Project.....	79,867
First Avenue/Clear Creek Projects	110,625
First Avenue/Brownfields Projects.....	237,258
North Corridor Land Use Project	118,591
Trail Projects	317,420
Oakdale Boulevard Project.....	28,567
Sports Complex Projects	252,779

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2008

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.