

**CITY OF CORALVILLE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

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Officials

Elected Officials

Name	Title	Term Expires
Jim L. Fausett	Mayor	January 1, 2014
Thomas Gill	Council Member	January 1, 2014
William Hoeft	Council Member	January 1, 2014
John Lundell	Council Member	January 1, 2014
Mitch Gross	Council Member	January 1, 2016
Jill Dodds	Council Member	January 1, 2016

Appointed Officials

Kelly Hayworth	City Administrator	Indefinite
Thorsten Johnson	City Clerk	Indefinite
Teresa Kaeding	City Finance Officer	Indefinite
Ellen Habel	Assistant City Administrator	Indefinite
Donald L. Diehl	City Attorney	Indefinite
Kevin Olson	Assistant City Attorney	Indefinite
Kathryn Scheetz	Deputy City Clerk	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, 2012, 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'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Coralville as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, 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 our report dated January 16, 2013 on our consideration of the City of Coralville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and
Members of the City Council
City of Coralville, Iowa
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Management's Discussion and Analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 13 and 50 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coralville'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 nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included on pages 54 through 68, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 16, 2013

Management's Discussion and Analysis

As management of the City of Coralville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Coralville for the fiscal year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the City of Coralville exceeded its liabilities at June 30, 2012 and 2011, by \$127,626,531 and \$119,060,626 (as restated), respectively. Of this amount, \$7,844,570 and \$8,041,094, respectively, are unrestricted net assets which 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 \$14,668,689, an increase of 10% as compared to the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,775,726, or 33%, of the 2012 total general fund expenditures. At June 30, 2011, unassigned general fund balance was \$5,277,632, or 41%, of the 2011 total general fund expenditures.
- Total governmental long-term debt increased by approximately \$25 million during the current fiscal year. The City issued \$68 million of new debt and retired \$43 million of existing debt. The new debt was issued to refund existing debt and reduce future interest costs and to fund various projects within the City.
- The City's business-type activities issued the following debt to finance projects:

Sewer	\$ 5,977,630
Iowa River Landing Parking	<u>14,298,608</u>
	<u>\$ 20,276,238</u>

Total business-type activity debt retired was approximately \$5 million.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

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

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, user charges and state and federal grants finance most of these activities.
- Business-type activities include the hotel and conference center, sanitary sewer system, Brown Deere golf course and clubhouse, water works, sanitation department, public transit and hotel parking. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year end that are available for spending. The governmental funds include: (a) the General Fund, (b) Special Revenue Funds, (c) Debt Service Fund and (d) Capital Projects Funds. These funds are reported using current financial resource measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

2. Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenue, expenses and changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business-type activities.

Statement of Net Assets

A condensed version of the Statement of Net Assets as of June 30, 2012 and 2011 follows.

	2012			2011 (Restated)		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 45,709,037	\$ 8,720,437	\$ 54,429,474	\$ 43,054,127	\$ 9,835,136	\$ 52,889,263
Restricted assets	4,875,499	6,735,330	11,610,829	7,886,363	6,800,295	14,686,658
Capital assets	245,216,923	119,485,674	364,702,597	212,477,245	103,983,544	316,460,789
Other noncurrent assets	6,326,455	—	6,326,455	5,739,806	—	5,739,806
Total Assets	<u>\$ 302,127,914</u>	<u>\$ 134,941,441</u>	<u>\$ 437,069,355</u>	<u>\$ 269,157,541</u>	<u>\$ 120,618,975</u>	<u>\$ 389,776,516</u>
Current liabilities	\$ 50,703,882	\$ 5,706,305	\$ 56,410,187	\$ 55,850,197	\$ 6,308,399	\$ 62,158,596
Noncurrent liabilities	176,551,670	76,480,967	253,032,637	148,898,924	59,858,370	208,757,294
Total Liabilities	<u>\$ 227,255,552</u>	<u>\$ 82,187,272</u>	<u>\$ 309,442,824</u>	<u>\$ 204,749,121</u>	<u>\$ 66,166,769</u>	<u>\$ 270,915,890</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 54,927,453	\$ 47,232,031	\$ 102,159,484	\$ 47,254,262	\$ 47,084,140	\$ 94,338,402
Restricted	17,622,477	—	17,622,477	15,587,323	—	15,587,323
Unrestricted	2,322,432	5,522,138	7,844,570	1,766,835	7,368,066	9,134,901
Total Net Assets	<u>\$ 74,872,362</u>	<u>\$ 52,754,169</u>	<u>\$ 127,626,531</u>	<u>\$ 64,608,420</u>	<u>\$ 54,452,206</u>	<u>\$ 119,060,626</u>

\$17.6 million of the City of Coralville's net assets (14%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets totaling \$7.8 million (6%) 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 was 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.

Statement of Activities

A condensed version of the Statement of Activities as of June 30, 2012 and 2011 follows:

City of Coralville's Governmental and Business-Type Activities

	2012			2011 (Restated)		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenue						
Charges for services	\$ 3,785,600	\$ 23,936,891	\$ 27,722,491	\$ 3,202,424	\$ 22,603,274	\$ 25,805,698
Operating grants and contributions	2,316,148	583,831	2,899,979	2,313,749	705,571	3,019,320
Capital grants and contributions	12,409,403	—	12,409,403	23,589,915	—	23,589,915
Other General Revenue						
Property taxes	27,711,527	—	27,711,527	27,485,628	—	27,485,628
Other taxes	2,702,006	—	2,702,006	2,659,821	—	2,659,821
Other	612,621	80,770	693,391	715,042	120,697	835,739
Loss on sale of assets	(3,014,659)	—	(3,014,659)	(777,465)	13,135	(764,330)
Total Revenue	<u>46,522,646</u>	<u>24,601,492</u>	<u>71,124,138</u>	<u>59,189,114</u>	<u>23,442,677</u>	<u>82,631,791</u>
Expenses						
Public safety	4,717,087	—	4,717,087	4,463,478	—	4,463,478
Public works	1,544,789	—	1,544,789	1,391,231	—	1,391,231
Health and social services	94,420	—	94,420	92,004	—	92,004
Culture and recreation	7,647,146	—	7,647,146	6,519,232	—	6,519,232
Community and economic development	11,212,874	—	11,212,874	9,147,803	—	9,147,803
General government	2,697,627	—	2,697,627	2,671,452	—	2,671,452
Depreciation - unallocated	11,393	—	11,393	11,393	—	11,393
Interest on long-term debt	7,381,909	—	7,381,909	7,618,819	—	7,618,819
Hotel and conference center	—	17,170,614	17,170,614	—	17,142,519	17,142,519
Sewer	—	2,525,952	2,525,952	—	2,287,093	2,287,093
Golf	—	2,427,753	2,427,753	—	2,372,845	2,372,845
Iowa River Landing parking	—	753,582	753,582	—	742,248	742,248
Water	—	1,674,360	1,674,360	—	1,638,882	1,638,882
Solid waste	—	852,770	852,770	—	825,886	825,886
Transit	—	1,909,749	1,909,749	—	1,731,888	1,731,888
Storm water	—	121,680	121,680	—	125,475	125,475
Total Expenses	<u>35,307,245</u>	<u>27,436,460</u>	<u>62,743,705</u>	<u>31,915,412</u>	<u>26,866,836</u>	<u>58,782,248</u>
Increase (Decrease) in Net Assets						
Before Transfers	11,215,401	(2,834,968)	8,380,433	27,273,702	(3,424,159)	23,849,543
Transfers	(1,136,931)	1,136,931	—	(1,775,894)	1,775,894	—
Increase (Decrease) in Net Assets	10,078,470	(1,698,037)	8,380,433	25,497,808	(1,648,265)	23,849,543
Beginning net assets, as restated	<u>64,793,892</u>	<u>54,452,206</u>	<u>119,246,098</u>	<u>39,110,612</u>	<u>56,100,471</u>	<u>95,211,083</u>
Ending Net Assets	<u>\$ 74,872,362</u>	<u>\$ 52,754,169</u>	<u>\$ 127,626,531</u>	<u>\$ 64,608,420</u>	<u>\$ 54,452,206</u>	<u>\$ 119,060,626</u>

Governmental Activities

Total governmental activities' revenue was \$49,537,305 and \$59,966,579 (before a loss on the sale of land) for the years ended June 30, 2012 and 2011, respectively. The largest single revenue source for the City was property and other taxes of \$30,413,533 and \$30,145,449 recorded for the years ended June 30, 2012 and 2011, respectively, which includes property taxes paid in the Tax Increment Financing Areas of the City. 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.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As of the end of the current fiscal year, the City of Coralville's governmental funds reported combined ending fund balances of approximately \$14.7 million. A deficit of approximately \$5.7 million constitutes unassigned fund balance. This total deficit results primarily from capital project funds that currently have deficits which will be eliminated with state and federal grants and debt proceeds in future years. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed to pay debt service or for a variety of other restricted purposes which is primarily expendable trust and capital projects.

The General Fund is the chief operating fund of the City of Coralville. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4.8 million, while total fund balance reached \$7.6 million. Unassigned fund balance represents 63% of total General Fund balance. The General Fund revenue increased approximately \$900,000, or 7.7% over fiscal year 2011, while expenditures increased approximately \$1,700,000, or 13%, over the prior year. Key factors in this increase included an increase in property taxes and charges for service and in public safety (primarily for a new fire engine) and culture and recreation.

The Special Revenue - Mall/Highway 6 TIF Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects and other project costs. This fund ended 2012 with a fund balance of \$6.1 million compared to the prior year ending fund balance of \$8.1 million. The decrease resulted from increased debt service associated with refinancing of existing bonds.

The General Obligation Debt Service Fund accounts for general obligation debt issued and the subsequent principal and interest payments. Property taxes and transfers in from other funds are the primary sources of cash for this fund. The fund ended 2012 with a balance of \$796,329, an increase of approximately \$1 million from 2011. During 2012, approximately \$30 million of debt was refinanced in this fund which will reduce future interest costs.

The Capital Projects - Flood Mitigation Fund accounts for flood prevention and mitigation projects underway in the City, in response to the devastating floods which occurred in 2008. The fund ended 2012 with a \$5.6 million deficit fund balance compared to the prior year deficit fund balance of \$2.7 million. The increase in the deficit is a result of construction projects during the year. The deficit will be eliminated through future grant revenue and transfers from other funds.

The Capital Projects - Iowa River Landing Fund accounts for improvements being made to the area near the City-owned Marriott Hotel and Conference Center which will include a new medical facility owned by the University of Iowa and significant retail development.

The Capital Projects - Theater/Village Project Fund accounts for the acquisition of the Coralville Performing Arts Center.

Proprietary Fund Highlights

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, hotel parking 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, sewer fund, golf fund and Iowa River Landing parking fund, as these are considered major funds of the City. Data from the other four 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.

The Hotel and Conference Center Fund accounts for the operation and maintenance of the Marriott hotel located on East 9th Street in Coralville. The fund ended 2012 with a net asset balance totaling \$14.2 million compared to the prior year ending net asset balance of \$16.5 million. The decrease was the result of a net loss after transfers of \$2.4 million which included \$2.9 million of depreciation expense.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended 2012 with a net asset balance of \$14.3 million compared to the prior year ending net asset balance of \$13.7 million. The increase was due to an increase in rates charged to users of the system.

The Golf Fund, which accounts for the operation and maintenance of the Brown Deer golf course, clubhouse and Divots restaurant ended 2012 with a net asset balance of \$2.9 million which was approximately the balance at the end of 2011.

The Iowa River Landing Parking Fund accounts for the two parking ramps located in the Iowa River Landing development area. The net assets totaled approximately \$16.4 million at the end of 2012, an increase of approximately \$4 million due to transfers in from other funds.

BUDGETARY HIGHLIGHTS

The City had one budget amendment during the fiscal year. The amendment was done primarily to recognize expected bond issuance proceeds and related construction project expenditures and other normal budgetary changes.

The following table presented on a budgetary basis (cash basis) demonstrates the statutory compliance with the annual fiscal year 2012 budget. The amounts in the 'Actual' column were taken from the City's annual report to the State of Iowa prepared on the cash basis of accounting.

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Govern-mental Fund Types	Proprietary Funds	Total	
Receipts						
Property taxes	\$ 11,522,550	\$ 11,522,550	\$ 11,639,173	\$ —	\$ 11,639,173	\$ 116,623
Tax increment financing	16,640,263	16,640,263	16,089,163	—	16,089,163	(551,100)
Other city taxes	2,417,819	2,392,819	2,265,651	—	2,265,651	(127,168)
Licenses and permits	648,420	770,640	836,263	—	836,263	65,623
Use of money and property	9,254,702	9,059,702	1,154,325	7,885,407	9,039,732	(19,970)
Intergovernmental	25,593,076	27,807,076	15,585,502	691,300	16,276,802	(11,530,274)
Charges for services	9,378,049	10,018,049	1,841,742	8,251,745	10,093,487	75,438
Special assessments	—	335,000	334,865	—	334,865	(135)
Miscellaneous	8,334,978	9,869,978	1,953,450	8,214,496	10,167,946	297,968
Total Receipts	83,789,857	88,416,077	51,700,134	25,042,948	76,743,082	(11,672,995)
Disbursements						
Public safety	4,693,587	5,378,587	5,044,773	—	5,044,773	(333,814)
Public works	1,576,966	1,576,966	1,399,401	—	1,399,401	(177,565)
Health and social services	97,320	97,320	94,420	—	94,420	(2,900)
Culture and recreation	7,256,129	7,256,129	6,484,549	—	6,484,549	(771,580)
Community and economic development	1,732,847	2,437,997	3,049,083	—	3,049,083	611,086
General government	2,703,904	2,958,904	2,621,852	—	2,621,852	(337,052)
Debt service	24,132,933	58,432,933	54,909,394	—	54,909,394	(3,523,539)
Capital projects	34,536,545	123,836,545	64,205,983	—	64,205,983	(59,630,562)
Business-type activities	21,593,530	26,288,530	—	27,447,194	27,447,194	1,158,664
Total Disbursements	98,323,761	228,263,911	137,809,455	27,447,194	165,256,649	(63,007,262)
Receipts Over (Under) Disbursements	(14,533,904)	(139,847,834)	(86,109,321)	(2,404,246)	(88,513,567)	51,334,267
Other Financing Sources (Uses)						
Other financing sources	33,997,086	184,197,086	164,227,890	7,766,017	171,993,907	(12,203,179)
Other financing uses	(23,991,086)	(46,639,086)	(76,235,439)	(4,749,455)	(80,984,894)	(34,345,808)
Total Other Financing Sources (Uses)	10,006,000	137,558,000	87,992,451	3,016,562	91,009,013	(46,548,987)
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses						
Other Financing Uses	(4,527,904)	(2,289,834)	1,883,130	612,316	2,495,446	\$ 4,785,280
Balance - Beginning of Year	13,790,576	19,310,702	8,351,083	10,959,619	19,310,702	
Balance - End of Year	\$ 9,262,672	\$ 17,020,868	\$ 10,234,213	\$ 11,571,935	\$ 21,806,148	

The fiscal year 2012 budget amendment resulted in an overall increase in total appropriations. The timing of improvements in the capital projects funds and debt refunding issues increased the fiscal year 2012 expenditures significantly.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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) in service or under construction at year end.

Capital Assets at Fiscal Year End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 68,834,393	\$ 67,665,066	\$ 5,645,327	\$ 3,545,093	\$ 74,479,720	\$ 71,210,159
Land improvements	24,497,263	24,604,420	—	—	24,497,263	24,604,420
Buildings and improvements	37,585,975	20,437,010	92,309,934	83,756,929	129,895,909	104,193,939
Infrastructure	69,071,244	59,924,981	—	—	69,071,244	59,924,981
Machinery and equipment	6,666,674	6,213,487	8,973,072	11,242,965	15,639,746	17,456,452
Construction-in-progress	38,561,374	33,632,281	12,557,341	5,438,557	51,118,715	39,070,838
Total	\$ 245,216,923	\$ 212,477,245	\$ 119,485,674	\$ 103,983,544	\$ 364,702,597	\$ 316,460,789

Long-Term Debt

The following summarizes maturities of principal and interest on bonded debt outstanding at June 30, 2012:

Year Ending June 30,	Governmental Activities				Business-Type Activities		Total	
	General		Tax Increment		Revenue Bonds		Principal	Interest
	Obligation Bonds	Revenue Bonds	Revenue Bonds	Revenue Bonds	Principal	Interest		
2013	\$ 11,207,874	\$ 5,377,746	\$ 2,240,000	\$ 1,619,681	\$ 1,073,000	\$ 719,638	\$ 14,520,874	\$ 7,717,065
2014	15,665,000	4,957,051	2,115,000	1,506,656	19,244,608	210,210	37,024,608	6,673,917
2015	11,180,000	4,539,681	2,195,000	1,400,906	548,000	159,702	13,923,000	6,100,289
2016	10,910,000	4,155,141	2,350,000	1,291,156	562,000	147,378	13,822,000	5,593,675
2017	11,330,000	3,740,679	2,960,000	1,173,656	569,000	132,578	14,859,000	5,046,913
2018-2022	38,360,000	13,211,057	3,215,000	4,485,280	2,382,000	432,365	43,957,000	18,128,702
2023-2027	17,345,000	7,652,544	—	4,324,530	1,053,000	204,300	18,398,000	12,181,374
2028-2032	22,830,000	3,336,315	—	4,324,530	717,000	43,500	23,547,000	7,704,345
2033-2037	—	—	3,745,000	4,033,562	—	—	3,745,000	4,033,562
2038-2042	—	—	6,165,000	2,792,000	—	—	6,165,000	2,792,000
2043-2047	—	—	7,240,000	1,129,000	—	—	7,240,000	1,129,000
	138,827,874	46,970,214	32,225,000	28,080,957	26,148,608	2,049,671	197,201,482	77,100,842
Net unamortized bond premium (discount)	2,339,711	—	642,067	—	—	—	2,981,778	—
Net	\$ 141,167,585	\$ 46,970,214	\$ 32,867,067	\$ 28,080,957	\$ 26,148,608	\$ 2,049,671	\$ 200,183,260	\$ 77,100,842

The City also had outstanding at June 30, 2012, bond anticipation notes totaling \$15,133,032 which will be replaced with general obligation bonds in 2013.

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 Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is below its constitutional debt limit of approximately \$96.3 million.

The City of Coralville maintains an Aa2 rating from Moody's Investor Services and an AA- rating from Standard & Poors for general obligation debt.

For more information on the City's debt and amortization terms, please refer to page 35 of the Notes to the Financial Statements.

ECONOMIC FACTORS

- Retail sales for the City of Coralville for calendar year 2011 were approximately \$722,000,000 compared to \$696,000,000 for 2010.
- The total value of building permits issued during calendar year 2012 was \$107,705,000. This compares with an amount of \$104,544,000 for 2011.

NEXT YEAR'S BUDGET AND RATES

- Water, Solid Waste and Storm Water Management rates will remain the same for fiscal year 2013 as fiscal year 2012. Sewer rates will increase \$0.50 for the minimum fee and \$0.15 for each 100 cubic feet above the minimum usage amount.
- The City tax levy rate for fiscal year 2013 will be \$13.5277 which is the same as 2012 and includes a library levy for debt service of \$0.204.
- Property taxes provided about 54.3% of General Fund revenue. Over the past five years, City-wide assessed values have increased an average of 2.64%, while taxable values have had an average annual growth rate of 4.43%.

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

As of June 30, 2012

	Governmental Activities	Business- Type Activities	Total
Assets			
Current Assets			
Cash and pooled investments	\$ 7,120,351	\$ 2,956,459	\$ 10,076,810
Receivables			
Property Taxes			
Current year delinquent, net of allowance for uncollectible taxes	121,824	—	121,824
Succeeding year	29,345,640	—	29,345,640
Assets held by property manager.....	—	1,049,063	1,049,063
Customer accounts, net of allowance for uncollectible accounts	—	1,518,471	1,518,471
Due from other funds	—	468,718	468,718
Due from other governments.....	7,040,259	354,551	7,394,810
Special assessments	11,686	—	11,686
Other.....	104,046	—	104,046
Inventories and prepaids.....	667,243	2,373,175	3,040,418
Deferred charges	1,297,988	—	1,297,988
Total Current Assets	<u>45,709,037</u>	<u>8,720,437</u>	<u>54,429,474</u>
Noncurrent Assets			
Restricted Assets			
Cash and pooled investments	4,875,499	445,814	5,321,313
Beneficial interest in a trust	—	6,289,516	6,289,516
Loans, net of allowance for uncollectible amounts	6,212,416	—	6,212,416
Special assessments.....	114,039	—	114,039
Capital assets, net of accumulated depreciation	245,216,923	119,485,674	364,702,597
Total Noncurrent Assets	<u>256,418,877</u>	<u>126,221,004</u>	<u>382,639,881</u>
Total Assets	<u>\$ 302,127,914</u>	<u>\$ 134,941,441</u>	<u>\$ 437,069,355</u>

See accompanying notes to the financial statements.

	Governmental Activities	Business- Type Activities	Total
Liabilities			
Current Liabilities			
Accounts and retainages payable	\$ 5,149,488	\$ 2,418,761	\$ 7,568,249
Accrued expenses	1,888,197	1,225,352	3,113,549
Due to other funds	468,718	—	468,718
Revenue bonds payable	—	627,186	627,186
General obligation bonds payable	11,207,874	—	11,207,874
Other loans payable	289,926	9,192	299,118
Capital leases	—	980,000	980,000
Deferred Revenue			
Succeeding year property taxes	29,345,640	—	29,345,640
Special assessments	114,039	—	114,039
Current Liabilities Payable From Restricted Assets			
Tax increment financing bonds payable ..	2,240,000	—	2,240,000
Revenue bonds payable	—	445,814	445,814
Total Current Liabilities	<u>50,703,882</u>	<u>5,706,305</u>	<u>56,410,187</u>
Noncurrent Liabilities			
Revenue bonds payable	—	25,075,607	25,075,607
General obligation bonds payable	129,959,711	—	129,959,711
Bond anticipation notes	15,133,032	—	15,133,032
Tax increment financing bonds payable	30,627,067	—	30,627,067
Other loans payable	831,860	116,166	948,026
Capital leases	—	51,289,194	51,289,194
Total Noncurrent Liabilities	<u>176,551,670</u>	<u>76,480,967</u>	<u>253,032,637</u>
Total Liabilities	<u>227,255,552</u>	<u>82,187,272</u>	<u>309,442,824</u>
Net Assets			
Invested in capital assets, net of related debt Restricted For			
Debt service	11,290,511	—	11,290,511
Expendable trust	363,735	—	363,735
Road use purposes	820,968	—	820,968
Employee benefits	12,598	—	12,598
Economic development	146,992	—	146,992
Special assessments	480,462	—	480,462
Capital projects	4,419,835	—	4,419,835
Other	87,376	—	87,376
Unrestricted	2,322,432	5,522,138	7,844,570
Total Net Assets	<u>74,872,362</u>	<u>52,754,169</u>	<u>127,626,531</u>
Total Liabilities and Net Assets	<u>\$ 302,127,914</u>	<u>\$ 134,941,441</u>	<u>\$ 437,069,355</u>

Statement of Activities

Year Ended June 30, 2012

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	\$ 4,717,087	\$ 51,862	\$ 315,720	\$ —	\$ (4,349,505)	\$ —	\$ (4,349,505)
Public works	1,544,789	—	1,802,603	—	257,814	—	257,814
Health and social services	94,420	—	—	—	(94,420)	—	(94,420)
Culture and recreation	7,647,146	1,827,621	179,441	—	(5,640,084)	—	(5,640,084)
Community and economic development	11,212,874	919,839	1,756	12,375,230	2,083,951	—	2,083,951
General government	2,697,627	986,278	16,628	34,173	(1,660,548)	—	(1,660,548)
Depreciation - unallocated	11,393	—	—	—	(11,393)	—	(11,393)
Interest on long-term debt	7,381,909	—	—	—	(7,381,909)	—	(7,381,909)
Total Governmental Activities	35,307,245	3,785,600	2,316,148	12,409,403	(16,796,094)	—	(16,796,094)
Business-Type Activities							
Hotel and conference center	17,170,614	14,025,283	—	—	—	(3,145,331)	(3,145,331)
Sewer	2,525,952	3,116,691	—	—	—	590,739	590,739
Golf	2,427,753	2,171,965	—	—	—	(255,788)	(255,788)
Iowa River Landing parking	753,582	454,958	—	—	—	(298,624)	(298,624)
Water	1,674,360	2,329,543	—	—	—	655,183	655,183
Solid waste	852,770	1,008,675	—	—	—	155,905	155,905
Transit	1,909,749	509,896	583,831	—	—	(816,022)	(816,022)
Storm water	121,680	319,880	—	—	—	198,200	198,200
Total Business-Type Activities	27,436,460	23,936,891	583,831	—	—	(2,915,738)	(2,915,738)
Total	\$ 62,743,705	\$ 27,722,491	\$ 2,899,979	\$ 12,409,403	(16,796,094)	(2,915,738)	(19,711,832)
General Revenue							
Taxes							
Property taxes levied for general purposes					8,909,618	—	8,909,618
Property taxes levied for debt service					2,756,881	—	2,756,881
Tax increment financing taxes					16,045,028	—	16,045,028
Other taxes					2,702,006	—	2,702,006
Investment earnings					221,583	80,770	302,353
Miscellaneous					391,038	—	391,038
Loss on sale of land					(3,014,659)	—	(3,014,659)
Total General Revenue					28,011,495	80,770	28,092,265
Change in Net Assets Before Other Financing Sources (Uses)					11,215,401	(2,834,968)	8,380,433
Other Financing Sources (Uses)							
Transfers					(1,136,931)	1,136,931	—
Change in Net Assets					10,078,470	(1,698,037)	8,380,433
Net Assets - Beginning of Year, as Previously Reported					64,798,811	54,061,815	118,860,626
Fund reclassification (Note 17)					(390,391)	390,391	—
Prior period adjustment (Note 18)					385,472	—	385,472
Net Assets - Beginning of Year, as Restated					64,793,892	54,452,206	119,246,098
Net Assets - End of Year					\$ 74,872,362	\$ 52,754,169	\$ 127,626,531

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2012

	General Fund	Special Revenue - Mall/Highway 6 TIF Fund	General Obligation Debt Service	Capital Projects			Other Governmental Funds	Total
				Flood Mitigation	Iowa River Landing	Theater/ Village Project		
Assets								
Cash and pooled investments	\$ 5,902,762	\$ —	\$ 1,213,040	\$ —	\$ —	\$ —	\$ 4,549	\$ 7,120,351
Receivables								
Property Taxes								
Current year delinquent.....	44,787	34,277	14,018	—	—	—	28,742	121,824
Succeeding year	7,657,456	13,165,583	2,862,857	—	—	—	5,659,744	29,345,640
Loans.....	—	2,771,726	—	—	—	—	3,440,690	6,212,416
Due from other funds	436,700	—	—	—	2,031,583	—	6,160,002	8,628,285
Due from other governments.....	1,066,733	—	—	1,956,624	—	—	4,016,902	7,040,259
Other.....	104,046	—	—	—	—	—	—	104,046
Special assessments	—	—	—	—	—	—	125,725	125,725
Inventories and prepaids	652,457	—	—	—	—	—	14,786	667,243
Restricted Assets								
Cash and pooled investments	—	3,308,212	—	—	—	—	1,567,287	4,875,499
Total Assets	\$ 15,864,941	\$ 19,279,798	\$ 4,089,915	\$ 1,956,624	\$ 2,031,583	\$ —	\$ 21,018,427	\$ 64,241,288
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 313,225	\$ 15,510	\$ 16,400	\$ 1,072,039	\$ 1,963,136	\$ 340	\$ 1,768,838	\$ 5,149,488
Accrued liabilities.....	209,068	—	—	—	—	—	165,000	374,068
Due to other funds.....	128,999	—	414,329	4,773,285	—	533	3,779,857	9,097,003
Deferred Revenue								
Succeeding years property taxes	7,657,456	13,165,583	2,862,857	—	—	—	5,659,744	29,345,640
Special assessments	—	—	—	—	—	—	114,039	114,039
Other.....	—	—	—	1,690,381	—	—	3,801,980	5,492,361
Total Liabilities	8,308,748	13,181,093	3,293,586	7,535,705	1,963,136	873	15,289,458	49,572,599
Fund Balances								
Nonspendable	652,457	—	—	—	—	—	—	652,457
Restricted								
Debt service.....	—	6,098,705	796,329	—	—	—	4,395,477	11,290,511
Expendable trust	—	—	—	—	—	—	363,735	363,735
Road use purposes.....	—	—	—	—	—	—	820,968	820,968
Employee benefits	—	—	—	—	—	—	12,598	12,598
Economic development.....	—	—	—	—	—	—	146,992	146,992
Special assessments	—	—	—	—	—	—	480,462	480,462
Capital projects	—	—	—	—	—	—	4,419,835	4,419,835
Other.....	—	—	—	—	—	—	87,376	87,376
Committed for capital asset acquisition.....	2,128,010	—	—	—	—	—	—	2,128,010
Unassigned	4,775,726	—	—	(5,579,081)	68,447	(873)	(4,998,474)	(5,734,255)
Total Fund Balances	7,556,193	6,098,705	796,329	(5,579,081)	68,447	(873)	5,728,969	14,668,689
Total Liabilities and Fund Balances	\$ 15,864,941	\$ 19,279,798	\$ 4,089,915	\$ 1,956,624	\$ 2,031,583	\$ —	\$ 21,018,427	\$ 64,241,288

See accompanying notes to the financial statements.

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

As of June 30, 2012

Total Fund Balances for Governmental Funds (Page 16)....	\$ 14,668,689
 <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 reported as deferred revenue in governmental funds.....	5,492,361
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.....	245,216,923
Debt issuance costs are capitalized as deferred charges and amortized to expense	1,297,988
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	(141,167,585)
Tax increment financing bonds payable	(32,867,067)
Bond anticipation notes	(15,133,032)
Other loans payable	(1,121,786)
Accrued interest payable	(778,382)
Compensated absences.....	<u>(735,747)</u>
Net Assets of Governmental Activities (Page 14)	<u>\$ 74,872,362</u>

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

Year Ended June 30, 2012

	General Fund	Special Revenue - Mall/Highway 6 TIF Fund	General Obligation Debt Service	Capital Projects			Other Governmental Funds	Total
				Flood Mitigation	Iowa River Landing	Theater/ Village Project		
Revenue								
Property taxes	\$ 6,763,210	\$ —	\$ 2,756,881	\$ —	\$ —	\$ —	\$ 2,146,408	\$ 11,666,499
TIF and other city taxes	2,702,006	12,858,925	—	—	—	—	3,186,103	18,747,034
Special assessments	—	—	—	—	—	—	280,101	280,101
Licenses and permits	674,089	—	—	—	—	—	—	674,089
Use of money and property	196,014	61,642	136,221	—	—	—	697,598	1,091,475
Intergovernmental	517,860	—	5,400	5,470,054	—	1,600,000	6,206,419	13,799,733
Charges for services	1,881,329	—	—	—	—	—	75,608	1,956,937
Miscellaneous	210,355	51,211	3,647	—	67,593	744,918	314,056	1,391,780
Total Revenue	12,944,863	12,971,778	2,902,149	5,470,054	67,593	2,344,918	12,906,293	49,607,648
Expenditures								
Operating								
Public safety	5,045,514	—	—	—	—	—	25,376	5,070,890
Public works	—	—	—	—	—	—	1,412,413	1,412,413
Health and social services	94,420	—	—	—	—	—	—	94,420
Culture and recreation	6,295,823	—	—	—	—	—	247,560	6,543,383
Community and economic development	645,790	1,155,633	—	—	—	—	316,403	2,117,826
General government	2,570,471	—	—	—	—	—	—	2,570,471
Debt Service								
Principal	—	9,778	12,054,280	—	—	—	195,000	12,259,058
Interest and other charges	—	5,018	7,507,050	—	—	—	23,305	7,535,373
Capital projects	—	—	—	8,715,875	20,232,142	14,713,416	3,658,370	47,319,803
Total Expenditures	14,652,018	1,170,429	19,561,330	8,715,875	20,232,142	14,713,416	5,878,427	84,923,637
Revenue Over (Under) Expenditures	(1,707,155)	11,801,349	(16,659,181)	(3,245,821)	(20,164,549)	(12,368,498)	7,027,866	(35,315,989)
Other Financing Sources (Uses)								
General obligation bond proceeds	—	—	37,563,032	—	—	—	—	37,563,032
Refunding bonds issued	—	—	30,355,000	—	—	—	—	30,355,000
Refunding bond principal payments	—	—	(30,355,000)	—	—	—	—	(30,355,000)
Premium on general obligation bonds issued	—	—	321,542	—	—	—	—	321,542
Cost of debt issuance	—	—	(1,342,746)	—	—	—	—	(1,342,746)
Proceeds from sale of assets	—	—	—	—	1,500,000	—	—	1,500,000
Transfers in	2,829,814	979,836	18,798,385	400,000	18,123,291	13,649,692	10,372,524	65,153,542
Transfers out	(1,800,801)	(14,818,755)	(37,649,504)	—	—	(904,582)	(11,116,831)	(66,290,473)
Total Other Financing Sources (Uses)	1,029,013	(13,838,919)	17,690,709	400,000	19,623,291	12,745,110	(744,307)	36,904,897
Net Change in Fund Balance	(678,142)	(2,037,570)	1,031,528	(2,845,821)	(541,258)	376,612	6,283,559	1,588,908
Fund Balance - Beginning of Year (Restated - Note 18)	8,234,335	8,136,275	(235,199)	(2,733,260)	609,705	(377,485)	(554,590)	13,079,781
Fund Balance - End of Year	\$ 7,556,193	\$ 6,098,705	\$ 796,329	\$ (5,579,081)	\$ 68,447	\$ (873)	\$ 5,728,969	\$ 14,668,689

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, 2012

Changes in Fund Balances - Total Governmental Funds (Page 18)..... **\$ 1,588,908**

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	\$ 42,541,660	
Depreciation expense.....	(5,287,323)	
Proceeds from sale of capital assets	(1,500,000)	
Loss on sale of capital assets.....	<u>(3,014,659)</u>	32,739,678

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.....	\$ (67,918,032)	
Long-term debt principal repaid.....	42,614,058	
Issuance premium capitalized	(178,279)	
Amortization of discounts and premiums	215,766	
Debt issuance costs capitalized	1,342,746	
Amortization of deferred charges.....	(44,758)	
Increase in accrued interest	<u>(17,544)</u>	(23,986,043)

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..... (213,606)

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..... (50,467)

Change in Net Assets of Governmental Activities (Page 15)..... **\$ 10,078,470**

Statement of Net Assets - Proprietary Funds

As of June 30, 2012

	Hotel and Conference Center	Sewer	Golf	Iowa River Landing Parking	Nonmajor Proprietary Funds	Total
Assets						
Current Assets						
Cash and pooled investments	\$ —	\$ 50	\$ 136,019	\$ 385,033	\$ 2,435,357	\$ 2,956,459
Receivables						
Assets held by property manager	816,510	—	232,553	—	—	1,049,063
Customer accounts	439,395	469,799	59,476	—	549,801	1,518,471
Due from other governments	—	354,551	—	—	—	354,551
Due from other funds	—	—	—	—	1,003,759	1,003,759
Inventories and prepaids	903,741	94,533	241,287	942,429	191,185	2,373,175
Total Current Assets	2,159,646	918,933	669,335	1,327,462	4,180,102	9,255,478
Noncurrent Assets						
Restricted Assets						
Cash and pooled investments	—	97,776	—	—	348,038	445,814
Beneficial interest in a trust	5,526,448	—	763,068	—	—	6,289,516
Capital assets (net of accumulated depreciation)	51,891,054	22,393,385	10,300,128	20,837,916	14,063,191	119,485,674
Total Noncurrent Assets	57,417,502	22,491,161	11,063,196	20,837,916	14,411,229	126,221,004
Total Assets	\$ 59,577,148	\$ 23,410,094	\$ 11,732,531	\$ 22,165,378	\$ 18,591,331	\$ 135,476,482
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$ 402,006	\$ 246,009	\$ 185,900	\$ 1,497,817	\$ 87,029	\$ 2,418,761
Accrued liabilities and compensated absences	711,432	45,187	67,626	32,438	150,544	1,007,227
Due to other funds	83,996	68,948	382,097	—	—	535,041
Current maturities of long-term debt	800,000	848,000	189,192	—	225,000	2,062,192
Customer deposits	—	—	—	—	218,125	218,125
Total Current Liabilities	1,997,434	1,208,144	824,815	1,530,255	680,698	6,241,346
Long-Term Debt	43,414,556	7,872,000	7,990,803	15,673,608	1,530,000	76,480,967
Total Liabilities	45,411,990	9,080,144	8,815,618	17,203,863	2,210,698	82,722,313
Net Assets						
Invested in capital assets, net of related debt	13,202,946	13,673,385	2,883,201	5,164,308	12,308,191	47,232,031
Restricted for debt service	—	97,776	—	—	348,038	445,814
Unrestricted	962,212	558,789	33,712	(202,793)	3,724,404	5,076,324
Total Net Assets	14,165,158	14,329,950	2,916,913	4,961,515	16,380,633	52,754,169
Total Liabilities and Net Assets	\$ 59,577,148	\$ 23,410,094	\$ 11,732,531	\$ 22,165,378	\$ 18,591,331	\$ 135,476,482

See accompanying notes to the financial statements.

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

Year Ended June 30, 2012

	Hotel and Conference Center	Sewer	Golf	Iowa River Landing Parking	Nonmajor Proprietary Funds	Total
Operating Revenue						
Charges for Sales and Services	<u>\$ 14,025,283</u>	<u>\$ 3,116,691</u>	<u>\$ 2,171,965</u>	<u>\$ 454,958</u>	<u>\$ 4,167,994</u>	<u>\$ 23,936,891</u>
Operating Expenses						
Salaries and employee benefits.....	—	437,274	254,093	272,383	1,947,594	2,911,344
Contractual services	1,285,323	1,031,636	139,624	113,025	968,363	3,537,971
Commodities	10,789,460	76,411	1,314,349	88,573	858,907	13,127,700
Depreciation	2,857,603	847,787	227,351	279,601	762,289	4,974,631
Total Operating Expenses	<u>14,932,386</u>	<u>2,393,108</u>	<u>1,935,417</u>	<u>753,582</u>	<u>4,537,153</u>	<u>24,551,646</u>
Operating Income (Loss)	<u>(907,103)</u>	<u>723,583</u>	<u>236,548</u>	<u>(298,624)</u>	<u>(369,159)</u>	<u>(614,755)</u>
Nonoperating Revenue (Expenses)						
Intergovernmental Revenue						
Federal.....	—	—	—	—	372,396	372,396
State	—	—	—	—	211,435	211,435
Interest revenue	65,792	8,685	6,293	—	—	80,770
Interest expense.....	(2,238,228)	(132,844)	(492,336)	—	(21,406)	(2,884,814)
Total Nonoperating Revenue (Expenses).....	<u>(2,172,436)</u>	<u>(124,159)</u>	<u>(486,043)</u>	<u>—</u>	<u>562,425</u>	<u>(2,220,213)</u>
Income (Loss) Before Transfers.....	<u>(3,079,539)</u>	<u>599,424</u>	<u>(249,495)</u>	<u>(298,624)</u>	<u>193,266</u>	<u>(2,834,968)</u>
Transfers in	743,927	343,824	255,000	405,343	4,316,949	6,065,043
Transfers out	(30,000)	(322,900)	—	(4,004,312)	(570,900)	(4,928,112)
Net Income (Loss)	<u>(2,365,612)</u>	<u>620,348</u>	<u>5,505</u>	<u>(3,897,593)</u>	<u>3,939,315</u>	<u>(1,698,037)</u>
Net Assets - Beginning of Year.....	16,530,770	13,709,602	2,911,408	8,859,108	12,441,318	54,452,206
Net Assets - End of Year	<u>\$ 14,165,158</u>	<u>\$ 14,329,950</u>	<u>\$ 2,916,913</u>	<u>\$ 4,961,515</u>	<u>\$ 16,380,633</u>	<u>\$ 52,754,169</u>

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2012

	Hotel and Conference Center	Sewer	Golf	Iowa River Landing Parking	Nonmajor Proprietary Funds	Total
Cash Flows From Operating Activities						
Receipts from customers.....	\$ 14,204,379	\$ 3,429,963	\$ 2,034,741	\$ 472,458	\$ 4,114,539	\$ 24,256,080
Payments to suppliers.....	(12,040,056)	(1,215,859)	(1,394,936)	(129,484)	(1,875,811)	(16,656,146)
Payments to employees.....	—	(449,655)	(246,585)	(272,383)	(1,937,631)	(2,906,254)
Net Cash Provided by Operating Activities.....	<u>2,164,323</u>	<u>1,764,449</u>	<u>393,220</u>	<u>70,591</u>	<u>301,097</u>	<u>4,693,680</u>
Cash Flows From Noncapital Financing Activities						
Noncapital federal and state grants.....	—	—	—	—	579,575	579,575
Net transfers.....	713,927	20,924	255,000	(3,598,969)	5,655	(2,603,463)
Net Cash Provided by (Used in) Noncapital Financing Activities.....	<u>713,927</u>	<u>20,924</u>	<u>255,000</u>	<u>(3,598,969)</u>	<u>585,230</u>	<u>(2,023,888)</u>
Cash Flows From Capital and Related Financing Activities						
Increase (decrease) in due from other governments.....	—	(354,551)	—	—	—	(354,551)
Increase (decrease) in due to other funds.....	46,521	68,948	125,910	269,441	—	510,820
Proceeds from debt.....	—	5,977,630	—	14,298,608	—	20,276,238
Net received from trust.....	84,113	—	(6,039)	—	—	78,074
Purchase of capital assets.....	(22,346)	(4,004,566)	—	(10,294,295)	(812,396)	(15,133,603)
Repayment of debt.....	(685,000)	(3,715,000)	(183,330)	—	(295,000)	(4,878,330)
Payment of interest.....	(2,301,538)	(264,155)	(455,035)	(360,343)	(80,195)	(3,461,266)
Net Cash Provided by (Used in) Capital and Related Financing Activities.....	<u>(2,878,250)</u>	<u>(2,291,694)</u>	<u>(518,494)</u>	<u>3,913,411</u>	<u>(1,187,591)</u>	<u>(2,962,618)</u>
Cash Flows From Investing Activities						
(Increase) decrease in due from other funds.....	—	499,378	—	—	2,682,146	3,181,524
Interest received.....	—	8,685	6,293	—	—	14,978
Net Cash Provided by (Used in) Investing Activities.....	<u>—</u>	<u>508,063</u>	<u>6,293</u>	<u>—</u>	<u>2,682,146</u>	<u>3,196,502</u>
Net Increase (Decrease) in Cash.....	<u>—</u>	<u>1,742</u>	<u>136,019</u>	<u>385,033</u>	<u>2,380,882</u>	<u>2,903,676</u>
Cash and Pooled Investments at Beginning of Year.....	—	96,084	—	—	402,513	498,597
Cash and Pooled Investments at End of Year.....	<u>\$ —</u>	<u>\$ 97,826</u>	<u>\$ 136,019</u>	<u>\$ 385,033</u>	<u>\$ 2,783,395</u>	<u>\$ 3,402,273</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities						
Operating income (loss).....	\$ (907,103)	\$ 723,583	\$ 236,548	\$ (298,624)	\$ (369,159)	\$ (614,755)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities						
Depreciation.....	2,857,603	847,787	227,351	279,601	762,289	4,974,631
(Increase) decrease in receivables.....	179,096	313,272	(137,224)	17,500	(49,100)	323,544
(Increase) decrease in inventories and prepaids.....	78,477	(22,538)	15,231	—	(28,204)	42,966
Increase (decrease) in accounts and retainages payable.....	(61,559)	(85,274)	43,806	(979)	(20,337)	(124,343)
Increase (decrease) in accrued liabilities and compensated absences..	17,809	(12,381)	7,508	73,093	9,963	95,992
Increase in customer deposits.....	—	—	—	—	(4,355)	(4,355)
Net Cash Provided by Operating Activities.....	<u>\$ 2,164,323</u>	<u>\$ 1,764,449</u>	<u>\$ 393,220</u>	<u>\$ 70,591</u>	<u>\$ 301,097</u>	<u>\$ 4,693,680</u>
Schedule of Noncash Investing and Financing Activities						
Cash Paid for Capital Assets						
Capital asset additions.....	\$ 22,346	\$ 3,901,751	\$ —	\$ 12,063,417	\$ 748,853	\$ 16,736,367
Capitalized interest.....	—	(131,409)	—	(392,781)	(45,250)	(569,440)
Net change in accounts payable.....	—	234,224	—	(1,376,341)	108,793	(1,033,324)
Cash Paid for Capital Assets.....	<u>\$ 22,346</u>	<u>\$ 4,004,566</u>	<u>\$ —</u>	<u>\$ 10,294,295</u>	<u>\$ 812,396</u>	<u>\$ 15,133,603</u>
Capital Assets Transferred (Noncash).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,740,394</u>	<u>\$ 3,740,394</u>

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, health and social services, culture and recreation, public improvements, community and economic development and general administrative services. It also operates a hotel and conference center and a municipal golf course and provides water, sewer and sanitation utilities.

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 accounting standards 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 as they are not material.

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 Mall/Highway 6 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 Mall/Highway 6 area tax increment financing district which will be used to pay obligations incurred for qualifying projects.

The General Obligation Debt Service Fund accounts for general obligation debt issued, the subsequent payment of principal and interest on that debt and the collection of property taxes levied for debt service.

The Flood Mitigation Fund is used to account for the grant revenue and project expenses for flood protection and mitigation projects in response to the 2008 flood.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The Iowa River Landing Fund accounts for improvements being made to the area near the City-owned Marriott Hotel and Conference Center which will include a new medical facility owned by the University of Iowa and significant retail development.

The Theater/Village Project Fund accounts for the acquisition of the Coralville Performing Arts Center.

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.

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.

Iowa River Landing Parking - This fund accounts for the two parking ramps located in the Iowa River Landing area.

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, most tax increment financing bonds, land purchase contracts and related costs. The City records into the debt service fund, all governmental fund-type bond proceeds received. Amounts are then transferred out to other funds, primarily capital project funds, to be used for the approved purposes. Virtually all governmental fund-type debt service is paid from this fund, with amounts transferred in from other funds, primarily tax increment financing special revenue funds.

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).

(1) Summary of Significant Accounting Policies

Proprietary Fund Type

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

Measurement Focus and Basis of Accounting

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

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications -- committed, assigned and then unassigned fund balances.

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 apply 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.

(1) Summary of Significant Accounting Policies

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Using prescribed procedures, the City amended its budget once during the year ended June 30, 2012.

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. At June 30, 2012, disbursements exceeded the budgeted amounts in Community and Economic Development and Business-Type Activities functional areas.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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.

Restricted cash consists primarily of bond proceeds and other funds which can only be spent for a specific purpose. Those specific purpose restrictions include bond reserve funds, debt sinking funds, expendable trust funds and perpetual cemetery funds.

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.

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, 2010 assessed property valuations, is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March, 2011.

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.

Assets held by property manager consists of cash held by Marriott Business Systems used in managing the day-to-day activities of the hotel and conference center and Brown Deer Clubhouse.

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 special revenue funds.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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 and grants and reimbursements from other governments.

Inventories and Prepaids

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

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

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, or by law.

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 statement of net assets 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. During the year ended June 30, 2012, \$45,250, \$131,409 and \$392,781 was capitalized to projects in the water, sewer and hotel parking enterprise funds, respectively.

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 if purchased or constructed. 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 most 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 - 50 Years
Furniture and equipment	5 - 20 Years
Vehicles.....	5 - 20 Years
Road network	20 - 40 Years
Bridge network	50 Years
Parking ramps	50 Years

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. In the government-wide and proprietary fund financial statements, 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. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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 certain 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.

In the enterprise funds, deferred revenue consists of grant funds received in advance of being expended.

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, if material, 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

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(2) Cash and Pooled Investments

The City's deposits at June 30, 2012 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, 2012, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$4,724,674 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, 2012 were as follows:

Cash accounts.....	\$ 8,892,205
Pooled cash investments - Iowa Public Agency Investment Trust.....	4,724,674
Certificates of deposit.....	<u>1,781,244</u>
Total	<u>\$ 15,398,123</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, 2012, 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, 2012, no amounts of principal and interest had been received or forgiven and the loans were not in default.

Notes to the Financial Statements

(3) Loans Receivable

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 2012 included \$17,989 of principal and \$11,211 of interest. The unpaid balance at June 30, 2012 was \$192,526.

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, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

During the year ended June 30, 2006, the City made a \$576,190 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, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

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, 2012, 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, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

During the year ended June 30, 2009, the City made a forgivable economic development loan to a local business. The loan is forgivable upon the business meeting certain job retention goals. The total loan amount available is \$900,000. Through June 30, 2012, the City has advanced \$450,000 to the local business under this agreement. The loan bears interest at 6%, which is also forgivable. At June 30, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

During the year ended June 30, 2009, the City made a forgivable economic development loan to a local business totaling \$200,000. 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, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

During the year ended June 30, 2009, the City made a forgivable economic development loan to a local business totaling \$957,500. The loan is forgivable upon the business meeting minimum property assessments. The total loan is for \$1,200,000 and bears interest at 6%, which is also forgivable. At June 30, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

During the year ended June 30, 2012, the City made a forgivable economic development loan to a local business totaling \$194,000. The loan is forgivable upon the business meeting minimum property assessments. The total bears interest at 6%, which is also forgivable. At June 30, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

During the year ended June 30, 2012, the City made a forgivable economic development loan to a local business totaling \$385,000. The loan is forgivable upon the business meeting minimum property assessments. The total bears interest at 6%, which is also forgivable. At June 30, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

Notes to the Financial Statements

(4) Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2012 is as follows:

Due From/To	Interfund Receivables	Interfund Payables
General Fund	\$ 436,700	\$ 128,999
Special Revenue Funds		
Road Use Tax	709,684	—
Police Grants	—	24,447
Economic Development	146,992	—
Special Assessments	468,776	—
Debt Service Funds		
General Obligation Bonds	—	414,329
Capital Projects Funds		
Flood Mitigation.....	—	4,773,285
Street Projects	1,532,442	—
Iowa River Landing	2,031,583	—
Brownfields	—	23,962
Intermodal Facility.....	—	241,207
Highway 6 Projects	246,813	—
Oakdale Boulevard Project.....	16,340	—
Cardinal Road Project.....	15,916	—
1st Avenue Reconstruction	—	777,450
Oakdale Area.....	—	676,340
James Street Area	—	118,116
Coral Ridge Mall Area.....	1,260,633	—
Transit/Parks Facility.....	—	1,392,463
Library Expansion	—	93,349
North Fire Station.....	654,980	—
Recreation Improvements	1,102,995	—
Northridge Trails	—	152,487
12th Avenue Urban Renewal	—	78,919
Theater/Village Project.....	—	533
Land Use Project	—	164,693
North End Area Projects	4,431	—
FEMA/Edgewater Buyouts	—	34,814
CDBG Flood Related	—	1,610
Enterprise Funds		
Hotel	—	83,996
Sewer	—	68,948
Brown Deer Golf Course	—	382,097
Solid Waste.....	329,507	—
Transit.....	129,214	—
Storm Water.....	545,038	—
	<u>\$ 9,632,044</u>	<u>\$ 9,632,044</u>

These balances result from projects and other uses which resulted in negative cash balances in certain funds at year end. Repayments will be made from future revenue, debt proceeds and transfers.

Notes to the Financial Statements

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 67,665,066	\$ 5,683,986	\$ 4,514,659	\$ 68,834,393
Construction in progress	<u>33,632,281</u>	<u>39,519,258</u>	<u>34,590,165</u>	<u>38,561,374</u>
Total Capital Assets Not Being Depreciated.....	<u>101,297,347</u>	<u>45,203,244</u>	<u>39,104,824</u>	<u>107,395,767</u>
Capital Assets Being Depreciated				
Land improvements.....	26,472,500	453,575	—	26,926,075
Buildings and improvements	27,441,462	18,180,353	—	45,621,815
Furniture and equipment	11,807,060	959,060	—	12,766,120
Vehicles	1,541,035	119,750	—	1,660,785
Road network	81,525,805	8,915,559	—	90,441,364
Bridge network.....	5,101,681	3,300,284	—	8,401,965
Parking ramps	<u>5,522,881</u>	<u>—</u>	<u>—</u>	<u>5,522,881</u>
Total Capital Assets Being Depreciated	<u>159,412,424</u>	<u>31,928,581</u>	<u>—</u>	<u>191,341,005</u>
Less Accumulated Depreciation for				
Land improvements.....	1,868,080	560,732	—	2,428,812
Buildings and improvements	7,004,452	1,031,388	—	8,035,840
Furniture and equipment	6,080,461	505,229	—	6,585,690
Vehicles	1,054,147	120,394	—	1,174,541
Road network	30,755,226	2,824,086	—	33,579,312
Bridge network.....	973,099	135,036	—	1,108,135
Parking ramps	<u>497,061</u>	<u>110,458</u>	<u>—</u>	<u>607,519</u>
Total Accumulated Depreciation.....	<u>48,232,526</u>	<u>5,287,323</u>	<u>—</u>	<u>53,519,849</u>
Net Capital Assets Being Depreciated....	<u>111,179,898</u>	<u>26,641,258</u>	<u>—</u>	<u>137,821,156</u>
Net Governmental Activities				
Capital Assets	<u>\$ 212,477,245</u>	<u>\$ 71,844,502</u>	<u>\$ 39,104,824</u>	<u>\$ 245,216,923</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 3,545,093	\$ 2,100,234	\$ —	\$ 5,645,327
Construction in progress	<u>5,438,557</u>	<u>13,911,092</u>	<u>6,792,308</u>	<u>12,557,341</u>
Total Capital Assets Not Being Depreciated.....	<u>8,983,650</u>	<u>16,011,326</u>	<u>6,792,308</u>	<u>18,202,668</u>
Capital Assets Being Depreciated				
Buildings and improvements	104,298,725	11,211,570	—	115,510,295
Furniture and equipment	27,298,748	46,173	94,218	27,250,703
Vehicles	<u>699,942</u>	<u>—</u>	<u>—</u>	<u>699,942</u>
Total Capital Assets Being Depreciated	<u>132,297,415</u>	<u>11,257,743</u>	<u>94,218</u>	<u>143,460,940</u>
Less Accumulated Depreciation for				
Buildings and improvements	20,542,796	2,657,565	—	23,200,361
Furniture and equipment	16,494,051	2,255,406	94,218	18,655,239
Vehicles	<u>260,674</u>	<u>61,660</u>	<u>—</u>	<u>322,334</u>
Total Accumulated Depreciation.....	<u>37,297,521</u>	<u>4,974,631</u>	<u>94,218</u>	<u>42,177,934</u>
Net Capital Assets Being Depreciated....	<u>94,999,894</u>	<u>6,283,112</u>	<u>—</u>	<u>101,283,006</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 103,983,544</u>	<u>\$ 22,294,438</u>	<u>\$ 6,792,308</u>	<u>\$ 119,485,674</u>

Notes to the Financial Statements

(5) Capital Assets

Depreciation expense was charged by the City as follows for the year ended June 30, 2012:

Governmental Activities	
Public safety.....	\$ 288,832
Public works.....	129,238
Culture and recreation.....	1,093,485
Community and economic development.....	3,634,778
General government	<u>129,597</u>
	5,275,930
Unallocated depreciation.....	<u>11,393</u>
Total Governmental Activities Depreciation Expense	<u>\$ 5,287,323</u>
Business-Type Activities	
Hotel and conference center	\$ 2,857,603
Sewer.....	847,787
Golf.....	227,351
Iowa River Landing Parking	279,601
Water.....	421,424
Solid waste.....	91,350
Transit.....	<u>249,515</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 4,974,631</u>

(6) Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2012:

	Balance - Beginning of Year	Additions	Retirements	Balance - End of Year	Amount Due in the Next Year	Range of Interest Rates
Governmental Activities						
General Obligation						
Bonds.....	\$ 106,388,292	\$ 52,963,279	\$ 18,183,986	\$ 141,167,585	\$ 11,207,874	1.10%-6.10%
Bond Anticipation Notes.....	—	15,133,032	—	15,133,032	—	N/A
Tax increment revenue bonds	57,118,847	—	24,251,780	32,867,067	2,240,000	5.00%-5.50%
Other long-term debt	1,515,844	—	394,058	1,121,786	289,926	0.00%-6.50%
Compensated absences.....	<u>685,280</u>	<u>735,747</u>	<u>685,280</u>	<u>735,747</u>	<u>735,747</u>	N/A
Totals.....	<u>\$ 165,708,263</u>	<u>\$ 68,832,058</u>	<u>\$ 43,515,104</u>	<u>\$ 191,025,217</u>	<u>\$ 14,473,547</u>	
Business-Type Activities						
Revenue bonds.....	\$ 9,882,370	\$ 20,276,238	\$ 4,010,000	\$ 26,148,608	\$ 1,073,000	2.00%-5.25%
Capital leases.....	53,185,144	—	915,951	52,269,193	980,000	4.00%-5.25%
Other long-term debt	133,688	—	8,330	125,358	9,192	4.00%
Compensated absences.....	<u>158,164</u>	<u>153,676</u>	<u>158,164</u>	<u>153,676</u>	<u>153,676</u>	N/A
Totals.....	<u>\$ 63,359,366</u>	<u>\$ 20,429,914</u>	<u>\$ 5,092,445</u>	<u>\$ 78,696,835</u>	<u>\$ 2,215,868</u>	

(6) Long-Term Debt

Governmental Activities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government, urban renewal 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 has issued 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 TIF special revenue funds and the taxes are to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. Debt service is paid primarily from the General Obligation Debt Service Fund. Transfers are made from the TIF funds for the TIF taxes being used for debt service. 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 and have been issued as General Obligation Urban Renewal Bonds. 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.

Bond Anticipation Notes

The City has issued bond anticipation notes to finance two projects during construction phase. These notes will be retired and replaced with permanent, long-term general obligation bonds during the year ending June 30, 2013.

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 matured September 1, 2011.

During the year ended June 30, 2012, \$9,778 of principal and \$4,961 of interest was paid.

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, 2012, \$84,280 of principal and \$40,913 of interest was paid.

Notes to the Financial Statements

(6) Long-Term Debt

At June 30, 2012, annual maturities of the land purchase contract are as follows:

Year Ending June 30,	Principal	Interest	Total
2013.....	\$ 89,926	\$ 35,268	\$ 125,194
2014.....	95,948	29,246	125,194
2015.....	102,374	22,820	125,194
2016.....	109,231	15,963	125,194
2017.....	<u>124,307</u>	<u>1,820</u>	<u>126,127</u>
Total	<u>\$ 521,786</u>	<u>\$ 105,117</u>	<u>\$ 626,903</u>

During the year ended June 30, 2010, the City purchased property on First Avenue for future flood prevention and mitigation for a total of \$1.2 million. The purchase was financed by a land purchase contract with the former owner which included a \$200,000 payment at closing and requires annual payments of \$200,000 on July 1, 2011 through 2015. Their agreement does not include any interest.

At June 30, 2012, annual maturities of the land purchase contract are as follows:

Year Ending June 30,	Principal	Interest	Total
2013.....	\$ 200,000	\$ —	\$ 200,000
2014.....	200,000	—	200,000
2015.....	<u>200,000</u>	<u>—</u>	<u>200,000</u>
Total	<u>\$ 600,000</u>	<u>\$ —</u>	<u>\$ 600,000</u>

Forgivable Loans

During the year ended June 30, 2002, the City obtained a ten-year, \$248,500 forgivable loan through the Iowa Department of Economic Development for Brownfields Redevelopment. The loan is noninterest bearing and no principal is due through the year ended June 30, 2010. The loan will then be forgiven based upon a formula using the increase in taxable property valuation for the redevelopment area. The loan was forgiven in 2011. During the year ended June 30, 2005, the City entered into another loan for \$100,000 for similar terms and the loan was forgiven in 2012.

Advance Refunding of Debt

During the year ended June 30, 2012, the City advance refunded \$10,370,000 of outstanding debt by issuing new debt at a lower interest rate. The proceeds of the new debt issue were placed in an escrow account which will pay the principal and interest on the old debt until it can be called for total repayment. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt was approximately \$4.8 million. The economic gain resulting from the transaction was approximately \$2.4 million.

(6) Long-Term Debt

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 entered into a borrowing arrangement for the construction of a parking ramp in the Iowa River Landing area for up to \$22 million. At June 30, 2012, the City had drawn down \$15.7 million on this loan.

The City has pledged future water customer revenue, net of specified operating expenses, to repay certain 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 2020. Net revenue is required to be at least 125% of the debt service coming due in the next year. The total principal and interest remaining to be paid on the notes is \$1,999,000. For the current year, principal and interest due in the next year and total customer net revenue was \$275,925 and \$1,094,293, 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 2031. 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 \$10,044,616. For the current year, principal and interest paid and total customer net revenue was \$979,894 and \$1,571,370, respectively.

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 \$8,465,000 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, 2012, principal and interest paid totaled \$175,000 and \$402,276, respectively.

Notes to the Financial Statements

(6) Long-Term Debt

At June 30, 2012, future minimum lease payments on the capital lease obligation are as follows:

Year Ending June 30,	
2013.....	\$ 575,276
2014.....	577,850
2015.....	579,776
2016.....	586,026
2017.....	586,350
2018-2022.....	2,967,928
2023-2027.....	3,033,864
2028-2032.....	3,132,254
2033-2037.....	<u>1,934,000</u>
Total Minimum Lease Payments	13,973,324
Less: Amount representing interest.....	(5,818,324)
Original issue discount.....	<u>(100,362)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 8,054,638</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 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, 2012, principal paid totaled \$685,000 and interest expense totaled \$2,301,538.

At June 30, 2012, future minimum lease payments on the capital lease obligation are as follows:

Year Ending June 30,	
2013.....	\$ 3,067,287
2014.....	3,152,287
2015.....	3,216,037
2016.....	3,286,700
2017.....	3,360,800
2018-2022.....	17,953,527
2023-2027.....	<u>33,276,411</u>
Total Minimum Lease Payments	67,313,049
Less amount representing interest	(23,973,049)
Plus original issue premium	<u>874,555</u>
Present Value of Net Minimum Lease Payments	<u>\$ 44,214,555</u>

Notes to the Financial Statements

(6) Long-Term Debt

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, 2012, annual maturities of the SBA loans are as follows:

Year Ending June 30,	SBA Loans	
	Principal	Interest
2013.....	\$ 9,192	\$ 5,004
2014.....	9,567	4,629
2015.....	9,957	4,239
2016.....	10,362	3,834
2017.....	10,784	3,412
2018-2022.....	60,882	10,098
2023-2027.....	14,614	533
Total	<u>\$ 125,358</u>	<u>\$ 31,749</u>

Annual debt service requirements to maturity for general obligation bonds, tax increment revenue bonds, special assessment bonds and revenue bonds at June 30, 2012 are as follows:

Year Ending June 30,	Governmental Activities				Business-Type Activities		Total	
	General Obligation Bonds		Tax Increment Revenue Bonds		Revenue Bonds		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2013	\$ 11,207,874	\$ 5,377,746	\$ 2,240,000	\$ 1,619,681	\$ 1,073,000	\$ 719,638	\$ 14,520,874	\$ 7,717,065
2014	15,665,000	4,957,051	2,115,000	1,506,656	19,244,608	210,210	37,024,608	6,673,917
2015	11,180,000	4,539,681	2,195,000	1,400,906	548,000	159,702	13,923,000	6,100,289
2016	10,910,000	4,155,141	2,350,000	1,291,156	562,000	147,378	13,822,000	5,593,675
2017	11,330,000	3,740,679	2,960,000	1,173,656	569,000	132,578	14,859,000	5,046,913
2018-2022	38,360,000	13,211,057	3,215,000	4,485,280	2,382,000	432,365	43,957,000	18,128,702
2023-2027	17,345,000	7,652,544	—	4,324,530	1,053,000	204,300	18,398,000	12,181,374
2028-2032	22,830,000	3,336,315	—	4,324,530	717,000	43,500	23,547,000	7,704,345
2033-2037	—	—	3,745,000	4,033,562	—	—	3,745,000	4,033,562
2038-2042	—	—	6,165,000	2,792,000	—	—	6,165,000	2,792,000
2043-2047	—	—	7,240,000	1,129,000	—	—	7,240,000	1,129,000
	138,827,874	46,970,214	32,225,000	28,080,957	26,148,608	2,049,671	197,201,482	77,100,842
Net unamortized bond premium (discount)	2,339,711	—	642,067	—	—	—	2,981,778	—
Net	<u>\$ 141,167,585</u>	<u>\$ 46,970,214</u>	<u>\$ 32,867,067</u>	<u>\$ 28,080,957</u>	<u>\$ 26,148,608</u>	<u>\$ 2,049,671</u>	<u>\$ 200,183,260</u>	<u>\$ 77,100,842</u>

Notes to the Financial Statements

(6) Long-Term Debt

Interest expense and other charges recorded in governmental fund types totaled \$7.5 million for the year ended June 30, 2012. Interest expense recorded in proprietary fund types totaled \$2.9 million.

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, 2012, the City was in compliance with these covenants, in all material respects.

(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, 2012, 2011 and 2010 were \$752,572, \$639,649 and \$578,085, respectively, and were equal to the required contributions for each year.

Contribution rates were as follows:

	<u>Police</u>		<u>All Other Employees</u>	
	<u>Employee Contribution</u>	<u>City Contribution</u>	<u>Employee Contribution</u>	<u>City Contribution</u>
2010	6.14%	9.20%	4.50%	6.95%
2011	6.64	9.95	4.50	6.95
2012	6.65	9.97	5.38	8.07

(8) Other Postemployment Benefits (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2009. The computed expense and liability are not material to the City's government-wide financials statements and therefore have not been accrued. The required disclosures are included below.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

Plan Description

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 148 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution.....	\$ 46,100
Interest on net OPEB obligation.....	4,478
Adjustment to annual required contribution.....	<u>(6,109)</u>
Annual OPEB Cost	44,469
Contributions made	<u>(19,469)</u>
Increase in Net OPEB Obligation	25,000
Net OPEB Obligation - Beginning of Year.....	<u>99,506</u>
Net OPEB Obligation - End of Year	<u>\$ 124,506</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 44,469	43.8%	\$ 124,506
2011	48,226	29.4	99,506
2010	44,759	31.7	65,484
2009	49,133	28.0	34,929

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$364,635 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$364,635. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7.7 million and the ratio of the UAAL to covered payroll was 4.8%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 7%. The medical trend rate is reduced by 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP 2000 Mortality Table applied on a gender-specific basis. Annual retirement was assumed at the rate of retirement by attained age after becoming eligible to retire and continue health coverage and termination probabilities were assumed at a modest rate for active employees while no turnover was assumed after the benefit start date.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer From	Amount
General	General Obligation Debt Service	\$ 38,000
	Special Revenue	
	Mall/Highway 6 TIF	292,274
	Nonmajor Governmental Funds	2,291,240
	Proprietary	
	Hotel and Conference Center	25,000
	Sewer	52,000
	Nonmajor Proprietary Funds	<u>131,300</u>
		<u>2,829,814</u>

Notes to the Financial Statements

(9) Interfund Transfers

Transfer to	Transfer From	Amount
Mall/Highway 6 TIF	General Obligation Debt Service	\$ 579,000
	Special Revenue	
	Nonmajor Governmental Funds	<u>400,836</u>
		<u>979,836</u>
General Obligation Debt Service	General	550,000
	Special Revenue	
	Mall/Highway 6 TIF	13,782,554
	Nonmajor Governmental Funds	3,556,249
	Capital Projects	
	Theater/Village Project	904,582
	Proprietary Hotel	<u>5,000</u>
		<u>18,798,385</u>
Flood Mitigation Iowa River Landing	General Obligation Debt Service	400,000
	General Obligation Debt Service	14,118,979
	Capital Projects	
	Nonmajor Governmental Funds	<u>4,004,312</u>
		<u>18,123,291</u>
Theater/Village Project	General	96,100
	General Obligation Debt Service	<u>13,553,592</u>
		<u>13,649,692</u>
Nonmajor Special Revenue	General	10,000
	General Obligation Debt Service	413,000
	Special Revenue	
	Nonmajor Governmental Funds	<u>211,419</u>
		<u>634,419</u>
Nonmajor Capital Projects	General	523,716
	General Obligation Debt Service	8,011,590
	Special Revenue	
	Nonmajor Governmental Funds	492,299
	Proprietary Funds	
	Sewer	270,900
	Nonmajor Proprietary Funds	<u>439,600</u>
		<u>9,738,105</u>
Hotel and Conference Center	Special Revenue	
	Mall/Highway 6 TIF	<u>743,927</u>
Sewer	Capital Projects	
	Nonmajor Governmental Funds	<u>343,824</u>
Golf	General Fund	80,000
	General Obligation Debt Service	<u>175,000</u>
		<u>255,000</u>
Nonmajor Proprietary Water	Capital Projects	
	Nonmajor Governmental Funds	35,570
Transit	General Fund	540,985
	Capital Projects	
	Nonmajor Governmental Funds	3,740,394
Iowa River Landing Parking	General Obligation Debt Service	360,343
	Special Revenue	
	Nonmajor Governmental Funds	<u>45,000</u>
		<u>4,722,292</u>
Total		<u>\$ 71,218,585</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 legal purposes.

Notes to the Financial Statements

(10) Deficit Balances

Deficit balances result primarily from the timing between construction project payments and grants being received or debt being issued. The deficits will be eliminated as financing under grants or bonds is received and from other revenue sources during future years. The following individual funds had a deficit at June 30, 2012:

Special Revenue	
Police Grants	\$ 24,450
Rental Properties	173
Capital Projects	
Flood Mitigation.....	5,579,081
Brownfields	24,032
Intermodal Facility	241,207
Highway 6 Projects	801,886
1st Avenue Reconstruction	777,450
Oakdale Area	713,343
Transit/Parks Facility.....	1,740,627
Library Expansion	93,349
Northridge Trails	185,507
12th Avenue Urban Renewal	78,977
Theater/Village Project.....	873
Land Use Project	164,693
FEMA Edgewater Buyouts	33,054
CDBG Flood Related	1,610
James Street Area	118,116

(11) Operating Lease

The City is leasing 60 golf carts under an operating lease requiring monthly payments of \$13,400 during the months of July, August and September of each year with a final payment due September, 2013. The City is also leasing golf course maintenance equipment under an operating lease requiring one annual payment of \$3,990 due in July of each year through 2012.

The City is leasing two golf utility carts under an operating lease requiring monthly payments of \$800 during the months of June, July and August of each year with a final payment due September, 2013. The following is a schedule by years of future minimum lease payments required under the lease:

Year Ending June 30,	
2013	\$ 42,600
2014	95,000
Total Future Minimum Lease Payments	<u>\$ 137,600</u>

(12) Commitments

Construction

The City is involved in construction of capital assets, including flood mitigation, streets and streetscape improvements, a parking ramp, recreation facilities 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, 2012, the City was committed to approximately \$21 million of construction contracts.

(13) 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.

(14) Risk Management

Iowa Community Assurances Pool

During 2005, the City became a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 663 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 150% 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, 2012, the City made payments of approximately \$530,000 to the risk pool.

(14) Risk Management

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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, 2012, no liability has been recorded in the City's financial statements. As of June 30, 2012, 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, 2012 were approximately \$187,000.

The Association uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. Claims exceeding \$750,000 are reinsured in an amount not to exceed \$2,000,000 per occurrence.

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

Notes to the Financial Statements

(15) Subsequent Events

Management has evaluated subsequent events through January 16, 2013, the date which the financial statements were available to be issued.

Subsequent events included the following:

Debt

Subsequent to June 30, 2012, the City received approximately \$10.7 million of debt proceeds from three existing loan agreements which are either draw loans or bond anticipation loans. Two of these were then permanently financed with the proceeds of \$27.4 million being used to retire the existing draw loan or bond anticipation loan. The City Council has also taken action to issue approximately \$5.5 million of new debt for improvement projects, land purchases and equipment purchases.

Projects, Land and Equipment

The City entered into several new agreements with consultants, engineers and construction companies for various capital projects and approved the purchase of land totaling approximately \$29 million.

(16) Contingencies

The City is involved in various lawsuits in the normal course of business. The City's management cannot predict the outcome of the lawsuits. Management believes that losses resulting from these matters, if any, would be primarily covered under the City's insurance policies and would not have a material effect on the financial position of the City.

(17) Fund Reclassification

During the year ended June 30, 2012, the City reclassified the Storm Water Fund from a nonmajor capital projects fund to a nonmajor proprietary fund. This was done because the primary source of revenue for the Storm Water Fund is user fees and future projects may be financed with revenue bonds secured by the user fees. This reclassification reduced beginning fund balance in the nonmajor governmental funds and increased the beginning net assets in the nonmajor proprietary funds by \$390,391.

(18) Prior Period Adjustments

Governmental Funds

The City has been completing several phases of an improvement project to Highway 6/First Avenue which were completed in cooperation with the Iowa Department of Transportation (IDOT). Under one project, the IDOT managed the construction and paid the contractors. Upon completion and audit of the project by the IDOT, the City was to be billed for its share of the project. The City recorded an amount payable to the IDOT in a prior year based upon information provided by the IDOT. During the year ended June 30, 2012, the final audit was completed and the amount billed to the City was less than what it had recorded as payable. This resulted in a prior period adjustment by increasing the beginning fund balance \$185,472 in the Highway 6 Projects nonmajor capital projects fund. The prior period adjustment had no effect on the change in fund balance for the year ended June 30, 2012.

Notes to the Financial Statements

(18) Prior Period Adjustments

Government-Wide Financial Statements

In addition to the \$185,472 noted above, during the year ended June 30, 2012, the City determined that it had overstated the amount payable under a land purchase contract due to a payment in a prior year having been recorded to expense rather than as a reduction of the liability. The prior period adjustment resulted in a \$200,000 increase in beginning net assets and had no effect on the change in net assets for the year ended June 30, 2012.

(19) Conduit Debt

The City served as issuer of Midwestern Disaster Area Revenue Bonds for several local businesses. These bonds are classified as conduit debt and do not represent a liability of the City. The bonds and related interest are payable solely from the assets of the entity that received the proceeds and the City has no obligation to make any payment on these bonds. Accordingly, the City does not determine the amount of outstanding debt as it has no effect on its financial statements.

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, 2012

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Govern- mental Fund Types	Proprietary Funds	Total	
Receipts						
Property taxes	\$ 11,522,550	\$ 11,522,550	\$ 11,639,173	\$ —	\$ 11,639,173	\$ 116,623
Tax increment financing	16,640,263	16,640,263	16,089,163	—	16,089,163	(551,100)
Other city taxes	2,417,819	2,392,819	2,265,651	—	2,265,651	(127,168)
Licenses and permits	648,420	770,640	836,263	—	836,263	65,623
Use of money and property	9,254,702	9,059,702	1,154,325	7,885,407	9,039,732	(19,970)
Intergovernmental	25,593,076	27,807,076	15,585,502	691,300	16,276,802	(11,530,274)
Charges for services	9,378,049	10,018,049	1,841,742	8,251,745	10,093,487	75,438
Special assessments	—	335,000	334,865	—	334,865	(135)
Miscellaneous	8,334,978	9,869,978	1,953,450	8,214,496	10,167,946	297,968
Total Receipts	83,789,857	88,416,077	51,700,134	25,042,948	76,743,082	(11,672,995)
Disbursements						
Public safety	4,693,587	5,378,587	5,044,773	—	5,044,773	(333,814)
Public works	1,576,966	1,576,966	1,399,401	—	1,399,401	(177,565)
Health and social services	97,320	97,320	94,420	—	94,420	(2,900)
Culture and recreation	7,256,129	7,256,129	6,484,549	—	6,484,549	(771,580)
Community and economic development	1,732,847	2,437,997	3,049,083	—	3,049,083	611,086
General government	2,703,904	2,958,904	2,621,852	—	2,621,852	(337,052)
Debt service	24,132,933	58,432,933	54,909,394	—	54,909,394	(3,523,539)
Capital projects	34,536,545	123,836,545	64,205,983	—	64,205,983	(59,630,562)
Business-type activities	21,593,530	26,288,530	—	27,447,194	27,447,194	1,158,664
Total Disbursements	98,323,761	228,263,911	137,809,455	27,447,194	165,256,649	(63,007,262)
Receipts Over (Under)						
Disbursements	(14,533,904)	(139,847,834)	(86,109,321)	(2,404,246)	(88,513,567)	51,334,267
Other Financing Sources (Uses)						
Other financing sources	33,997,086	184,197,086	164,227,890	7,766,017	171,993,907	(12,203,179)
Other financing uses	(23,991,086)	(46,639,086)	(76,235,439)	(4,749,455)	(80,984,894)	(34,345,808)
Total Other Financing Sources (Uses)	10,006,000	137,558,000	87,992,451	3,016,562	91,009,013	(46,548,987)
Receipts and Other Financing Sources Over (Under)						
Disbursements and Other Financing Uses	(4,527,904)	(2,289,834)	1,883,130	612,316	2,495,446	\$ 4,785,280
Balance - Beginning of Year	13,790,576	19,310,702	8,351,083	10,959,619	19,310,702	
Balance - End of Year	\$ 9,262,672	\$ 17,020,868	\$ 10,234,213	\$ 11,571,935	\$ 21,806,148	

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.

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, 2012

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 \$130 million. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements in Community and Economic Development and Business-Type Activities functional areas exceeded the budgeted amount.

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation ▬

Year Ended June 30, 2012

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 51,700,134	\$ (2,092,486)	\$ 49,607,648
Expenditures	<u>137,809,455</u>	<u>(52,885,818)</u>	<u>84,923,637</u>
Net.....	(86,109,321)	50,793,332	(35,315,989)
Other financing sources (uses).....	87,992,451	(51,087,554)	36,904,897
Beginning fund balances	<u>8,351,083</u>	<u>4,728,698</u>	<u>13,079,781</u>
Ending Fund Balances.....	<u>\$ 10,234,213</u>	<u>\$ 4,434,476</u>	<u>\$ 14,668,689</u>

	Proprietary Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 25,042,948	\$ (441,456)	\$ 24,601,492
Expenditures	<u>27,447,194</u>	<u>(10,734)</u>	<u>27,436,460</u>
Net.....	(2,404,246)	(430,722)	(2,834,968)
Other financing sources (uses).....	3,016,562	(1,879,631)	1,136,931
Beginning fund balances	<u>10,959,619</u>	<u>43,492,587</u>	<u>54,452,206</u>
Ending Fund Balances.....	<u>\$ 11,571,935</u>	<u>\$ 41,182,234</u>	<u>\$ 52,754,169</u>

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-09	\$ —	\$ 319,122	\$ 319,122	—%	\$ 6,845,174	4.7%
2010	7-1-09	—	319,122	319,122	—	7,000,000 (est)	4.6
2011	7-1-09	—	319,122	319,122	—	8,000,000 (est)	4.0
2012	7-1-12	—	364,635	364,635	—	7,700,000	4.8

See Note 8 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet Schedule - Nonmajor Governmental Funds ▬

As of June 30, 2012

	Special Revenue	Capital Projects	Total
Assets			
Cash and pooled investments	\$ 4,549	\$ —	\$ 4,549
Receivables			
Property Taxes			
Current year delinquent	28,742	—	28,742
Succeeding year.....	5,659,744	—	5,659,744
Loans.....	3,440,690	—	3,440,690
Due from other funds	1,325,452	4,834,550	6,160,002
Due from other governments.....	132,271	3,884,631	4,016,902
Special assessments	125,725	—	125,725
Inventories and prepaids	14,786	—	14,786
Restricted Assets			
Cash and pooled investments	<u>1,565,527</u>	<u>1,760</u>	<u>1,567,287</u>
Total Assets	<u>\$ 12,297,486</u>	<u>\$ 8,720,941</u>	<u>\$ 21,018,427</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 51,271	\$ 1,717,567	\$ 1,768,838
Accrued liabilities.....	165,000	—	165,000
Due to other funds.....	24,447	3,755,410	3,779,857
Deferred Revenue			
Succeeding year property taxes.....	5,659,744	—	5,659,744
Special assessments	114,039	—	114,039
Other.....	—	<u>3,801,980</u>	<u>3,801,980</u>
Total Liabilities	<u>6,014,501</u>	<u>9,274,957</u>	<u>15,289,458</u>
Fund Balances			
Reserved for			
Debt service.....	4,395,477	—	4,395,477
Expendable trust.....	363,735	—	363,735
Road use purposes.....	820,968	—	820,968
Employee benefits	12,598	—	12,598
Economic development.....	146,992	—	146,992
Special assessments	480,462	—	480,462
Capital projects	—	4,419,835	4,419,835
Other.....	87,376	—	87,376
Unassigned	<u>(24,623)</u>	<u>(4,973,851)</u>	<u>(4,998,474)</u>
Total Fund Balances.....	<u>6,282,985</u>	<u>(554,016)</u>	<u>5,728,969</u>
Total Liabilities and Fund Balances	<u>\$ 12,297,486</u>	<u>\$ 8,720,941</u>	<u>\$ 21,018,427</u>

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

Year Ended June 30, 2012

	Special Revenue	Capital Projects	Total
Revenue			
Property taxes	\$ 2,146,408	\$ —	\$ 2,146,408
TIF and other city taxes	3,186,103	—	3,186,103
Special assessments.....	280,101	—	280,101
Use of money and property	697,598	—	697,598
Intergovernmental	1,828,754	4,377,665	6,206,419
Charges for services.....	—	75,608	75,608
Miscellaneous.....	<u>265,551</u>	<u>48,505</u>	<u>314,056</u>
Total Revenue	<u>8,404,515</u>	<u>4,501,778</u>	<u>12,906,293</u>
Expenditures			
Operating			
Public safety	25,376	—	25,376
Public works.....	1,412,413	—	1,412,413
Culture and recreation.....	247,560	—	247,560
Community and economic development	316,402	—	316,402
Debt Service			
Principal.....	195,000	—	195,000
Interest and other charges	23,305	—	23,305
Capital projects.....	<u>—</u>	<u>3,658,370</u>	<u>3,658,370</u>
Total Expenditures	<u>2,220,056</u>	<u>3,658,370</u>	<u>5,878,426</u>
Revenue Over (Under) Expenditures	<u>6,184,459</u>	<u>843,408</u>	<u>7,027,867</u>
Other Financing Sources (Uses)			
Transfers in	634,419	9,738,105	10,372,524
Transfers out	<u>(6,997,044)</u>	<u>(4,119,788)</u>	<u>(11,116,832)</u>
Total Other Financing Sources (Uses)	<u>(6,362,625)</u>	<u>5,618,317</u>	<u>(744,308)</u>
Net Change in Fund Balances	(178,166)	6,461,725	6,283,559
Fund Balances - Beginning of Year			
(Restated - Note 18)	<u>6,461,151</u>	<u>(7,015,741)</u>	<u>(554,590)</u>
Fund Balances - End of Year	<u>\$ 6,282,985</u>	<u>\$ (554,016)</u>	<u>\$ 5,728,969</u>

Combining Balance Sheet Schedule - Nonmajor Special Revenue Funds

As of June 30, 2012

	12th Avenue TIF	Oakdale Area TIF	Expendable Trust	Cemetery	Police Grants	Road Use Tax	Employee Benefit Levy	Rental Properties	Economic Development	Special Assessments	CEBA	Total
Assets												
Cash and pooled investments	\$ —	\$ —	\$ 4,548	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,549
Receivables												
Property Taxes												
Current year delinquent.....	16,144	—	—	—	—	—	12,598	—	—	—	—	28,742
Succeeding year	2,500,000	1,454,790	—	—	—	—	1,704,954	—	—	—	—	5,659,744
Loans	—	3,275,690	—	—	—	—	—	—	—	—	165,000	3,440,690
Special assessments	—	—	—	—	—	—	—	—	—	125,725	—	125,725
Due from other funds.....	—	—	—	—	—	709,684	—	—	146,992	468,776	—	1,325,452
Due from other governments.....	—	—	—	—	—	132,271	—	—	—	—	—	132,271
Inventories and prepaids	—	—	—	—	—	14,786	—	—	—	—	—	14,786
Restricted Assets												
Cash and pooled investments	224,192	889,798	364,161	87,376	—	—	—	—	—	—	—	1,565,527
Total Assets.....	\$ 2,740,336	\$ 5,620,278	\$ 368,709	\$ 87,376	\$ —	\$ 856,742	\$ 1,717,552	\$ —	\$ 146,992	\$ 594,501	\$ 165,000	\$ 12,297,486
Liabilities and Fund Balances												
Liabilities												
Accounts payable	\$ 8,345	\$ 2,002	\$ 4,974	\$ —	\$ 3	\$ 35,774	\$ —	\$ 173	\$ —	\$ —	\$ —	\$ 51,271
Accrued liabilities.....	—	—	—	—	—	—	—	—	—	—	165,000	165,000
Due to other funds.....	—	—	—	—	24,447	—	—	—	—	—	—	24,447
Deferred Revenue												
Succeeding year property taxes.....	2,500,000	1,454,790	—	—	—	—	1,704,954	—	—	—	—	5,659,744
Deferred revenue	—	—	—	—	—	—	—	—	—	114,039	—	114,039
Total Liabilities	2,508,345	1,456,792	4,974	—	24,450	35,774	1,704,954	173	—	114,039	165,000	6,014,501
Fund Balances												
Restricted.....	231,991	4,163,486	363,735	87,376	—	820,968	12,598	—	146,992	480,462	—	6,307,608
Unassigned	—	—	—	—	(24,450)	—	—	(173)	—	—	—	(24,623)
Total Fund Balances	231,991	4,163,486	363,735	87,376	(24,450)	820,968	12,598	(173)	146,992	480,462	—	6,282,985
Total Liabilities and Fund Balances.....	\$ 2,740,336	\$ 5,620,278	\$ 368,709	\$ 87,376	\$ —	\$ 856,742	\$ 1,717,552	\$ —	\$ 146,992	\$ 594,501	\$ 165,000	\$ 12,297,486

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

Year Ended June 30, 2012

	12th Avenue TIF	Oakdale Area TIF	Expendable Trust	Cemetery	Police Grants	Road Use Tax	Employee Benefit Levy	Rental Properties	Economic Development	Special Assessments	Total
Revenue											
Property taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,146,408	\$ —	\$ —	\$ —	\$ 2,146,408
TIF and other city taxes	1,863,751	1,322,352	—	—	—	—	—	—	—	—	3,186,103
Special assessments	—	—	—	—	—	—	—	—	—	280,101	280,101
Intergovernmental	—	—	4,083	—	22,068	1,802,603	—	—	—	—	1,828,754
Interest and rent income	—	—	1,739	—	—	—	—	695,859	—	—	697,598
Miscellaneous	14,301	—	247,775	3,475	—	—	—	—	—	—	265,551
Total Revenue	1,878,052	1,322,352	253,597	3,475	22,068	1,802,603	2,146,408	695,859	—	280,101	8,404,515
Expenditures											
Operating											
Public safety	—	—	—	—	25,376	—	—	—	—	—	25,376
Public works	—	—	—	—	—	1,412,413	—	—	—	—	1,412,413
Culture and recreation	—	—	247,560	—	—	—	—	—	—	—	247,560
Community and economic development	38,490	8,333	—	—	—	—	—	269,580	—	—	316,403
Debt Service											
Principal	—	195,000	—	—	—	—	—	—	—	—	195,000
Interest and other charges	—	23,305	—	—	—	—	—	—	—	—	23,305
Total Expenditures	38,490	226,638	247,560	—	25,376	1,412,413	—	269,580	—	—	2,220,057
Revenue Over (Under) Expenditures	1,839,562	1,095,714	6,037	3,475	(3,308)	390,190	2,146,408	426,279	—	280,101	6,184,458
Other Financing Sources (Uses)											
Transfers in	211,419	413,000	10,000	—	—	—	—	—	—	—	634,419
Transfers out	(2,565,432)	(1,311,794)	(15,000)	—	—	(315,000)	(2,146,240)	(421,278)	—	(222,299)	(6,997,043)
Total Other Financing Sources (Uses)	(2,354,013)	(898,794)	(5,000)	—	—	(315,000)	(2,146,240)	(421,278)	—	(222,299)	(6,362,624)
Net Change in Fund Balance	(514,451)	196,920	1,037	3,475	(3,308)	75,190	168	5,001	—	57,802	(178,166)
Fund Balance - Beginning of Year	746,442	3,966,566	362,698	83,901	(21,142)	745,778	12,430	(5,174)	146,992	422,660	6,461,151
Fund Balance - End of Year	\$ 231,991	\$ 4,163,486	\$ 363,735	\$ 87,376	\$ (24,450)	\$ 820,968	\$ 12,598	\$ (173)	\$ 146,992	\$ 480,462	\$ 6,282,985

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

As of June 30, 2012

	Street Projects	Brown- fields	Intermodal Facility	Highway 6 Projects	Oakdale Boulevard Project	Cardinal Road Project	1st Avenue Recon- struction	Oakdale Area	James Street Area	Coral Ridge Mall Area	Transit/ Parks Facility
Assets											
Receivables											
Due from other funds	\$ 1,532,442	\$ —	\$ —	\$ 246,813	\$ 16,340	\$ 15,916	\$ —	\$ —	\$ —	\$ 1,260,633	\$ —
Due from other governments.....	—	—	—	1,109,489	—	—	—	204,321	—	—	1,962,454
Restricted Assets											
Cash and pooled investments	—	—	—	—	—	—	—	—	—	—	—
Total Assets	\$ 1,532,442	\$ —	\$ —	\$ 1,356,302	\$ 16,340	\$ 15,916	\$ —	\$ 204,321	\$ —	\$ 1,260,633	\$ 1,962,454
Liabilities and Fund Balance											
Liabilities											
Accounts payable	\$ 160	\$ 70	\$ —	\$ 1,048,699	\$ —	\$ —	\$ —	\$ 119,654	\$ —	\$ 69,396	\$ 348,164
Due to other funds	—	23,962	241,207	—	—	—	777,450	676,340	118,116	—	1,392,463
Deferred revenue	—	—	—	1,109,489	—	—	—	121,670	—	—	1,962,454
Total Liabilities	160	24,032	241,207	2,158,188	—	—	777,450	917,664	118,116	69,396	3,703,081
Fund Balance											
Restricted	1,532,282	—	—	—	16,340	15,916	—	—	—	1,191,237	—
Unassigned	—	(24,032)	(241,207)	(801,886)	—	—	(777,450)	(713,343)	(118,116)	—	(1,740,627)
Total Fund Balance	1,532,282	(24,032)	(241,207)	(801,886)	16,340	15,916	(777,450)	(713,343)	(118,116)	1,191,237	(1,740,627)
Total Liabilities and Fund Balance	\$ 1,532,442	\$ —	\$ —	\$ 1,356,302	\$ 16,340	\$ 15,916	\$ —	\$ 204,321	\$ —	\$ 1,260,633	\$ 1,962,454

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

As of June 30, 2012

	Library Expansion	North Fire Station	Recreation Improvements	Northridge Trails	12th Avenue Urban Renewal	Land Use Project	North End Area Projects	FEMA Edgewater Buyouts	CDBG Flood Related	Total
Assets										
Receivables										
Due from other funds	\$ —	\$ 654,980	\$ 1,102,995	\$ —	\$ —	\$ —	\$ 4,431	\$ —	\$ —	\$ 4,834,550
Due from other governments.....	—	—	—	119,179	—	—	—	489,188	—	3,884,631
Restricted Assets										
Cash and pooled investments.....	—	—	—	—	—	—	—	1,760	—	1,760
Total Assets	\$ —	\$ 654,980	\$ 1,102,995	\$ 119,179	\$ —	\$ —	\$ 4,431	\$ 490,948	\$ —	\$ 8,720,941
Liabilities and Fund Balance										
Liabilities										
Accounts payable	\$ —	\$ —	\$ 98,304	\$ 33,020	\$ 58	\$ —	\$ 42	\$ —	\$ —	\$ 1,717,567
Due to other funds.....	93,349	—	—	152,487	78,919	164,693	—	34,814	1,610	3,755,410
Deferred revenue	—	—	—	119,179	—	—	—	489,188	—	3,801,980
Total Liabilities	93,349	—	98,304	304,686	78,977	164,693	42	524,002	1,610	9,274,957
Fund Balance										
Restricted	—	654,980	1,004,691	—	—	—	4,389	—	—	4,419,835
Unassigned	(93,349)	—	—	(185,507)	(78,977)	(164,693)	—	(33,054)	(1,610)	(4,973,851)
Total Fund Balance	(93,349)	654,980	1,004,691	(185,507)	(78,977)	(164,693)	4,389	(33,054)	(1,610)	(554,016)
Total Liabilities and Fund Balance.....	\$ —	\$ 654,980	\$ 1,102,995	\$ 119,179	\$ —	\$ —	\$ 4,431	\$ 490,948	\$ —	\$ 8,720,941

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

Year Ended June 30, 2012

	Street Projects	Brown-fields	Intermodal Facility	Highway 6 Projects	Oakdale Boulevard Project	Cardinal Road Project	1st Avenue Recon-struction	Oakdale Area	James Street Area	Coral Ridge Mall Area	Transit/Parks Facility
Revenue											
Intergovernmental	\$ —	\$ 301,012	\$ 35,892	\$ 516,966	\$ —	\$ —	\$ —	\$ 146,997	\$ —	\$ —	\$ 2,771,616
Charges for services.....	—	—	—	—	—	—	—	—	—	—	—
Miscellaneous.....	—	25	—	—	—	—	—	—	—	—	847
Total Revenue	—	301,037	35,892	516,966	—	—	—	146,997	—	—	2,772,463
Expenditures											
Capital projects.....	78,813	257,999	105,786	58,640	345	—	16,084	229,748	121,276	95,377	1,641,090
Revenue Over (Under) Expenditures	(78,813)	43,038	(69,894)	458,326	(345)	—	(16,084)	(82,751)	(121,276)	(95,377)	1,131,373
Other Financing Sources (Uses)											
Transfers in	1,687,697	—	—	1,004,602	—	—	988,021	—	—	968,500	1,943,716
Transfers out	—	—	—	—	—	—	—	(327,677)	—	—	(3,740,394)
Total Other Financing Sources (Uses)	1,687,697	—	—	1,004,602	—	—	988,021	(327,677)	—	968,500	(1,796,678)
Net Change in Fund Balance	1,608,884	43,038	(69,894)	1,462,928	(345)	—	971,937	(410,428)	(121,276)	873,123	(665,305)
Fund Balance - Beginning of Year, as Previously Reported	(76,602)	(67,070)	(171,313)	(2,450,288)	16,685	15,916	(1,749,387)	(302,915)	3,160	318,114	(1,075,322)
Prior period adjustment (Note 18).....	—	—	—	185,474	—	—	—	—	—	—	—
Fund Balance - Beginning of Year, as Restated	<u>(76,602)</u>	<u>(67,070)</u>	<u>(171,313)</u>	<u>(2,264,814)</u>	<u>16,685</u>	<u>15,916</u>	<u>(1,749,387)</u>	<u>(302,915)</u>	<u>3,160</u>	<u>318,114</u>	<u>(1,075,322)</u>
Fund Balance - End of Year	\$ 1,532,282	\$ (24,032)	\$ (241,207)	\$ (801,886)	\$ 16,340	\$ 15,916	\$ (777,450)	\$ (713,343)	\$ (118,116)	\$ 1,191,237	\$ (1,740,627)

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

Year Ended June 30, 2012

	Library Expansion	North Fire Station	Recreation Improvements	Northridge Trails	12th Avenue Urban Renewal	Land Use Project	North End Area Projects	FEMA Edgewater Buyouts	CDBG Flood Related	Water Connection Camp Cardinal	Total
Revenue											
Intergovernmental	\$ —	\$ —	\$ —	\$ 605,182	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,377,665
Charges for services.....	—	—	—	—	—	75,608	—	—	—	—	75,608
Miscellaneous.....	—	—	—	—	—	—	12,063	—	—	35,570	48,505
Total Revenue	—	—	—	605,182	—	75,608	12,063	—	—	35,570	4,501,778
Expenditures											
Capital projects.....	—	13,620	202,773	713,729	371	114,118	7,674	182	745	—	3,658,370
Revenue Over (Under) Expenditures	—	(13,620)	(202,773)	(108,547)	(371)	(38,510)	4,389	(182)	(745)	35,570	843,408
Other Financing Sources (Uses)											
Transfers in	—	671,000	1,444,569	80,000	—	—	250,000	700,000	—	—	9,738,105
Transfers out	—	—	—	—	—	(16,147)	—	—	—	(35,570)	(4,119,788)
Total Other Financing Sources (Uses)	—	671,000	1,444,569	80,000	—	(16,147)	250,000	700,000	—	(35,570)	5,618,317
Net Change in Fund Balance	—	657,380	1,241,796	(28,547)	(371)	(54,657)	254,389	699,818	(745)	—	6,461,725
Fund Balance - Beginning of Year, as Previously Reported	(93,349)	(2,400)	(237,105)	(156,960)	(78,606)	(110,036)	(250,000)	(732,872)	(865)	—	(7,201,215)
Prior period adjustment (Note 18).....	—	—	—	—	—	—	—	—	—	—	185,474
Fund Balance - Beginning of Year, as Restated	(93,349)	(2,400)	(237,105)	(156,960)	(78,606)	(110,036)	(250,000)	(732,872)	(865)	—	(7,015,741)
Fund Balance - End of Year	\$ (93,349)	\$ 654,980	\$ 1,004,691	\$ (185,507)	\$ (78,977)	\$ (164,693)	\$ 4,389	\$ (33,054)	\$ (1,610)	\$ —	\$ (554,016)

Combining Schedule of Net Assets - Nonmajor Proprietary Funds

As of June 30, 2012

	Water	Solid Waste	Transit	Storm Water	Total
Assets					
Current Assets					
Cash and pooled investments.....	\$ 1,735,906	\$ —	\$ 699,451	\$ —	\$ 2,435,357
Receivables					
Customer accounts	387,682	162,119	—	—	549,801
Due from other funds.....	—	329,507	129,214	545,038	1,003,759
Inventories and prepaids.....	138,507	10,412	42,266	—	191,185
Total Current Assets	2,262,095	502,038	870,931	545,038	4,180,102
Noncurrent Assets					
Restricted Assets					
Cash and pooled investments.....	348,038	—	—	—	348,038
Capital assets (net of accumulated depreciation).....	7,539,415	1,113,093	5,410,683	—	14,063,191
Total Noncurrent Assets	7,887,453	1,113,093	5,410,683	—	14,411,229
Total Assets	\$ 10,149,548	\$ 1,615,131	\$ 6,281,614	\$ 545,038	\$ 18,591,331
Liabilities and Net Assets					
Current Liabilities					
Accounts payable.....	\$ 40,494	\$ 6,435	\$ 26,853	\$ 13,247	\$ 87,029
Accrued liabilities and compensated absences	27,237	36,576	86,731	—	150,544
Current maturities of long-term debt	225,000	—	—	—	225,000
Customer deposits	218,125	—	—	—	218,125
Total Current Liabilities	510,856	43,011	113,584	13,247	680,698
Long-Term Debt	1,530,000	—	—	—	1,530,000
Total Liabilities	2,040,856	43,011	113,584	13,247	2,210,698
Net Assets					
Invested in capital assets, net of related debt.....	5,784,415	1,113,093	5,410,683	—	12,308,191
Restricted for debt service	348,038	—	—	—	348,038
Unrestricted	1,976,239	459,027	757,347	531,791	3,724,404
Total Net Assets	8,108,692	1,572,120	6,168,030	531,791	16,380,633
Total Liabilities and Net Assets	\$ 10,149,548	\$ 1,615,131	\$ 6,281,614	\$ 545,038	\$ 18,591,331

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

Year Ended June 30, 2012

	Water	Solid Waste	Transit	Storm Water	Total
Operating Revenue					
Charges for sales and services.....	<u>\$ 2,329,543</u>	<u>\$ 1,008,675</u>	<u>\$ 509,896</u>	<u>\$ 319,880</u>	<u>\$ 4,167,994</u>
Operating Expenses					
Salaries and employee benefits.....	570,827	447,712	880,049	49,006	1,947,594
Contractual services.....	593,225	85,332	231,538	58,268	968,363
Commodities	71,198	224,656	548,647	14,406	858,907
Depreciation	421,424	91,350	249,515	—	762,289
Total Operating Expenses	<u>1,656,674</u>	<u>849,050</u>	<u>1,909,749</u>	<u>121,680</u>	<u>4,537,153</u>
Operating Income (Loss).....	<u>672,869</u>	<u>159,625</u>	<u>(1,399,853)</u>	<u>198,200</u>	<u>(369,159)</u>
Nonoperating Revenue (Expenses)					
Intergovernmental Revenue					
Federal	—	—	372,396	—	372,396
State	—	—	211,435	—	211,435
Interest expense.....	(17,686)	(3,720)	—	—	(21,406)
Total Nonoperating Revenue (Expenses)	<u>(17,686)</u>	<u>(3,720)</u>	<u>583,831</u>	<u>—</u>	<u>562,425</u>
Income (Loss) Before Transfers	<u>655,183</u>	<u>155,905</u>	<u>(816,022)</u>	<u>198,200</u>	<u>193,266</u>
Transfers in	35,570	—	4,281,379	—	4,316,949
Transfers out.....	(291,600)	(22,500)	(200,000)	(56,800)	(570,900)
Net Income (Loss)	<u>399,153</u>	<u>133,405</u>	<u>3,265,357</u>	<u>141,400</u>	<u>3,939,315</u>
Net Assets - Beginning of Year.....	<u>7,709,539</u>	<u>1,438,715</u>	<u>2,902,673</u>	<u>390,391</u>	<u>12,441,318</u>
Net Assets - End of Year	<u>\$ 8,108,692</u>	<u>\$ 1,572,120</u>	<u>\$ 6,168,030</u>	<u>\$ 531,791</u>	<u>\$ 16,380,633</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2012

	Water	Solid Waste	Transit	Storm Water	Total
Operating Revenue					
Cash Flows From Operating Activities					
Receipts from customers	\$ 2,282,718	\$ 1,002,045	\$ 509,896	\$ 319,880	\$ 4,114,539
Payments to suppliers.....	(717,832)	(324,183)	(772,940)	(60,856)	(1,875,811)
Payments to employees.....	(568,351)	(447,999)	(872,275)	(49,006)	(1,937,631)
Net Cash Provided by (Used in)					
Operating Activities	996,535	229,863	(1,135,319)	210,018	301,097
Cash Flows From Noncapital Financing Activities					
Noncapital federal and state grants.....	—	—	579,575	—	579,575
Net transfers	(256,030)	(22,500)	340,985	(56,800)	5,655
Net Cash Provided by (Used in)					
Noncapital Financing Activities ..	(256,030)	(22,500)	920,560	(56,800)	585,230
Cash Flows From Capital and Related Financing Activities					
Purchase of capital assets	(788,569)	—	(23,827)	—	(812,396)
Repayment of debt	(235,000)	(60,000)	—	—	(295,000)
Payment of interest	(76,475)	(3,720)	—	—	(80,195)
Net Cash Provided by (Used in)					
Capital and Related Financing Activities	(1,100,044)	(63,720)	(23,827)	—	(1,187,591)
Cash Flows From Investing Activities					
(Increase) decrease in due from other funds.....	2,090,970	(193,643)	938,037	(153,218)	2,682,146
Net Increase (Decrease) in Cash	1,731,431	(50,000)	699,451	—	2,380,882
Cash and Pooled Investments at Beginning of Year.....	352,513	50,000	—	—	402,513
Cash and Pooled Investments at End of Year.....	\$ 2,083,944	\$ —	\$ 699,451	\$ —	\$ 2,783,395

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2012

	Water	Solid Waste	Transit	Storm Water	Total
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	\$ 672,869	\$ 159,625	\$ (1,399,853)	\$ 198,200	\$ (369,159)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities					
Depreciation	421,424	91,350	249,515	—	762,289
(Increase) decrease in receivables	(42,470)	(6,630)	—	—	(49,100)
(Increase) decrease in inventories and prepaids	(28,766)	(435)	997	—	(28,204)
Increase (decrease) in accounts payable	(24,643)	(13,760)	6,248	11,818	(20,337)
Increase (decrease) in accrued liabilities and compensated absences	2,476	(287)	7,774	—	9,963
Increase in customer deposits	(4,355)	—	—	—	(4,355)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 996,535</u>	<u>\$ 229,863</u>	<u>\$ (1,135,319)</u>	<u>\$ 210,018</u>	<u>\$ 301,097</u>

Schedule of Noncash Investing and Financing Activities

Cash Paid for Capital Assets

Capital asset additions	\$ 725,026	\$ —	\$ —	\$ —	\$ 725,026
Capitalized interest	(45,250)	—	—	—	(45,250)
Net change in accounts payable	<u>108,793</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>108,793</u>

Cash Paid for Capital Assets **\$ 788,569** **\$ —** **\$ —** **\$ —** **\$ 788,569**

Capital Assets Transferred (Noncash) **\$ —** **\$ —** **\$ 3,740,394** **\$ —** **\$ 3,740,394**

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

Years Ended June 30, 2003 Through 2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenue										
Property taxes	\$ 11,666,499	\$ 11,281,558	\$ 10,811,220	\$ 10,371,050	\$ 9,777,725	\$ 9,155,120	\$ 8,098,678	\$ 7,542,431	\$ 6,713,588	\$ 6,168,644
TIF and other city taxes	18,747,034	18,863,375	17,161,601	16,642,895	15,030,854	13,786,896	11,397,440	9,586,743	9,099,939	7,911,524
Special assessments	280,101	227,302	123,848	431,610	1,239,963	1,126,217	882,838	1,227,337	1,536,066	1,473,270
Licenses and permits	674,089	576,401	412,577	451,523	474,595	604,110	730,436	659,633	596,342	563,513
Use of money and property	1,091,475	1,276,051	1,116,480	815,258	946,203	1,347,299	2,438,667	1,353,761	323,054	284,584
Intergovernmental	13,799,733	26,866,111	8,346,001	5,356,316	5,351,026	5,384,289	5,499,728	3,519,790	3,558,617	4,605,928
Charges for services	1,956,937	1,948,703	1,879,808	1,791,577	1,680,722	1,599,894	1,425,389	1,393,208	1,596,393	912,440
Miscellaneous	1,391,780	498,273	827,165	1,269,316	1,537,664	4,871,096	812,366	871,612	892,575	702,272
Total Revenue	\$ 49,607,648	\$ 61,537,774	\$ 40,678,700	\$ 37,129,545	\$ 36,038,752	\$ 37,874,921	\$ 31,285,542	\$ 26,154,515	\$ 24,316,574	\$ 22,622,175
Expenditures										
Operating										
Public safety	\$ 5,070,890	\$ 4,322,466	\$ 4,030,223	\$ 4,446,950	\$ 4,201,185	\$ 3,946,226	\$ 3,940,020	\$ 3,404,787	\$ 3,034,531	\$ 2,894,491
Public works	1,412,413	1,255,807	1,682,532	1,826,042	1,635,688	1,430,685	1,429,082	1,300,160	1,189,911	1,330,057
Health and social services	94,420	92,004	91,520	156,322	86,859	114,444	130,441	105,521	79,762	42,059
Culture and recreation	6,543,383	5,645,219	5,598,284	5,226,438	4,925,136	4,748,913	3,953,353	3,833,780	3,479,381	3,352,081
Community and economic development ..	2,117,826	2,187,438	2,749,405	9,218,894	1,824,297	427,164	1,753,471	928,797	666,021	589,598
General government	2,570,471	2,599,830	2,662,316	2,129,519	1,852,344	1,852,670	1,546,342	1,457,547	1,524,885	1,306,679
Debt service	19,794,431	18,737,642	17,635,000	15,877,962	21,420,881	65,482,393	18,828,354	8,748,113	25,197,407	6,572,540
Capital projects	47,319,803	34,036,991	19,144,343	9,735,463	13,730,878	37,500,330	53,606,579	27,810,276	20,809,981	11,211,016
Total Expenditures	\$ 84,923,637	\$ 68,877,397	\$ 53,593,623	\$ 48,617,590	\$ 49,677,268	\$ 115,502,825	\$ 85,187,642	\$ 47,588,981	\$ 55,981,879	\$ 27,298,521

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Indirect			
Pass-Through Iowa Department of Economic Development Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-215 08-DRMI-021 08-DRIEF-222	\$ 256,620 1,440,250 <u>1,440,250</u>
Total U.S. Department of Housing and Urban Development.....			<u>3,137,120</u>
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607		<u>2,167</u>
U.S. Department of Transportation			
Direct			
Federal Transit - Formula Grants	20.507	Various	<u>312,261</u>
Indirect			
Pass-Through Iowa Department of Transportation Highway Planning and Construction	20.205	EDP-1557(628)-7Y-52	481,022
Job Access Reverse Commute (JARC).....	20.516		<u>35,700</u>
			<u>516,722</u>
Total U.S. Department of Transportation			<u>828,983</u>
U.S. Environmental Protection Agency			
Direct			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BP 98796101-0 BP 98796201-0 BP 97720901-0 BP 97721001-0	120,200 63,532 50,320 <u>66,243</u>
			<u>300,295</u>
U.S. Department of Homeland Security			
Indirect			
Pass-Through Iowa Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		<u>2,209,396</u>
Total Expenditures of Federal Awards.....			<u>\$ 6,477,961</u>

Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2012

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.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
City of 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, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 16, 2013. 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

The management of the City of Coralville is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Coralville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the City of Coralville's effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Coralville'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Coralville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying schedule of findings and questioned costs as item 12-II-R-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Coralville'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 Part 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, 2012 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'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'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 officials, employees and citizens of the City of Coralville and other parties to whom the City of Coralville may report, including 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

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Waterloo, Iowa
January 16, 2013

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

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

Compliance

We have audited the City of Coralville, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Coralville's major federal programs for the year ended June 30, 2012. The City of Coralville's major federal programs are identified in Part I 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 programs is the responsibility of the City of Coralville's management. Our responsibility is to express an opinion on the City of Coralville'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'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's compliance with those requirements.

In our opinion, the City of Coralville complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City of Coralville's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City of Coralville's compliance but not to provide an opinion on the effectiveness of the City of Coralville's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Coralville's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
January 16, 2013

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
Material weakness identified? yes no
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

14.228

66.818

Name of Federal Program or Cluster

Community Development Block Grants/
State's Program and Non-Entitlement
Grants in Hawaii

Brownfields Assessment and Cooperative
Agreements

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, 2012

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

12-II-R-1 Financial Statement Preparation

Prior Year Finding and Recommendation - The City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. 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. We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

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

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

City's Response - We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft these financial statements each year.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

There were no matters reported.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part IV: Findings Related to Statutory Reporting

12-IV-A Certified Budget - Disbursements in the Community and Economic Development and Business-Type Activities functional areas exceeded amounts budgeted during the year. 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.

12-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.

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

12-IV-D Business Transactions - No business transactions between the City and City officials or employees aggregating over \$1,500 were noted.

12-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.

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

12-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.

12-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.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

12-IV-I Financial Condition - The funds listed below had deficit balances at June 30, 2012 as noted:

Special Revenue	
Police Grants	\$ 24,450
Rental Properties	173
Capital Projects	
Flood Mitigation	5,579,081
Brownfields	24,032
Intermodal Facility	241,207
Highway 6 Projects	801,886
1st Avenue Reconstruction	777,450
Oakdale Area	713,343
Transit/Parks Facility	1,740,627
Library Expansion	93,349
Northridge Trails	185,507
12th Avenue Urban Renewal	78,977
Theater/Village Project	873
Land Use Project	164,693
FEMA Edgewater Buyouts	33,054
CDBG Flood Related	1,610
James Street Area	118,116

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, state and federal grants and tax revenue is received in future years.

Auditor's Conclusion - Response accepted.