

**CITY OF CORALVILLE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

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Officials

Elected Officials

Name	Title	Term Expires
John Lundell	Mayor	January 1, 2016
Jill Dodds	Council Member	January 1, 2016
Thomas Gill	Council Member	January 1, 2018
Laurie Goodrich	Council Member	January 1, 2018
Mitch Gross	Council Member	January 1, 2016
William Hoeft	Council Member	January 1, 2018

Appointed Officials

Kelly Hayworth	City Administrator	Indefinite
Thorsten Johnson	City Clerk	Indefinite
Tony Roetlin	City Finance Officer	Indefinite
Ellen Habel	Assistant City Administrator	Indefinite
Donald L. Diehl	City Attorney	Indefinite
Kevin Olson	Assistant City Attorney	Indefinite
Kelly Wenman	Deputy City Clerk	Indefinite

Independent Auditor's Report

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 13 and 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 ten years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included on pages 55 through 69, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014 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* in considering the City of Coralville's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa

December 17, 2014

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, 2014.

FINANCIAL HIGHLIGHTS

- Revenue of the City's governmental activities decreased 17%, or approximately \$9.6 million, from fiscal year 2013 to fiscal year 2014. The decrease was attributable to less capital grant revenue.
- Program expenses of the City's governmental activities decreased 24%, or approximately \$9.2 million, from fiscal year 2013 to fiscal year 2014. The decrease was attributable to lower community and economic development expense.
- The City of Coralville's net position exceeded its liabilities as of June 30, 2014 and 2013, was \$154,254,544 and \$138,463,657, respectively. Of this amount, \$5,366,229 and \$4,097,807, respectively, are unrestricted net position 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 \$10,222,568, an increase of 52% as compared to the prior fiscal year balance of \$6,745,663.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,152,886, or 31%, of the 2014 total General Fund expenditures. As of June 30, 2013, unassigned General Fund balance was \$4,531,279, or 30%, of the 2013 total General Fund expenditures.
- Total governmental long-term debt decreased by approximately \$3 million during the current fiscal year. The City issued \$36 million of new debt and retired \$39 million of existing debt. The new debt was issued to fund various projects within the City.
- The City's business-type activities issued the following debt to finance projects:

Sewer	\$ 2,773,000
Water	1,050,000
Storm water	1,739,739
	<u>\$ 5,562,739</u>

Total business-type activity debt retired was approximately \$5.8 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 position 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 position 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 position presents all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as "net position". Over time, increases or decreases in the City's net position 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 position changed during the most recent fiscal year. All changes in net position 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 position 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 Deer golf course and clubhouse, water works, sanitation department, public transit, storm water 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 position 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 position, a statement of revenue, expenses and changes in net position and a statement of cash flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Position

A condensed version of the statement of net position as of June 30, 2014 and 2013 follows.

City of Coralville's Net Position

	2014			2013 (Restated)		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 35,197,955	\$ 11,098,257	\$ 46,296,212	\$ 39,795,919	\$ 8,546,925	\$ 48,342,844
Restricted assets	5,821,470	9,317,703	15,139,173	4,910,905	8,415,815	13,326,720
Capital assets	284,272,004	113,736,126	398,008,130	269,485,611	116,011,469	385,497,080
Other noncurrent assets	7,020,477	—	7,020,477	6,198,834	—	6,198,834
Total Assets	<u>\$ 332,311,906</u>	<u>\$ 134,152,086</u>	<u>\$ 466,463,992</u>	<u>\$ 320,391,269</u>	<u>\$ 132,974,209</u>	<u>\$ 453,365,478</u>
Current liabilities	\$ 19,894,674	\$ 6,768,458	\$ 26,663,132	\$ 44,164,044	\$ 8,471,713	\$ 52,635,757
Noncurrent liabilities	171,079,203	80,469,487	251,548,690	153,759,240	77,804,796	231,564,036
Total Liabilities	<u>\$ 190,973,877</u>	<u>\$ 87,237,945</u>	<u>\$ 278,211,822</u>	<u>\$ 197,923,284</u>	<u>\$ 86,276,509</u>	<u>\$ 284,199,793</u>
Deferred Inflows of Resources	<u>\$ 33,997,626</u>	<u>\$ —</u>	<u>\$ 33,997,626</u>	<u>\$ 30,702,028</u>	<u>\$ —</u>	<u>\$ 30,702,028</u>
Net Position						
Net investment in capital assets	\$ 95,934,221	\$ 38,427,552	\$ 134,361,773	\$ 77,979,634	\$ 38,846,747	\$ 116,826,381
Restricted	11,472,110	3,054,432	14,526,542	15,523,295	2,016,174	17,539,469
Unrestricted	(65,928)	5,432,157	5,366,229	(1,736,972)	5,834,779	4,097,807
Total Net Position	<u>\$ 107,340,403</u>	<u>\$ 46,914,141</u>	<u>\$ 154,254,544</u>	<u>\$ 91,765,957</u>	<u>\$ 46,697,700</u>	<u>\$ 138,463,657</u>

\$134.4 million of the City's net position (87%) represents resources which are invested in capital assets and \$14.5 million of the City's net position (9%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position totaling \$5.4 million (4%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Coralville was able to report positive balances in all three categories of net position 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, 2014 and 2013 follows:

City of Coralville's Governmental and Business-Type Activities

	2014			2013 (Restated)		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenue						
Charges for service	\$ 5,845,650	\$ 25,253,584	\$ 31,099,234	\$ 4,642,704	\$ 26,064,079	\$ 30,706,783
Operating grants and contributions	2,438,394	1,053,586	3,491,980	2,316,481	575,016	2,891,497
Capital grants and contributions	4,571,523	—	4,571,523	16,803,711	—	16,803,711
Other General Revenue						
Property tax	29,388,885	—	29,388,885	28,274,561	—	28,274,561
Other taxes	3,145,699	—	3,145,699	2,900,602	—	2,900,602
Other	363,528	33,766	397,294	439,035	33,184	472,219
Gain (loss) on sale of capital assets	694,428	—	694,428	649,461	12,301	661,762
Total Revenue	<u>46,448,107</u>	<u>26,340,936</u>	<u>72,789,043</u>	<u>56,026,555</u>	<u>26,684,580</u>	<u>82,711,135</u>
Expenses						
Public safety	3,433,075	—	3,433,075	4,999,942	—	4,999,942
Public works	1,729,893	—	1,729,893	1,440,113	—	1,440,113
Health and social services	115,732	—	115,732	85,599	—	85,599
Culture and recreation	8,468,285	—	8,468,285	8,163,088	—	8,163,088
Community and economic development	4,693,705	—	4,693,705	14,585,135	—	14,585,135
General government	3,321,551	—	3,321,551	2,779,474	—	2,779,474
Depreciation - unallocated	11,391	—	11,391	11,393	—	11,393
Interest on long-term debt	8,059,261	—	8,059,261	7,167,626	—	7,167,626
Hotel and conference center	—	15,382,694	15,382,694	—	17,282,338	17,282,338
Sewer	—	2,400,534	2,400,534	—	2,466,285	2,466,285
Iowa River Landing parking	—	1,606,749	1,606,749	—	1,854,799	1,854,799
Water	—	1,888,164	1,888,164	—	2,080,868	2,080,868
Solid waste	—	945,263	945,263	—	908,972	908,972
Golf	—	2,432,534	2,432,534	—	2,588,387	2,588,387
Transit	—	2,029,110	2,029,110	—	1,897,099	1,897,099
Storm water	—	480,215	480,215	—	145,240	145,240
Total Expenses	<u>29,832,893</u>	<u>27,165,263</u>	<u>56,998,156</u>	<u>39,232,370</u>	<u>29,223,988</u>	<u>68,456,358</u>
Increase (Decrease) in Net Position						
Before Transfers	16,615,214	(824,327)	15,790,887	16,794,185	(2,539,408)	14,254,777
Transfers	(1,040,768)	1,040,768	—	1,508,018	(1,508,018)	—
Increase (Decrease) in Net Position	15,574,446	216,441	15,790,887	18,302,203	(4,047,426)	14,254,777
Beginning Net Position - restated (Note 20)	<u>91,765,957</u>	<u>46,697,700</u>	<u>138,463,657</u>	<u>73,463,754</u>	<u>50,745,126</u>	<u>124,208,880</u>
Ending Net Position	<u>\$ 107,340,403</u>	<u>\$ 46,914,141</u>	<u>\$ 154,254,544</u>	<u>\$ 91,765,957</u>	<u>\$ 46,697,700</u>	<u>\$ 138,463,657</u>

Governmental Activities

Total governmental activities' revenue was \$45,753,679 and \$55,377,094 (before gain or loss on the sale of assets) for the years ended June 30, 2014 and 2013, respectively. The largest single revenue source for the City was property and other taxes of \$32,534,584 and \$31,175,163 recorded for the years ended June 30, 2014 and 2013, respectively, which includes property tax paid in the Tax Increment Financing areas of the City. The remaining revenue of the City comes from charges for service, grants, contributions, licenses and permits, interest revenue and miscellaneous sources.

Business-Type Activities

As expected, charges for service 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 \$10.2 million. A deficit of approximately \$10.1 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. As of the end of the current fiscal year, unassigned fund balance of the General Fund was \$5.1 million, while total fund balance reached \$7.2 million. Unassigned fund balance represents 71% of total General Fund balance. The General Fund revenue increased approximately \$716,000, or 5%, over fiscal year 2013, while expenditures increased approximately \$448,000, or 2.8%, over the prior year. Key factors in this increase included an increase in property tax and charges for service and in culture and recreation expenditures.

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 2014 with a fund balance of \$5.1 million compared to the prior year ending fund balance of \$6.3 million.

The General Obligation Debt Service Fund accounts for general obligation debt issued and the subsequent principal and interest payments. Property tax and transfers in from other funds are the primary sources of cash for this fund. The fund ended 2014 with a balance of \$2.4 million, an increase of approximately \$786,000 from 2013.

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 2014 with a \$7.8 million deficit fund balance compared to the prior year deficit fund balance of \$11.2 million. The decrease in the deficit is a result of grant revenue received 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.

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, sewer, Iowa River Landing parking, water, solid waste, golf course, transit and storm water 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 Fund, Sewer Fund and Iowa River Landing Parking Fund, as these are considered major funds of the City. Data from the other five 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 2014 with a net position balance totaling \$10.3 million compared to the prior year ending net position balance of \$11.4 million. The decrease was the result of a net loss of \$1.1 million after net transfers in of \$700,000. The net loss included \$1.5 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 2014 with a net position balance of \$15.3 million compared to the prior year ending net position balance of \$14.6 million. The increase was due to an increase in rates charged to users of the system.

The Iowa River Landing Parking Fund accounts for the two parking ramps located in the Iowa River Landing development area. The net position totaled approximately \$4.3 million as of the end of 2014, an increase of approximately \$2.8 million due to transfers in from other funds and a full year of rental income from the parking ramp in this area.

BUDGETARY HIGHLIGHTS

The City had no budget amendments during the fiscal year.

The following table presented on a budgetary basis (cash basis) demonstrates the statutory compliance with the annual fiscal year 2014 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	Actual			Over (Under) Budget
		Govern- mental Fund Types	Proprietary Funds	Total	
Receipts					
Property tax	\$ 12,472,886	\$ 12,481,415	\$ —	\$ 12,481,415	\$ 8,529
Tax increment financing	17,833,634	16,928,541	—	16,928,541	(905,093)
Other city taxes	2,564,091	2,636,615	—	2,636,615	72,524
Licenses and permits	724,650	744,973	—	744,973	20,323
Use of money and property	9,445,055	3,440,130	9,481,262	12,921,392	3,476,337
Intergovernmental	3,880,884	10,000,698	925,411	10,926,109	7,045,225
Charges for service	12,300,442	2,270,333	8,591,948	10,862,281	(1,438,161)
Special assessments	—	46,898	—	46,898	46,898
Miscellaneous	9,487,992	544,483	7,998,557	8,543,040	(944,952)
Total Receipts	68,709,634	49,094,086	26,997,178	76,091,264	7,381,630
Disbursements					
Public safety	5,190,160	5,174,887	—	5,174,887	(15,273)
Public works	1,863,744	1,656,744	—	1,656,744	(207,000)
Health and social services	104,470	116,733	—	116,733	12,263
Culture and recreation	7,081,202	7,536,594	—	7,536,594	455,392
Community and economic development	648,314	3,765,078	—	3,765,078	3,116,764
General government	3,445,502	3,107,464	—	3,107,464	(338,038)
Debt service	36,057,619	49,915,014	—	49,915,014	13,857,395
Capital projects	6,144,019	22,720,687	—	22,720,687	16,576,668
Business-type activities	19,374,160	—	26,575,465	26,575,465	7,201,305
Total Disbursements	79,909,190	93,993,201	26,575,465	120,568,666	40,659,476
Receipts Over (Under) Disbursements	(11,199,556)	(44,899,115)	421,713	(44,477,402)	(33,277,846)
Other Financing Sources (Uses)					
Other financing sources	46,070,733	82,148,944	9,510,180	91,659,124	45,588,391
Other financing uses	(29,765,890)	(42,660,823)	(5,459,526)	(48,120,349)	(18,354,459)
Total Other Financing Sources (Uses)	16,304,843	39,488,121	4,050,654	43,538,775	27,233,932
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	5,105,287	(5,410,994)	4,472,367	(938,627)	\$ (6,043,914)
Balance - Beginning of Year	23,415,828	6,409,594	10,726,252	17,135,846	
Balance - End of Year	\$ 28,521,115	\$ 998,600	\$ 15,198,619	\$ 16,197,219	

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 as of year end.

Capital Assets as of Fiscal Year End (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 75,801,813	\$ 76,734,781	\$ 5,645,327	\$ 5,645,327	\$ 81,447,140	\$ 82,380,108
Land improvements	76,072,274	43,091,035	—	—	76,072,274	43,091,035
Buildings and improvements	39,289,801	39,861,141	99,300,893	102,347,027	138,590,694	142,208,168
Infrastructure	69,207,208	67,110,346	—	—	69,207,208	67,110,346
Machinery and equipment	8,688,467	8,785,685	8,580,912	7,002,213	17,269,379	15,787,898
Construction-in-progress	15,212,441	33,902,623	208,994	1,016,902	15,421,435	34,919,525
Total	\$ 284,272,004	\$ 269,485,611	\$ 113,736,126	\$ 116,011,469	\$ 398,008,130	\$ 385,497,080

Long-Term Debt

The following summarizes maturities of principal and interest on bonded debt outstanding as of June 30, 2014:

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		
2015	\$ 14,007,874	\$ 6,339,439	\$ 2,195,000	\$ 1,400,906	\$ 1,716,000	\$ 963,514	\$ 17,918,874	\$ 8,703,859
2016	12,445,000	5,888,370	2,350,000	1,291,156	1,759,000	919,650	16,554,000	8,099,176
2017	12,835,000	5,418,553	2,960,000	1,173,656	1,906,000	872,604	17,701,000	7,464,813
2018	13,760,000	4,936,933	3,215,000	1,025,656	1,960,000	819,934	18,935,000	6,782,523
2019	8,060,000	4,423,435	—	864,906	2,012,000	765,424	10,072,000	6,053,765
2020-2024	37,352,000	18,730,780	—	4,324,530	9,569,000	3,508,184	46,921,000	26,563,494
2025-2029	22,280,000	12,339,769	—	4,324,530	9,636,000	2,298,492	31,916,000	18,962,791
2030-2034	32,660,000	6,641,758	865,000	4,324,530	4,584,739	378,853	38,109,739	11,345,141
2035-2039	—	—	5,060,000	3,591,250	—	—	5,060,000	3,591,250
2040-2044	—	—	6,640,000	2,163,750	—	—	6,640,000	2,163,750
2045-2049	—	—	4,585,000	469,750	—	—	4,585,000	469,750
	153,399,874	64,719,037	27,870,000	24,954,620	33,142,739	10,526,655	214,412,613	100,200,312
Net unamortized bond premium (discount)	1,929,738	—	611,124	—	—	—	2,540,862	—
Net	\$155,329,612	\$64,719,037	\$28,481,124	\$24,954,620	\$33,142,739	\$10,526,655	\$216,953,475	\$100,200,312

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 \$123 million.

The City of Coralville maintains a Baa2 rating from Moody's Investor Services and a BBB+ 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 AND NEXT YEAR'S BUDGET AND RATES

Several economic factors affected decisions made by the City in setting its fiscal year 2015 budget. Unemployment in Johnson County now stands at 3.5% versus 3.8% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 3.8%. The City will experience an increase in General Fund receipts and disbursements from fiscal year 2014 to fiscal year 2015. The major factors which will play a role in this change are the general pace of growth and the need to maintain services and meet that growth.

The General Fund is projected to end fiscal year 2015 with a fund balance of approximately \$9.1 million, a 28% increase from fiscal year 2014.

Water, Solid Waste, Sewer, Public Transit and Storm Water Management rates will remain the same for fiscal year 2015 as fiscal year 2014.

The City tax levy rate for fiscal year 2015 will be \$13.5227 which is the same as 2014.

Property tax will provide about 54% of General Fund revenue. Over the past five years, City-wide assessed values have increased an average of 4.2%, while taxable values have had an average annual growth rate of 5.4%.

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 Position

As of June 30, 2014

	Governmental Activities	Business- Type Activities	Total
Assets			
Current Assets			
Cash and pooled investments	\$ 1,679,669	\$ —	\$ 1,679,669
Receivables			
Property Tax			
Current year delinquent, net of allowance for uncollectible taxes	77,964	—	77,964
Succeeding year	33,843,361	—	33,843,361
Assets held by property manager.....	—	683,596	683,596
Customer accounts, net of allowance for uncollectible accounts	—	1,795,343	1,795,343
Internal balances.....	(8,010,199)	8,010,199	—
Due from other governments.....	6,832,881	259,773	7,092,654
Special assessments	24,186	—	24,186
Other.....	99,708	—	99,708
Inventories and prepaids	<u>650,385</u>	<u>349,346</u>	<u>999,731</u>
Total Current Assets	<u>35,197,955</u>	<u>11,098,257</u>	<u>46,296,212</u>
 Noncurrent Assets			
Restricted Assets			
Cash and pooled investments	5,821,470	3,054,432	8,875,902
Beneficial interest in a trust	—	6,263,271	6,263,271
Loans, net of allowance for uncollectible amounts	6,747,352	—	6,747,352
Special assessments.....	154,265	—	154,265
Advances to other funds.....	118,860	—	118,860
Capital assets, net of accumulated depreciation	<u>284,272,004</u>	<u>113,736,126</u>	<u>398,008,130</u>
Total Noncurrent Assets	<u>297,113,951</u>	<u>123,053,829</u>	<u>420,167,780</u>
 Total Assets	 <u>\$ 332,311,906</u>	 <u>\$ 134,152,086</u>	 <u>\$ 466,463,992</u>

See accompanying notes to the financial statements.

	Governmental Activities	Business- Type Activities	Total
Liabilities			
Current Liabilities			
Accounts and retainages payable	\$ 2,001,326	\$ 1,192,166	\$ 3,193,492
Accrued expenses	1,882,493	1,367,610	3,250,103
Internal balances	(1,247,725)	1,247,725	—
General obligation bonds payable	14,007,874	—	14,007,874
Other loans payable	1,055,706	9,957	1,065,663
Capital leases	—	1,235,000	1,235,000
Current Liabilities Payable From Restricted Assets			
Tax increment financing bonds payable ..	2,195,000	—	2,195,000
Revenue bonds payable	—	1,716,000	1,716,000
Total Current Liabilities	<u>19,894,674</u>	<u>6,768,458</u>	<u>26,663,132</u>
Noncurrent Liabilities			
Advances from other funds	—	118,860	118,860
Revenue bonds payable	—	31,426,739	31,426,739
General obligation bonds payable	141,321,738	—	141,321,738
Tax increment financing bonds payable	26,286,124	—	26,286,124
Other loans payable	3,471,341	96,596	3,567,937
Capital leases	—	48,827,292	48,827,292
Total Noncurrent Liabilities	<u>171,079,203</u>	<u>80,469,487</u>	<u>251,548,690</u>
Total Liabilities	<u>190,973,877</u>	<u>87,237,945</u>	<u>278,211,822</u>
Deferred Inflows of Resources			
Succeeding year property tax	33,843,361	—	33,843,361
Special assessments	154,265	—	154,265
Total Deferred Inflows of Resources	<u>33,997,626</u>	<u>—</u>	<u>33,997,626</u>
Net Position			
Invested in capital assets	95,934,221	38,427,552	134,361,773
Restricted for			
Debt service	5,665,383	3,054,432	8,719,815
Expendable trust	491,511	—	491,511
Road use purposes	1,032,678	—	1,032,678
Employee benefits	8,032	—	8,032
Economic development	713,992	—	713,992
Special assessments	608,158	—	608,158
Capital projects	1,975,017	—	1,975,017
Other	977,339	—	977,339
Unrestricted	(65,928)	5,432,157	5,366,229
Total Net Position	<u>107,340,403</u>	<u>46,914,141</u>	<u>154,254,544</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 332,311,906</u>	<u>\$ 134,152,086</u>	<u>\$ 466,463,992</u>

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expenses), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Public safety	\$ 3,433,075	\$ 68,837	\$ 354,878	\$ —	\$ (3,009,360)	\$ —	\$ (3,009,360)
Public works	1,729,893	—	1,894,332	—	164,439	—	164,439
Health and social services	115,732	—	—	—	(115,732)	—	(115,732)
Culture and recreation	8,468,285	2,244,537	177,747	—	(6,046,001)	—	(6,046,001)
Community and economic development	4,693,705	844,916	—	4,631,641	782,852	—	782,852
General government	3,321,551	2,687,360	11,437	(60,118)	(682,872)	—	(682,872)
Depreciation - unallocated*	11,391	—	—	—	(11,391)	—	(11,391)
Interest on long-term debt	8,059,261	—	—	—	(8,059,261)	—	(8,059,261)
Total Governmental Activities	29,832,893	5,845,650	2,438,394	4,571,523	(16,977,326)	—	(16,977,326)
Business-Type Activities							
Hotel and conference center	15,382,694	13,570,035	—	—	—	(1,812,659)	(1,812,659)
Sewer	2,400,534	2,931,437	—	—	—	530,903	530,903
Iowa River Landing parking	1,606,749	2,475,970	—	—	—	869,221	869,221
Water	1,888,164	2,359,483	231,727	—	—	703,046	703,046
Solid waste	945,263	978,267	—	—	—	33,004	33,004
Golf	2,432,534	1,986,957	—	—	—	(445,577)	(445,577)
Transit	2,029,110	582,090	821,859	—	—	(625,161)	(625,161)
Storm water	480,215	369,345	—	—	—	(110,870)	(110,870)
Total Business-Type Activities	27,165,263	25,253,584	1,053,586	—	—	(858,093)	(858,093)
Total	\$ 56,998,156	\$ 31,099,234	\$ 3,491,980	\$ 4,571,523	(16,977,326)	(858,093)	(17,835,419)
General Revenue							
Taxes							
Property tax levied for general purposes					9,433,787	—	9,433,787
Property tax levied for debt service					3,045,198	—	3,045,198
Tax increment financing					16,909,900	—	16,909,900
Other taxes					3,145,699	—	3,145,699
Investment earnings					42,046	33,766	75,812
Miscellaneous					321,482	—	321,482
Gain on sale of capital assets					694,428	—	694,428
Total General Revenue					33,592,540	33,766	33,626,306
Change in Net Position Before Other Financing Sources (Uses)					16,615,214	(824,327)	15,790,887
Other Financing Sources (Uses)							
Transfers					(1,040,768)	1,040,768	—
Change in Net Position					15,574,446	216,441	15,790,887
Net Position - Beginning of Year, as previously reported					93,082,282	48,919,634	142,001,916
Change in accounting principle (Note 20)					(1,316,325)	(2,221,934)	(3,538,259)
Net Position - Beginning of Year, as Restated					91,765,957	46,697,700	138,463,657
Net Position - End of Year					\$ 107,340,403	\$ 46,914,141	\$ 154,254,544

* This amount excludes depreciation included in the direct expenses of the various programs.

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2014

	General Fund	Special Revenue - Mall/Highway 6 TIF Fund	General Obligation Debt Service	Capital Projects		Nonmajor Governmental Funds	Total
				Flood Mitigation	Iowa River Landing		
Assets							
Cash and pooled investments	\$ 1,251,236	\$ —	\$ 427,854	\$ —	\$ —	\$ 579	\$ 1,679,669
Receivables							
Property Tax							
Current year delinquent.....	37,151	13,939	10,042	—	—	16,832	77,964
Succeeding year	8,099,005	16,940,169	3,366,196	—	—	5,437,991	33,843,361
Loans.....	—	3,632,662	—	—	—	3,114,690	6,747,352
Due from other funds	5,491,321	—	—	—	—	5,400,557	10,891,878
Due from other governments.....	340,098	—	—	3,358,119	—	3,134,664	6,832,881
Advances to other funds	118,860	—	—	—	—	—	118,860
Other.....	99,708	—	—	—	—	—	99,708
Special assessments	—	—	—	—	—	178,451	178,451
Inventories and prepaids	635,244	—	—	—	—	15,141	650,385
Restricted Assets							
Cash and pooled investments	—	1,445,726	1,968,565	—	—	2,407,179	5,821,470
Total Assets	\$ 16,072,623	\$ 22,032,496	\$ 5,772,657	\$ 3,358,119	\$ —	\$ 19,706,084	\$ 66,941,979
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Accounts payable	\$ 469,646	\$ 14,906	\$ 23,125	\$ 873,030	\$ 215,446	\$ 405,173	\$ 2,001,326
Accrued liabilities.....	257,790	—	—	—	—	—	257,790
Due to other funds.....	—	—	—	10,241,925	1,808,901	5,603,526	17,654,352
Total Liabilities	727,436	14,906	23,125	11,114,955	2,024,347	6,008,699	19,913,468
Deferred Inflows of Resources							
Succeeding years property tax	8,099,005	16,940,169	3,366,196	—	—	5,437,991	33,843,361
Special assessments.....	—	—	—	—	—	154,265	154,265
Other	—	—	—	—	—	2,808,317	2,808,317
Total Deferred Inflows of Resources	8,099,005	16,940,169	3,366,196	—	—	8,400,573	36,805,943
Fund Balances							
Nonspendable	635,244	3,632,662	—	—	—	3,129,831	7,397,737
Restricted							
Debt service.....	—	1,444,759	2,383,336	—	—	1,837,288	5,665,383
Expendable trust.....	—	—	—	—	—	491,511	491,511
Road use purposes.....	—	—	—	—	—	1,032,678	1,032,678
Employee benefits	—	—	—	—	—	8,032	8,032
Economic development.....	—	—	—	—	—	713,992	713,992
Special assessments	—	—	—	—	—	608,158	608,158
Capital projects	—	—	—	—	—	1,975,017	1,975,017
Other.....	—	—	—	—	—	977,339	977,339
Committed for capital asset acquisition.....	1,458,052	—	—	—	—	—	1,458,052
Unassigned	5,152,886	—	—	(7,756,836)	(2,024,347)	(5,477,034)	(10,105,331)
Total Fund Balances	7,246,182	5,077,421	2,383,336	(7,756,836)	(2,024,347)	5,296,812	10,222,568
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 16,072,623	\$ 22,032,496	\$ 5,772,657	\$ 3,358,119	\$ —	\$ 19,706,084	\$ 66,941,979

See accompanying notes to the financial statements.

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

As of June 30, 2014

Total Fund Balances for Governmental Funds (Page 16)....	\$ 10,222,568
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Certain receivables are not available financial resources and, therefore, are reported as deferred inflows of resources in governmental funds	2,808,317
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds	284,272,004
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	(155,329,612)
Tax increment financing bonds payable	(28,481,124)
Other loans payable	(4,527,047)
Accrued interest payable	(795,999)
Compensated absences.....	<u>(828,704)</u>
Net Position of Governmental Activities (Page 14)	<u>\$ 107,340,403</u>

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

Year Ended June 30, 2014

	General Fund	Special Revenue - Mall/Highway 6 TIF Fund	General Obligation Debt Service	Capital Projects		Nonmajor Governmental Funds	Total
				Flood Mitigation	Iowa River Landing		
Revenue							
Property tax.....	\$ 7,762,846	\$ —	\$ 3,045,198	\$ —	\$ —	\$ 1,662,607	\$ 12,470,651
TIF and other city taxes.....	3,148,279	13,664,999	—	—	—	3,244,905	20,058,183
Special assessments.....	—	—	—	—	—	55,906	55,906
Licenses and permits.....	592,207	—	—	—	—	—	592,207
Use of money and property.....	192,808	1,586	27,308	35,598	14,802	2,413,893	2,685,995
Intergovernmental.....	507,045	—	8,100	8,161,065	—	3,908,754	12,584,964
Charges for service.....	2,302,718	—	—	—	—	150,209	2,452,927
Miscellaneous.....	203,701	8,775	—	—	3,248	225,963	441,687
Total Revenue.....	14,709,604	13,675,360	3,080,606	8,196,663	18,050	11,662,237	51,342,520
Expenditures							
Operating							
Public safety.....	5,159,146	—	—	—	—	18,951	5,178,097
Public works.....	—	—	—	—	—	1,693,000	1,693,000
Health and social services.....	115,732	—	—	—	—	—	115,732
Culture and recreation.....	7,055,375	—	—	—	—	320,974	7,376,349
Community and economic development.....	998,241	993,334	—	—	—	2,126,478	4,118,053
General government.....	3,178,173	—	—	—	—	—	3,178,173
Debt Service							
Principal.....	—	—	14,792,347	—	—	—	14,792,347
Interest and other charges.....	—	—	7,278,135	—	—	—	7,278,135
Capital projects.....	—	—	—	5,616,488	5,708,062	6,867,704	18,192,254
Total Expenditures.....	16,506,667	993,334	22,070,482	5,616,488	5,708,062	11,027,107	61,922,140
Revenue Over (Under) Expenditures.....	(1,797,063)	12,682,026	(18,989,876)	2,580,175	(5,690,012)	635,130	(10,579,620)
Other Financing Sources (Uses)							
General obligation bond proceeds.....	—	—	11,844,611	—	—	—	11,844,611
Refunding bonds issued.....	—	—	24,309,004	—	—	—	24,309,004
Refunding bond principal payments.....	—	—	(24,309,004)	—	—	—	(24,309,004)
Discount on general obligation bonds issued.....	—	—	(143,370)	—	—	—	(143,370)
Cost of debt issuance.....	—	—	(823,086)	—	—	—	(823,086)
Proceeds from sale of assets.....	—	—	—	—	1,350,000	2,869,138	4,219,138
Transfers in.....	3,381,681	835,828	21,715,130	1,540,000	1,920,000	7,683,900	37,076,539
Transfers out.....	(1,691,336)	(14,709,861)	(12,817,900)	(636,673)	—	(8,261,537)	(38,117,307)
Total Other Financing Sources (Uses).....	1,690,345	(13,874,033)	19,775,385	903,327	3,270,000	2,291,501	14,056,525
Net Change in Fund Balances.....	(106,718)	(1,192,007)	785,509	3,483,502	(2,420,012)	2,926,631	3,476,905
Fund Balances - Beginning of Year.....	7,352,900	6,269,428	1,597,827	(11,240,338)	395,665	2,370,181	6,745,663
Fund Balances - End of Year.....	\$ 7,246,182	\$ 5,077,421	\$ 2,383,336	\$ (7,756,836)	\$ (2,024,347)	\$ 5,296,812	\$ 10,222,568

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, 2014

Changes in Fund Balances - Total Governmental Funds (Page 18) \$ 3,476,905

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 position 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	\$ 24,423,139	
Depreciation expense.....	(6,308,037)	
Proceeds from sale of capital assets	(4,219,138)	
Gain on sale of capital assets.....	<u>694,428</u>	14,590,392

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 position 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.....	\$ (11,844,611)	
Long-term debt principal repaid.....	14,792,347	
Amortization of discounts and premiums	220,458	
Increase in accrued interest	<u>(35,128)</u>	3,133,066

Certain receivables are reported in the statement of net position 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..... (5,588,841)

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..... (37,076)

Change in Net Position of Governmental Activities (Page 15) \$ 15,574,446

Statement of Net Position - Proprietary Funds

As of June 30, 2014

	Hotel and Conference Center	Sewer	Iowa River Landing Parking	Nonmajor Proprietary Funds	Total
Assets					
Current Assets					
Receivables					
Assets held by property manager	\$ 501,759	\$ —	\$ —	\$ 181,837	\$ 683,596
Customer accounts	724,137	486,817	—	584,389	1,795,343
Due from other governments	—	259,773	—	—	259,773
Due from other funds	—	2,011,221	1,817,457	4,181,521	8,010,199
Inventories and prepaids	55,195	10,495	27,192	256,464	349,346
Total Current Assets	<u>1,281,091</u>	<u>2,768,306</u>	<u>1,844,649</u>	<u>5,204,211</u>	<u>11,098,257</u>
Noncurrent Assets					
Restricted Assets					
Cash and pooled investments	—	564,188	2,125,928	364,316	3,054,432
Beneficial interest in a trust	5,553,051	—	—	710,220	6,263,271
Capital assets (net of accumulated depreciation)	47,663,435	20,710,227	20,882,026	24,480,438	113,736,126
Total Noncurrent Assets	<u>53,216,486</u>	<u>21,274,415</u>	<u>23,007,954</u>	<u>25,554,974</u>	<u>123,053,829</u>
Total Assets	<u>\$ 54,497,577</u>	<u>\$ 24,042,721</u>	<u>\$ 24,852,603</u>	<u>\$ 30,759,185</u>	<u>\$ 134,152,086</u>
Liabilities and Net Position					
Current Liabilities					
Accounts payable	\$ 467,653	\$ 74,406	\$ 95,650	\$ 554,457	\$ 1,192,166
Accrued liabilities and compensated absences	724,381	65,111	50,148	276,570	1,116,210
Due to other funds	620,021	—	—	627,704	1,247,725
Current maturities of long-term debt	1,035,000	488,000	941,000	496,957	2,960,957
Customer deposits	—	—	—	251,400	251,400
Total Current Liabilities	<u>2,847,055</u>	<u>627,517</u>	<u>1,086,798</u>	<u>2,207,088</u>	<u>6,768,458</u>
Advances From Other Funds	<u>—</u>	<u>—</u>	<u>—</u>	<u>118,860</u>	<u>118,860</u>
Long-Term Debt	<u>41,333,928</u>	<u>8,141,000</u>	<u>19,458,000</u>	<u>11,417,699</u>	<u>80,350,627</u>
Total Liabilities	<u>44,180,983</u>	<u>8,768,517</u>	<u>20,544,798</u>	<u>13,743,647</u>	<u>87,237,945</u>
Net Position					
Net investment in capital assets, net of related debt	10,847,558	12,081,227	483,026	15,015,741	38,427,552
Restricted for debt service	—	564,188	2,125,928	364,316	3,054,432
Unrestricted	(530,964)	2,628,789	1,698,851	1,635,481	5,432,157
Total Net Position	<u>10,316,594</u>	<u>15,274,204</u>	<u>4,307,805</u>	<u>17,015,538</u>	<u>46,914,141</u>
Total Liabilities and Net Position	<u>\$ 54,497,577</u>	<u>\$ 24,042,721</u>	<u>\$ 24,852,603</u>	<u>\$ 30,759,185</u>	<u>\$ 134,152,086</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2014

	Hotel and Conference Center	Sewer	Iowa River Landing Parking	Nonmajor Proprietary Funds	Total
Operating Revenue					
Charges for Sales and Service	<u>\$ 13,570,035</u>	<u>\$ 2,931,437</u>	<u>\$ 2,475,970</u>	<u>\$ 6,276,142</u>	<u>\$ 25,253,584</u>
Operating Expenses					
Salaries and employee benefits	—	514,489	308,950	2,493,105	3,316,544
Contractual services	1,422,259	585,020	107,730	1,184,271	3,299,280
Commodities	10,291,395	140,644	1,134	2,496,511	12,929,684
Depreciation	1,506,114	929,116	561,697	1,096,064	4,092,991
Total Operating Expenses	<u>13,219,768</u>	<u>2,169,269</u>	<u>979,511</u>	<u>7,269,951</u>	<u>23,638,499</u>
Operating Income (Loss)	<u>350,267</u>	<u>762,168</u>	<u>1,496,459</u>	<u>(993,809)</u>	<u>1,615,085</u>
Nonoperating Revenue (Expenses)					
Intergovernmental Revenue					
Federal	—	—	—	452,888	452,888
State	—	231,727	—	368,971	600,698
Interest revenue	30,574	1,288	349	1,555	33,766
Interest expense	(2,162,926)	(231,265)	(627,238)	(505,335)	(3,526,764)
Total Nonoperating Revenue (Expenses)	<u>(2,132,352)</u>	<u>1,750</u>	<u>(626,889)</u>	<u>318,079</u>	<u>(2,439,412)</u>
Income (Loss) Before Transfers	<u>(1,782,085)</u>	<u>763,918</u>	<u>869,570</u>	<u>(675,730)</u>	<u>(824,327)</u>
Transfers in	720,245	—	1,811,189	646,060	3,177,494
Transfers out	(25,000)	(68,323)	(4,000)	(2,039,403)	(2,136,726)
Net Income (Loss)	<u>(1,086,840)</u>	<u>695,595</u>	<u>2,676,759</u>	<u>(2,069,073)</u>	<u>216,441</u>
Net Position - Beginning of Year, as previously reported					
	12,171,246	14,659,731	2,854,291	19,234,366	48,919,634
Change in accounting principle (Note 20)	(767,812)	(81,122)	(1,223,245)	(149,755)	(2,221,934)
Net Position - Beginning of Year, as Restated	<u>11,403,434</u>	<u>14,578,609</u>	<u>1,631,046</u>	<u>19,084,611</u>	<u>46,697,700</u>
Net Position - End of Year	<u>\$ 10,316,594</u>	<u>\$ 15,274,204</u>	<u>\$ 4,307,805</u>	<u>\$ 17,015,538</u>	<u>\$ 46,914,141</u>

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2014

	Hotel and Conference Center	Sewer	Iowa River Landing Parking	Nonmajor Proprietary Funds	Total
Cash Flows From Operating Activities					
Receipts from customers.....	\$ 13,754,768	\$ 2,909,174	\$ 2,475,970	\$ 6,289,246	\$ 25,429,158
Payments to suppliers.....	(11,728,903)	(712,963)	(115,568)	(3,392,891)	(15,950,325)
Payments to employees.....	—	(514,489)	(308,950)	(2,493,105)	(3,316,544)
Net Cash Provided by Operating Activities.....	<u>2,025,865</u>	<u>1,681,722</u>	<u>2,051,452</u>	<u>403,250</u>	<u>6,162,289</u>
Cash Flows From Noncapital Financing Activities					
Noncapital federal and state grants.....	—	231,727	—	821,859	1,053,586
Net transfers.....	695,245	(68,323)	1,807,189	(1,393,343)	1,040,768
Net Cash Provided by (Used in) Noncapital Financing Activities.....	<u>695,245</u>	<u>163,404</u>	<u>1,807,189</u>	<u>(571,484)</u>	<u>2,094,354</u>
Cash Flows From Capital and Related Financing Activities					
Decrease in due from other governments....	—	(231,727)	—	—	(231,727)
Increase (decrease) in due to other funds ...	376,751	(263,262)	—	—	113,489
Proceeds from debt.....	—	2,773,000	—	2,789,739	5,562,739
Net received from trust.....	136,466	—	—	(96)	136,370
Purchase of capital assets.....	(112,614)	(107,543)	(361,145)	(1,679,660)	(2,260,962)
Repayment of debt.....	(925,000)	(3,516,000)	(914,000)	(400,204)	(5,755,204)
Payment of interest.....	(2,227,287)	(217,279)	(629,484)	(501,276)	(3,575,326)
Net Cash Provided by (Used in) Capital and Related Financing Activities.....	<u>(2,751,684)</u>	<u>(1,562,811)</u>	<u>(1,904,629)</u>	<u>208,503</u>	<u>(6,010,621)</u>
Cash Flows From Investing Activities					
(Increase) decrease in due from other funds.	—	—	(1,371,939)	11,449	(1,360,490)
Increase in advance from other funds.....	—	—	—	118,860	118,860
Interest received.....	30,574	1,288	349	1,555	33,766
Net Cash Provided by (Used in) Investing Activities.....	<u>30,574</u>	<u>1,288</u>	<u>(1,371,590)</u>	<u>131,864</u>	<u>(1,207,864)</u>
Net Increase in Cash.....	<u>—</u>	<u>283,603</u>	<u>582,422</u>	<u>172,133</u>	<u>1,038,158</u>
Cash and Pooled Investments at Beginning of Year.....	—	280,585	1,543,506	192,183	2,016,274
Cash and Pooled Investments at End of Year.....	<u>\$ —</u>	<u>\$ 564,188</u>	<u>\$ 2,125,928</u>	<u>\$ 364,316</u>	<u>\$ 3,054,432</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating income (loss).....	\$ 350,267	\$ 762,168	\$ 1,496,459	\$ (993,809)	\$ 1,615,085
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by Operating Activities					
Depreciation.....	1,506,114	929,116	561,697	1,096,064	4,092,991
(Increase) decrease in receivables.....	184,733	(22,263)	—	(1,381)	161,089
(Increase) decrease in inventories and prepaids.....	34,692	(455)	—	1,781	36,018
Increase in accounts and retainages payable.....	8,784	10,784	15,382	287,185	322,135
Increase (decrease) in accrued liabilities and compensated absences.....	(58,725)	2,372	(22,086)	(1,075)	(79,514)
Increase in customer deposits.....	—	—	—	14,485	14,485
Net Cash Provided by Operating Activities	<u>\$ 2,025,865</u>	<u>\$ 1,681,722</u>	<u>\$ 2,051,452</u>	<u>\$ 403,250</u>	<u>\$ 6,162,289</u>
Schedule of Noncash Investing and Financing Activities					
Cash Paid for Capital Assets					
Capital asset additions.....	\$ 112,614	\$ 107,543	\$ 361,145	\$ 1,236,346	\$ 1,817,648
Net change in accounts payable.....	—	—	—	443,314	443,314
Cash Paid for Capital Assets.....	<u>\$ 112,614</u>	<u>\$ 107,543</u>	<u>\$ 361,145</u>	<u>\$ 1,679,660</u>	<u>\$ 2,260,962</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, a municipal golf course, a public transit service and provides water, sewer, storm water and sanitation utilities.

The financial statements of the City of Coralville have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

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 position 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 are supported by property tax and intergovernmental revenue, are reported separately from 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 position presents the City's nonfiduciary assets and liabilities and deferred outflows and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has 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 tax 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 tax levied for debt service.

The Flood Mitigation Fund is a capital project fund 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 is a capital project fund that 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 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.

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

Measurement Focus and Basis of Accounting

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

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.

(1) Summary of Significant Accounting Policies

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 position 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.

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. The City did not amend its budget during the year ended June 30, 2014.

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.

(1) Summary of Significant Accounting Policies

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. As of June 30, 2014, disbursements exceeded the budgeted amounts in Health and Social Services, Culture and Recreation, Community and Economic Development, Debt Service, Capital Projects and Business-Type Activities functional areas.

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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 tax receivable is 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 tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents 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 tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

(1) Summary of Significant Accounting Policies

Property tax revenue became due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2012 assessed property valuations, is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March, 2013.

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 assets 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.

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 position because their use is limited by applicable bond covenants.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position and in the proprietary funds statement of net position. 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.

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

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. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities

In the government-wide financial statements and 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 position and the proprietary fund type statement of net position.

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.

(1) Summary of Significant Accounting Policies

Deferred Inflows of Resources

Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within 60 days after year end.

Deferred inflows of resources in the statement of net position 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.

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.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 investment in capital assets excludes unspent debt proceeds. Net position is 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.

Notes to the Financial Statements

(2) Cash and Pooled Investments

The City's deposits as of June 30, 2014 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; 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, 2014, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$25,221 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 as of June 30, 2014 were as follows:

Cash accounts.....	\$ 9,903,469
Pooled cash investments - Iowa Public Agency Investment Trust.....	25,221
Certificates of deposit.....	626,881
Total	<u>\$ 10,555,571</u>

(3) Loans Receivable

The City has made several forgivable economic development loans to local businesses. The loans are forgivable upon the businesses meeting certain job creation goals. The loans bear interest at 6%, which is also forgivable.

The following is a summary of the loans as of June 30, 2014:

Year Entered Into	Balance July 1, 2013	Loans Made	Loans Forgiven	Balance June 30, 2014
2003	\$ 443,000	\$ —	\$ —	\$ 443,000
2005	1,100,000	—	—	1,100,000
2006	576,190	—	—	576,190
2007	450,200	—	—	450,200
2008	210,000	—	—	210,000
2009	1,757,500	—	—	1,757,500
2012	579,000	—	—	579,000
2013	728,000	—	—	728,000
2014	—	750,000	—	750,000
	<u>\$ 5,843,890</u>	<u>\$ 750,000</u>	<u>\$ —</u>	<u>\$ 6,593,890</u>

No interest income was recognized on these loans during the year ended June 30, 2014.

In addition, 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 2014 included \$20,065 of principal and \$9,135 of interest. The unpaid balance as of June 30, 2014 was \$153,462.

Notes to the Financial Statements

(4) Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2014 is as follows:

Due From/To	Interfund Receivables	Interfund Payables
General Fund	\$ 5,491,321	\$ —
Special Revenue Funds		
12th Avenue TIF	18,181	—
Oakdale Avenue TIF	—	18,181
Expendable Trust.....	579	—
Road Use Tax.....	974,586	—
Iowa River Landing Operations	893,722	—
Police Grants	—	29,010
Economic Development	713,992	—
Special Assessments.....	583,972	—
Capital Projects Funds		
Flood Mitigation.....	—	10,241,925
Street Projects	1,013,612	—
Iowa River Landing	—	1,808,901
Brownfields	—	105,579
Intermodal Facility.....	189,484	—
Coral Ridge Avenue.....	220,490	—
Highway 6 Projects	—	782,952
Oakdale Boulevard Project.....	16,339	—
Cardinal Road Project.....	15,916	—
1st Avenue Reconstruction	—	1,122,960
Oakdale Area.....	—	1,966,110
James Street Area	—	48,382
Coral Ridge Mall Area.....	—	285,349
Transit/Parks Facility.....	240,668	—
Library Expansion	—	93,349
North Fire Station.....	—	317,210
Animal Control Facility	115,000	—
Recreation Improvements	—	14,701
Northridge Trails	—	421,217
12th Avenue Urban Renewal	—	264,745
Land Use Project	—	91,350
North End Area Projects	—	42,431
FEMA/Edgewater Buyouts	404,016	—
Enterprise Funds		
Hotel	—	620,021
Sewer	2,011,221	—
Iowa River Landing Parking	1,817,457	—
Water	2,341,444	—
Solid Waste.....	567,410	—
Brown Deer Golf Course	—	627,704
Transit.....	807,229	—
Storm Water.....	465,438	—
	<u>\$ 18,902,077</u>	<u>\$ 18,902,077</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

(4) Interfund Receivables and Payables

Advances To/From

During the year ended June 30, 2014, the City Council approved an inter-fund loan agreement for the General Fund to loan \$118,860 to the Brown Deer Golf Course Enterprise Fund under an agreement which requires annual payments of \$17,666 including interest at 1%, through May, 2021.

As of June 30, 2014, annual maturities of this advance are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 16,477	\$ 1,189	\$ 17,666
2016	16,642	1,024	17,666
2017	16,809	857	17,666
2018	16,977	689	17,666
2019	17,146	520	17,666
2020	17,318	348	17,666
2021	17,491	175	17,666
Total	<u>\$ 118,860</u>	<u>\$ 4,802</u>	<u>\$ 123,662</u>

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 76,734,781	\$ 409,103	\$ 1,342,071	\$ 75,801,813
Construction in progress	33,902,623	22,402,920	41,093,102	15,212,441
Total Capital Assets Not Being Depreciated.....	<u>110,637,404</u>	<u>22,812,023</u>	<u>42,435,173</u>	<u>91,014,254</u>
Capital Assets Being Depreciated				
Land improvements	46,281,833	34,287,353	—	80,569,186
Buildings and improvements	49,079,658	2,609,951	2,136,493	49,553,116
Furniture and equipment	15,133,226	177,467	120,000	15,190,693
Vehicles	2,109,924	512,801	81,313	2,541,412
Road network	91,230,336	5,116,646	—	96,346,982
Bridge network.....	8,401,965	—	—	8,401,965
Parking ramps	5,522,881	—	—	5,522,881
Total Capital Assets Being Depreciated	<u>217,759,823</u>	<u>42,704,218</u>	<u>2,337,806</u>	<u>258,126,235</u>
Less Accumulated Depreciation for				
Land improvements.....	3,190,798	1,306,114	—	4,496,912
Buildings and improvements	9,218,517	1,209,654	164,856	10,263,315
Furniture and equipment	7,162,819	593,025	105,999	7,649,845
Vehicles	1,294,646	179,460	80,313	1,393,793
Road network	36,050,685	2,741,286	—	38,791,971
Bridge network.....	1,276,174	168,040	—	1,444,214
Parking ramps	717,977	110,458	—	828,435
Total Accumulated Depreciation.....	<u>58,911,616</u>	<u>6,308,037</u>	<u>351,168</u>	<u>64,868,485</u>
Net Capital Assets Being Depreciated....	<u>158,848,207</u>	<u>36,396,181</u>	<u>1,986,638</u>	<u>193,257,750</u>
Net Governmental Activities				
Capital Assets.....	<u>\$ 269,485,611</u>	<u>\$ 59,208,204</u>	<u>\$ 44,421,811</u>	<u>\$ 284,272,004</u>

Notes to the Financial Statements

(5) Capital Assets

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 5,645,327	\$ —	\$ —	\$ 5,645,327
Construction in progress	<u>1,016,902</u>	<u>796,906</u>	<u>1,604,814</u>	<u>208,994</u>
Total Capital Assets Not Being Depreciated.....	<u>6,662,229</u>	<u>796,906</u>	<u>1,604,814</u>	<u>5,854,321</u>
Capital Assets Being Depreciated				
Buildings and improvements	128,571,383	47,585	—	128,618,968
Furniture and equipment	27,405,579	2,578,384	57,825	29,926,138
Vehicles	<u>879,746</u>	<u>—</u>	<u>—</u>	<u>879,746</u>
Total Capital Assets Being Depreciated	<u>156,856,708</u>	<u>2,625,969</u>	<u>57,825</u>	<u>159,424,852</u>
Less Accumulated Depreciation for				
Buildings and improvements	26,224,356	3,093,719	—	29,318,075
Furniture and equipment	20,914,630	913,867	57,412	21,771,085
Vehicles	<u>368,482</u>	<u>85,405</u>	<u>—</u>	<u>453,887</u>
Total Accumulated Depreciation.....	<u>47,507,468</u>	<u>4,092,991</u>	<u>57,412</u>	<u>51,543,047</u>
Net Capital Assets Being Depreciated....	<u>109,349,240</u>	<u>(1,467,022)</u>	<u>413</u>	<u>107,881,805</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 116,011,469</u>	<u>\$ (670,116)</u>	<u>\$ 1,605,227</u>	<u>\$ 113,736,126</u>

Depreciation expense was charged to functions as follows for the year ended June 30, 2014:

Governmental Activities	
Public safety.....	\$ 359,875
Public works.....	153,399
Culture and recreation.....	1,149,171
Community and economic development.....	4,495,596
General government	<u>138,605</u>
	6,296,646
Unallocated depreciation.....	<u>11,391</u>
Total Governmental Activities Depreciation Expense	<u>\$ 6,308,037</u>
Business-Type Activities	
Hotel and conference center	\$ 1,506,114
Sewer.....	929,116
Iowa River Landing Parking	561,697
Water	468,252
Solid waste.....	92,455
Golf	226,688
Transit.....	<u>308,669</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 4,092,991</u>

Notes to the Financial Statements

(6) Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2014:

	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.....	\$ 136,397,598	\$ 34,802,000	\$ 15,869,986	\$ 155,329,612	\$ 14,007,874	1.00%-8.00%
Bond Anticipation Notes.....	19,260,000	1,351,615	20,611,615	—	—	N/A
Tax increment						
revenue bonds	30,611,595	—	2,130,471	28,481,124	2,195,000	5.00%-5.13%
Other long-term debt	5,236,784	—	709,737	4,527,047	1,055,706	0.00%-6.50%
Compensated						
absences.....	791,628	828,704	791,628	828,704	828,704	N/A
Totals.....	<u>\$ 192,297,605</u>	<u>\$ 36,982,319</u>	<u>\$ 40,113,437</u>	<u>\$ 189,166,487</u>	<u>\$ 18,087,284</u>	
Business-Type Activities						
Revenue bonds	\$ 32,215,000	\$ 5,562,739	\$ 4,635,000	\$ 33,142,739	\$ 1,716,000	1.00%-5.00%
Capital leases.....	51,233,243	—	1,170,951	50,062,292	1,235,000	4.00%-5.25%
Other long-term debt	116,120	—	9,567	106,553	9,957	4.00%
Compensated						
absences.....	159,362	165,151	159,362	165,151	165,151	N/A
Totals.....	<u>\$ 83,723,725</u>	<u>\$ 5,727,890</u>	<u>\$ 5,974,880</u>	<u>\$ 83,476,735</u>	<u>\$ 3,126,108</u>	

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 and urban renewal 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.

As of June 30, 2014, there were 32 outstanding general obligation bonds/notes outstanding with interest rates ranging from 1% to 8%, with annual principal and interest payments due through June, 2034.

Notes to the Financial Statements

(6) Long-Term Debt

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.

As of June 30, 2014, there was one outstanding tax increment revenue bonds/note outstanding with interest rates ranging from 5.00% to 5.13%, with annual principal and interest payments due through June, 2047.

Bond Anticipation Notes

The City may issue bond anticipation notes to finance projects during construction phase. These notes are retired and replaced with permanent, long-term general obligation bonds once the projects are completed.

Other Long-Term Debt

Land Purchase Contracts

The City has entered into five agreements to purchase land for recreation space and future development. The agreements include interest at rates ranging from 0% to 6.5%. Total principal and interest paid during the year ended June 30, 2014 totaled \$709,737 and \$141,674, respectively.

As of June 30, 2014, annual maturities of the land purchase contracts are as follows:

Year Ending June 30,	Principal	Interest	Total
2015.....	\$ 1,055,706	\$ 129,607	\$ 1,185,313
2016.....	575,733	110,555	686,288
2017.....	592,414	82,756	675,170
2018.....	469,754	67,140	536,894
2019.....	—	—	—
Later Years	<u>1,833,440</u>	<u>71,946</u>	<u>1,905,386</u>
Total	<u>\$ 4,527,047</u>	<u>\$ 462,004</u>	<u>\$ 4,989,051</u>

Notes to the Financial Statements

(6) Long-Term Debt

Business-Type Activities

As of June 30, 2014, there were the following outstanding enterprise fund revenue bonds/notes and certifications of participation capital lease obligations outstanding:

Fund	Number of Bonds/Notes Outstanding	Interest Rates	Principal and Interest Payments Due Through
Hotel and Conference Center	1	5.25%	June, 2026
Sewer	5	1.00% to 3.89%	June, 2034
Iowa River Landing Parking	1	2.95% to 5.00%	June, 2031
Water	2	2.00% to 3.50%	June, 2030
Brown Deer Golf Course	3	4.00% to 5.00%	June, 2035
Storm Water	1	1.75%	June, 2033

Revenue Bonds

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

The City has pledged future water customer revenue, net of specified operating expenses, to repay 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 2030. 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 \$2,861,758. Principal and interest due in the next year and total customer net revenue (operating income plus depreciation) for 2014 was \$281,110 and \$1,030,308, 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 \$11,102,214. For the current year, principal and interest paid and total customer net revenue (operating income plus depreciation) was \$1,211,210 and \$1,691,284, respectively.

The City has pledged future storm water fee revenue, net of specified operating expenses, to repay storm water revenue notes. Proceeds from the notes provided financing for the construction of storm water infrastructure. The notes are payable solely from storm water fee net revenue and are payable through 2033. 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 \$2,122,602. For the current year, principal and interest paid and total customer net revenue (operating income plus depreciation) was \$0 and \$(99,578), respectively.

Notes to the Financial Statements

(6) Long-Term Debt

Capital Lease Obligations

Golf Course Expansion Leasing and Financing Transactions - The City expanded Brown Deer Golf Course from 9 to 18 holes and built a clubhouse, other buildings and a driving range. To finance this expansion, the City entered into an agreement to lease land it owns or will be acquiring for the expansion to US Bank, as trustee and in turn, lease that land back from US Bank for the City's use as the expanded golf course for a period of 50 years for the total lease payment of \$1. As part of the financing, the City agreed to sell certain other land it owns to US Bank and lease it back under a capital lease. The capital lease requires payments in amounts necessary to pay US Bank for the total proceeds of \$7,605,000 that US Bank obtained by selling Certificates of Participation in the lease to investors. Once the Certificates of Participation are repaid, title to all of the land, buildings and improvements transfers to the City.

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

During the year ended June 30, 2006, the City refinanced the capital lease agreement through the issuance of \$8,465,000 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, 2014, principal and interest paid totaled \$190,000 and \$387,850, respectively.

As of June 30, 2014, future minimum lease payments on the capital lease obligation are as follows:

Year Ending June 30,	
2015.....	\$ 579,776
2016.....	586,026
2017.....	586,350
2018.....	586,226
2019.....	590,650
2020-2024.....	2,996,652
2025-2029.....	3,068,766
2030-2034.....	3,174,752
2035-2039.....	<u>651,000</u>
Total Minimum Lease Payments	12,820,198
Less: Amount representing interest.....	(5,035,198)
Unamortized original issue discount	(91,636)
Present Value of Net Minimum Lease Payments	<u>\$ 7,693,364</u>

Notes to the Financial Statements

(6) Long-Term Debt

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, 2014, principal and interest paid totaled \$925,000 and \$2,227,287, respectively.

As of June 30, 2014, future minimum lease payments on the capital lease obligation are as follows:

Year Ending June 30,	
2015.....	\$ 3,216,037
2016.....	3,286,700
2017.....	3,360,800
2018.....	3,432,813
2019.....	3,507,475
2020-2024.....	27,617,988
2025-2029.....	<u>16,671,662</u>
Total Minimum Lease Payments	61,093,475
Less amount representing interest	(19,478,475)
Plus unamortized original issue premium	<u>753,928</u>
Present Value of Net Minimum Lease Payments	<u>\$ 42,368,928</u>

Other Long-Term Debt

Small Business Administration Loans - In connection with the donation of the Brown Deer Golf Course to the City in April, 1999, the City assumed the two existing Small Business Administration (SBA) loans of the donor. The loans are due February, 2024. Required monthly payments total \$1,183 including interest at a rate of 4%. The loans are secured by all assets of the golf course.

Notes to the Financial Statements

(6) Long-Term Debt

As of June 30, 2014, annual maturities of the SBA loans are as follows:

Year Ending June 30,	SBA Loans	
	Principal	Interest
2015.....	\$ 9,957	\$ 4,239
2016.....	10,362	3,834
2017.....	10,784	3,412
2018.....	11,224	2,972
2019.....	11,681	2,515
2020-2024.....	52,545	5,144
Total	\$ 106,553	\$ 22,116

Variable Rate Debt

During the year ended June 30, 2014, the city issued a general obligation bond with a variable interest rate initially set at 4.25% which will reset on June 1, 2019 and June 1, 2024 to be equal to the five-year Treasury Rate Index plus 2.25% provided, however, that the rate will not increase by more than 1.25% on each reset date and the rate will never be less than 4.25% nor more than 6.75%.

In addition, during the year ended June 30, 2013, the City issued Parking Revenue Bonds with a variable interest rate initially set at 2.95% which can reset once on June 15, 2022 to be equal to the five-year LIBOR Swap Rate plus 1.98% provided, however, that the rate will not be more than 5%.

Annual debt service requirements to maturity for general obligation bonds, tax increment revenue bonds, special assessment bonds and revenue bonds as of June 30, 2014 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		
2015	\$ 14,007,874	\$ 6,339,439	\$ 2,195,000	\$ 1,400,906	\$ 1,716,000	\$ 963,514	\$ 17,918,874	\$ 8,703,859
2016	12,445,000	5,888,370	2,350,000	1,291,156	1,759,000	919,650	16,554,000	8,099,176
2017	12,835,000	5,418,553	2,960,000	1,173,656	1,906,000	872,604	17,701,000	7,464,813
2018	13,760,000	4,936,933	3,215,000	1,025,656	1,960,000	819,934	18,935,000	6,782,523
2019	8,060,000	4,423,435	-	864,906	2,012,000	765,424	10,072,000	6,053,765
2020-2024	37,352,000	18,730,780	-	4,324,530	9,569,000	3,508,184	46,921,000	26,563,494
2025-2029	22,280,000	12,339,769	-	4,324,530	9,636,000	2,298,492	31,916,000	18,962,791
2030-2034	32,660,000	6,641,758	865,000	4,324,530	4,584,739	378,853	38,109,739	11,345,141
2035-2039	—	—	5,060,000	3,591,250	—	—	5,060,000	3,591,250
2040-2044	—	—	6,640,000	2,163,750	—	—	6,640,000	2,163,750
2045-2049	—	—	4,585,000	469,750	—	—	4,585,000	469,750
	153,399,874	64,719,037	27,870,000	24,954,620	33,142,739	10,526,655	214,412,613	100,200,312
Net unamortized bond premium (discount)	1,929,738	—	611,124	—	—	—	2,540,862	—
Net	\$155,329,612	\$64,719,037	\$28,481,124	\$24,954,620	\$33,142,739	\$10,526,655	\$216,953,475	\$100,200,312

Notes to the Financial Statements

(6) Long-Term Debt

Interest expense and other charges recorded in governmental fund types totaled \$7.3 million for the year ended June 30, 2014. Interest expense recorded in proprietary fund types totaled \$3.5 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. As of June 30, 2014, 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, 2014, 2013 and 2012 were \$905,293, \$851,288 and \$752,572, 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>
2012	6.65%	9.97%	5.38%	8.07%
2013	6.84	10.27	5.78	8.93
2014	6.76	10.14	5.95	8.93

Notes to the Financial Statements

(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.

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, 2014, 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.....	6,709
Adjustment to annual required contribution.....	<u>(9,153)</u>
Annual OPEB Cost	43,656
Contributions made	<u>(19,469)</u>
Increase in Net OPEB Obligation	24,187
Net OPEB Obligation - Beginning of Year.....	<u>149,096</u>
Net OPEB Obligation - End of Year	<u><u>\$ 173,283</u></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, 2014.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 43,656	44.6%	\$ 173,283
2013	44,049	44.2	149,096
2012	44,469	43.8	124,506

Funded Status and Funding Progress

As of January 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 \$364,365. 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, 2014, 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 January 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.

Notes to the Financial Statements

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer From	Amount
General	General Obligation Debt Service	\$ 466,000
	Special Revenue	
	Mall/Highway 6 TIF	292,274
	Nonmajor Governmental Funds	2,075,241
	Capital Projects	
	Nonmajor Governmental Funds	140,000
	Proprietary	
	Hotel and Conference Center	25,000
	Sewer	72,500
	Nonmajor Proprietary	<u>310,666</u>
		<u>3,381,681</u>
Mall/Highway 6 TIF	Special Revenue	
	Nonmajor Governmental Funds	<u>835,828</u>
General Obligation Debt Service	General	639,544
	Special Revenue	
	Mall/Highway 6 TIF	14,416,001
	Nonmajor Governmental Funds	6,022,912
	Capital Projects	
	Flood Mitigation	<u>636,673</u>
		<u>21,715,130</u>
Flood Mitigation	General Obligation Debt Service	<u>1,540,000</u>
Iowa River Landing	General Obligation Debt Service	<u>1,920,000</u>
Nonmajor Special Revenue	General	10,000
	General Obligation Debt Service	2,332,000
	Special Revenue	
	Mall/Highway 6 TIF	1,586
	Nonmajor Governmental Funds	<u>131,605</u>
		<u>2,475,191</u>
Nonmajor Capital Projects	General	397,485
	General Obligation Debt Service	4,028,467
	Capital Projects	
	Nonmajor Governmental Funds	<u>782,757</u>
		<u>5,208,709</u>
Hotel and Conference Center	Special Revenue	
	Mall/Highway 6 TIF	<u>720,245</u>
Iowa River Landing Parking	General Obligation Debt Service	<u>1,811,189</u>
Nonmajor Proprietary		
Water	Nonmajor Proprietary	
	Golf	1,753
Golf	General Fund	80,000
Transit	General Fund	<u>564,307</u>
		<u>646,060</u>
Total		<u>\$ 40,254,033</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 as of June 30, 2014:

Special Revenue	
Police Grants	\$ 29,010
Rental Properties	3,752
Capital Projects	
Flood Mitigation.....	7,756,836
Iowa River Landing	2,024,347
Brownfields	107,431
Highway 6 Projects	782,952
1st Avenue Reconstruction	1,122,960
Oakdale Area.....	1,995,857
James Street Area	48,479
Coral Ridge Mall Area.....	288,781
Library Expansion	93,349
North Fire Station.....	319,646
Recreation Improvements	14,791
Northridge Trails	249,119
12th Avenue Urban Renewal	268,763
Land Use Project	91,350
North End Area Projects	42,463
Proprietary	
Storm Water.....	1,258,314

(11) Operating Lease

The City had been leasing golf carts under an operating lease requiring monthly payments of \$14,200 during the months of July, August and September of each year with a final payment made during the year ended June 30, 2014. Upon the expiration of that lease, the City entered into a five-year lease for new golf carts and two beverage carts requiring annual payments totaling \$45,499. The City also entered into a five-year lease for GPS units for use at the golf course. That lease requires payments totaling \$11,712 per year.

The following is a schedule by years of future minimum lease payments required under the lease:

Year Ending June 30,	
2015	\$ 57,211
2016	57,211
2017	57,211
2018	57,211
2019	8,113
	<u>\$ 236,957</u>

Notes to the Financial Statements

(12) Leasing Activities

During the year ended June 30, 2013, the City completed construction of a building which is outfitted to operate as a brewery. The building and equipment are being leased under an operating lease to a local business which is operating a brewery. The lease requires monthly rental payments of \$37,333 through September, 2022. At that time the business has an option to purchase the building and equipment or to renew the lease for another ten years. Rent income recognized during the year ended June 30, 2014 totaled \$448,000.

During the year ended June 30, 2014, the City took possession of a portion of a building, outfitted for retail space in the Iowa River Landing Area, in connection with a development agreement whereby the City transferred City-owned land in exchange for the retail space and to induce the developer to construct a hotel and retail space. The City obtained approximately 9,200 square feet of retail space divided into four units. As of June 30, 2014, two of the units had been leased to retail tenants. The leases require monthly base payment through 2019, plus additional rents based upon attaining certain levels of sales. Rent income recognized during the year ended June 30, 2014 totaled \$61,238.

The following is an analysis of the leased property as of June 30, 2014:

Class of Property	<u>Asset Balance</u>
Brewery	
Building.....	\$ 3,457,844
Brewery equipment.....	1,942,000
Less accumulated depreciation	<u>(277,094)</u>
Brewery Subtotal.....	\$ 5,122,750
Iowa River Landing Retail Space	
Building	\$ 900,000
Less accumulated depreciation	<u>(90,000)</u>
Iowa River Landing Retail Space Subtotal	<u>810,000</u>
Total	<u>\$ 5,932,750</u>

The following is a schedule by years of future minimum rentals to be received under this operating lease:

Year Ending June 30,	
2015	\$ 634,234
2016	628,663
2017	633,240
2018	637,943
2019	573,018
Later Years.....	<u>1,008,000</u>
Total Minimum Rentals	<u>\$ 4,115,098</u>

The City also owns other properties which it leases to individuals and businesses generally under month-to-month or year-to-year leases.

(13) Commitments

Construction

The City is involved in construction of capital assets, including flood mitigation, streets and streetscape improvements, 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. As of June 30, 2014, the City was committed to approximately \$34 million of construction contracts and agreements to purchase capital assets.

(14) Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. 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.

(15) 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 approximately 700 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, 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.

(15) Risk Management

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, 2014, the City made payments of approximately \$555,000 to the risk pool.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses 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, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. 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, as of June 30, 2014, no liability has been recorded in the City's financial statements. As of June 30, 2014, 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. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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.

Notes to the Financial Statements

(15) Risk Management

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, 2014 were approximately \$211,000.

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.

(16) Subsequent Events

Management has evaluated subsequent events through December 17, 2014, the date which the financial statements were available to be issued.

Subsequent events included the following:

Debt

Subsequent to June 30, 2014, the City issued \$11 million of taxable annual appropriation tax increment urban renewal certificates of participation and \$500,000 of general obligation bonds to purchase buildings in the Iowa River Landing area and finance various projects.

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 \$3.5 million.

(17) Contingencies

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

(18) 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.

Notes to the Financial Statements

(19) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*. This statement will be implemented during the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the statement of net position may include a significant liability for the City's proportionate share of the IPERS employee pension plan unfunded pension liability.

(20) Change in Accounting Principle

During the year ended June 30, 2014, the City implemented the provisions of Governmental Accounting Standards Board Statement Number 65, *Items Previously Reported as Assets and Liabilities*. The new standard requires, among other things, that the City no longer recognize debt issuance costs as an asset to be amortized over the life of the debt issued. The City has restated beginning net assets as outlined below. The change in accounting principle had no effect on the change in net assets for the year ended June 30, 2014.

Financial Statement	Debt Issuance Costs Adjusted To Beginning Net Assets
Government-Wide Financial Statements	\$ 1,316,325
Proprietary Fund Financial Statements	
Hotel and Conference Center	767,812
Sewer.....	81,122
Iowa River Landing Parking	1,223,245
Golf	149,755

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, 2014

	Original Budget	Actual			Over (Under) Budget
		Govern- mental Fund Types	Proprietary Funds	Total	
Receipts					
Property tax.....	\$ 12,472,886	\$ 12,481,415	\$ —	\$ 12,481,415	\$ 8,529
Tax increment financing.....	17,833,634	16,928,541	—	16,928,541	(905,093)
Other city taxes.....	2,564,091	2,636,615	—	2,636,615	72,524
Licenses and permits.....	724,650	744,973	—	744,973	20,323
Use of money and property.....	9,445,055	3,440,130	9,481,262	12,921,392	3,476,337
Intergovernmental.....	3,880,884	10,000,698	925,411	10,926,109	7,045,225
Charges for service.....	12,300,442	2,270,333	8,591,948	10,862,281	(1,438,161)
Special assessments.....	—	46,898	—	46,898	46,898
Miscellaneous.....	9,487,992	544,483	7,998,557	8,543,040	(944,952)
Total Receipts.....	68,709,634	49,094,086	26,997,178	76,091,264	7,381,630
Disbursements					
Public safety.....	5,190,160	5,174,887	—	5,174,887	(15,273)
Public works.....	1,863,744	1,656,744	—	1,656,744	(207,000)
Health and social services.....	104,470	116,733	—	116,733	12,263
Culture and recreation.....	7,081,202	7,536,594	—	7,536,594	455,392
Community and economic development.....	648,314	3,765,078	—	3,765,078	3,116,764
General government.....	3,445,502	3,107,464	—	3,107,464	(338,038)
Debt service.....	36,057,619	49,915,014	—	49,915,014	13,857,395
Capital projects.....	6,144,019	22,720,687	—	22,720,687	16,576,668
Business-type activities.....	19,374,160	—	26,575,465	26,575,465	7,201,305
Total Disbursements.....	79,909,190	93,993,201	26,575,465	120,568,666	40,659,476
Receipts Over (Under) Disbursements.....	(11,199,556)	(44,899,115)	421,713	(44,477,402)	(33,277,846)
Other Financing Sources (Uses)					
Other financing sources.....	46,070,733	82,148,944	9,510,180	91,659,124	45,588,391
Other financing uses.....	(29,765,890)	(42,660,823)	(5,459,526)	(48,120,349)	(18,354,459)
Total Other Financing Sources (Uses).....	16,304,843	39,488,121	4,050,654	43,538,775	27,233,932
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses.....					
	5,105,287	(5,410,994)	4,472,367	(938,627)	\$ (6,043,914)
Balance - Beginning of Year.....	23,415,828	6,409,594	10,726,252	17,135,846	
Balance - End of Year.....	\$ 28,521,115	\$ 998,600	\$ 15,198,619	\$ 16,197,219	

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, 2014

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, the City did not amend the budget.

During the year ended June 30, 2014, disbursements in Health and Social Services, Culture and Recreation, Community and Economic Development, Debt Service, Capital Projects and Business-Type Activities functional areas exceeded the budgeted amount.

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation ▬

Year Ended June 30, 2014

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 49,094,086	\$ 2,248,434	\$ 51,342,520
Expenditures	<u>93,993,201</u>	<u>(32,071,061)</u>	<u>61,922,140</u>
Net.....	(44,899,115)	34,319,495	(10,579,620)
Other financing sources (uses).....	39,488,121	(25,431,596)	14,056,525
Beginning fund balances	<u>6,409,594</u>	<u>336,069</u>	<u>6,745,663</u>
Ending Fund Balances.....	<u>\$ 998,600</u>	<u>\$ 9,223,968</u>	<u>\$ 10,222,568</u>

	Proprietary Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 26,997,178	\$ (656,242)	\$ 26,340,936
Expenditures	<u>26,575,465</u>	<u>589,798</u>	<u>27,165,263</u>
Net.....	421,713	(1,246,040)	(824,327)
Other financing sources (uses).....	4,050,654	(3,009,886)	1,040,768
Beginning fund balances	<u>10,726,252</u>	<u>35,971,448</u>	<u>46,697,700</u>
Ending Fund Balances.....	<u>\$ 15,198,619</u>	<u>\$ 31,715,522</u>	<u>\$ 46,914,141</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	7-1-11	—	364,635	364,635	—	7,700,000 (est)	4.8
2013	7-1-11	—	364,635	364,635	—	7,700,000 (est)	4.8
2014	7-1-11	—	364,635	364,635	—	7,700,000 (est)	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, 2014

	Special Revenue	Capital Projects	Permanent - Cemetery Perpetual Care	Total
Assets				
Cash and pooled investments	\$ 579	\$ —	\$ —	\$ 579
Receivables				
Property Tax				
Current year delinquent	16,832	—	—	16,832
Succeeding year	5,437,991	—	—	5,437,991
Loans	3,114,690	—	—	3,114,690
Due from other funds	3,185,032	2,215,525	—	5,400,557
Due from other governments	145,874	2,988,790	—	3,134,664
Special assessments	178,451	—	—	178,451
Inventories and prepaids	15,141	—	—	15,141
Restricted Assets				
Cash and pooled investments	2,312,453	—	94,726	2,407,179
Total Assets	<u>\$ 14,407,043</u>	<u>\$ 5,204,315</u>	<u>\$ 94,726</u>	<u>\$ 19,706,084</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 114,586	\$ 290,587	\$ —	\$ 405,173
Due to other funds	47,191	5,556,335	—	5,603,526
Total Liabilities	<u>161,777</u>	<u>5,846,922</u>	<u>—</u>	<u>6,008,699</u>
Deferred Inflows of Resources				
Succeed years property tax	5,437,991	—	—	5,437,991
Special assessments	154,265	—	—	154,265
Other	—	2,808,317	—	2,808,317
Total Deferred Inflows of Resources	<u>5,592,256</u>	<u>2,808,317</u>	<u>—</u>	<u>8,400,573</u>
Fund Balances				
Nonspendable	3,129,831	—	—	3,129,831
Restricted				
Debt service	1,837,288	—	—	1,837,288
Expendable trust	491,511	—	—	491,511
Road use purposes	1,032,678	—	—	1,032,678
Employee benefits	8,032	—	—	8,032
Economic development	713,992	—	—	713,992
Special assessments	608,158	—	—	608,158
Capital projects	—	1,975,017	—	1,975,017
Other	882,613	—	94,726	977,339
Unassigned	(51,093)	(5,425,941)	—	(5,477,034)
Total Fund Balances	<u>8,653,010</u>	<u>(3,450,924)</u>	<u>94,726</u>	<u>5,296,812</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,407,043</u>	<u>\$ 5,204,315</u>	<u>\$ 94,726</u>	<u>\$ 19,706,084</u>

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

Year Ended June 30, 2014

	Special Revenue	Capital Projects	Permanent - Cemetery Perpetual Care	Total
Revenue				
Property tax.....	\$ 1,662,607	\$ —	\$ —	\$ 1,662,607
TIF and other city taxes	3,244,905	—	—	3,244,905
Special assessments.....	55,906	—	—	55,906
Use of money and property	2,413,893	—	—	2,413,893
Intergovernmental	1,910,352	1,998,402	—	3,908,754
Charges for service	145,359	—	4,850	150,209
Miscellaneous.....	176,114	49,849	—	225,963
Total Revenue	<u>9,609,136</u>	<u>2,048,251</u>	<u>4,850</u>	<u>11,662,237</u>
Expenditures				
Operating				
Public safety	18,951	—	—	18,951
Public works.....	1,693,000	—	—	1,693,000
Culture and recreation.....	320,974	—	—	320,974
Community and economic development.....	2,126,478	—	—	2,126,478
Capital projects.....	—	6,867,704	—	6,867,704
Total Expenditures	<u>4,159,403</u>	<u>6,867,704</u>	<u>—</u>	<u>11,027,107</u>
Revenue Over (Under) Expenditures	<u>5,449,733</u>	<u>(4,819,453)</u>	<u>4,850</u>	<u>635,130</u>
Other Financing Sources (Uses)				
Proceeds from sale of assets	2,869,138	—	—	2,869,138
Transfers in	2,475,191	5,208,709	—	7,683,900
Transfers out	(7,054,791)	(1,206,746)	—	(8,261,537)
Total Other Financing Sources (Uses)	<u>(1,710,462)</u>	<u>4,001,963</u>	<u>—</u>	<u>2,291,501</u>
Net Change in Fund Balances	3,739,271	(817,490)	4,850	2,926,631
Fund Balances - Beginning of Year ..	<u>4,913,739</u>	<u>(2,633,434)</u>	<u>89,876</u>	<u>2,370,181</u>
Fund Balances - End of Year	<u>\$ 8,653,010</u>	<u>\$ (3,450,924)</u>	<u>\$ 94,726</u>	<u>\$ 5,296,812</u>

Combining Balance Sheet Schedule - Nonmajor Special Revenue Funds

As of June 30, 2014

	12th Avenue TIF	Oakdale Area TIF	Expendable Trust	Iowa River Landing Operations	Police Grants	Road Use Tax	Employee Benefit Levy	Rental Properties	Economic Development	Special Assessments	Total
Assets											
Cash and pooled investments	\$ —	\$ —	\$ 579	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 579
Receivables											
Property Tax											
Current year delinquent.....	8,800	—	—	—	—	—	8,032	—	—	—	16,832
Succeeding year	2,474,722	1,207,760	—	—	—	—	1,755,509	—	—	—	5,437,991
Loans	—	2,799,690	—	—	—	—	—	—	315,000	—	3,114,690
Special assessments	—	—	—	—	—	—	—	—	—	178,451	178,451
Due from other funds	18,181	—	579	893,722	—	974,586	—	—	713,992	583,972	3,185,032
Due from other governments.....	—	—	—	—	—	145,874	—	—	—	—	145,874
Inventories and prepaids	—	—	—	—	—	15,141	—	—	—	—	15,141
Restricted Assets											
Cash and pooled investments	1,810,553	—	501,900	—	—	—	—	—	—	—	2,312,453
Total Assets	\$ 4,312,256	\$ 4,007,450	\$ 503,058	\$ 893,722	\$ —	\$ 1,135,601	\$ 1,763,541	\$ —	\$ 1,028,992	\$ 762,423	\$ 14,407,043
Liabilities, Deferred Inflows of Resources and Fund Balances											
Liabilities											
Accounts payable	\$ 246	\$ 150	\$ 11,547	\$ 11,109	\$ —	\$ 87,782	\$ —	\$ 3,752	\$ —	\$ —	\$ 114,586
Due to other funds.....	—	18,181	—	—	29,010	—	—	—	—	—	47,191
Total Liabilities	246	18,331	11,547	11,109	29,010	87,782	—	3,752	—	—	161,777
Deferred Inflows of Resources											
Succeeding year property tax	2,474,722	1,207,760	—	—	—	—	1,755,509	—	—	—	5,437,991
Other	—	—	—	—	—	—	—	—	—	154,265	154,265
Total Deferred Inflows of Resources	2,474,722	1,207,760	—	—	—	—	1,755,509	—	—	154,265	5,592,256
Fund Balances											
Nonspendable	—	2,799,690	—	—	—	15,141	—	—	315,000	—	3,129,831
Restricted	1,837,288	—	491,511	882,613	—	1,032,678	8,032	—	713,992	608,158	5,574,272
Unassigned	—	(18,331)	—	—	(29,010)	—	—	(3,752)	—	—	(51,093)
Total Fund Balances	1,837,288	2,781,359	491,511	882,613	(29,010)	1,047,819	8,032	(3,752)	1,028,992	608,158	8,653,010
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,312,256	\$ 4,007,450	\$ 503,058	\$ 893,722	\$ —	\$ 1,135,601	\$ 1,763,541	\$ —	\$ 1,028,992	\$ 762,423	\$ 14,407,043

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

Year Ended June 30, 2014

	12th Avenue TIF	Oakdale Area TIF	Expendable Trust	Iowa River Landing Operations	Police Grants	Road Use Tax	Employee Benefit Levy	Rental Properties	Economic Development	Special Assessments	Total
Revenue											
Property tax.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,662,607	\$ —	\$ —	\$ —	\$ 1,662,607
TIF and other city taxes.....	2,131,166	1,113,739	—	—	—	—	—	—	—	—	3,244,905
Special assessments.....	—	—	—	—	—	—	—	—	—	55,906	55,906
Interest and rent income.....	—	273	905	1,742,181	—	—	—	670,534	—	—	2,413,893
Intergovernmental.....	—	—	—	—	16,020	1,894,332	—	—	—	—	1,910,352
Charges for service.....	—	—	145,359	—	—	—	—	—	—	—	145,359
Miscellaneous.....	—	—	176,114	—	—	—	—	—	—	—	176,114
Total Revenue.....	2,131,166	1,114,012	322,378	1,742,181	16,020	1,894,332	1,662,607	670,534	—	55,906	9,609,136
Expenditures											
Operating											
Public safety.....	—	—	—	—	18,951	—	—	—	—	—	18,951
Public works.....	—	—	—	—	—	1,693,000	—	—	—	—	1,693,000
Culture and recreation.....	—	—	320,974	—	—	—	—	—	—	—	320,974
Community and economic development.....	180,212	63,731	—	124,780	—	—	—	307,755	1,450,000	—	2,126,478
Total Expenditures.....	180,212	63,731	320,974	124,780	18,951	1,693,000	—	307,755	1,450,000	—	4,159,403
Revenue Over (Under) Expenditures.....	1,950,954	1,050,281	1,404	1,617,401	(2,931)	201,332	1,662,607	362,779	(1,450,000)	55,906	5,449,733
Other Financing Sources (Uses)											
Proceeds from sale of assets.....	919,138	—	—	—	—	—	—	1,950,000	—	—	2,869,138
Transfers in.....	131,605	1,586	10,000	—	—	—	—	—	2,332,000	—	2,475,191
Transfers out.....	(1,109,116)	(1,378,432)	(5,000)	(523,466)	—	(50,000)	(1,670,429)	(2,318,348)	—	—	(7,054,791)
Total Other Financing Sources (Uses).....	(58,373)	(1,376,846)	5,000	(523,466)	—	(50,000)	(1,670,429)	(368,348)	2,332,000	—	(1,710,462)
Net Change in Fund Balances.....	1,892,581	(326,565)	6,404	1,093,935	(2,931)	151,332	(7,822)	(5,569)	882,000	55,906	3,739,271
Fund Balances - Beginning of Year.....	(55,293)	3,107,924	485,107	(211,322)	(26,079)	896,487	15,854	1,817	146,992	552,252	4,913,739
Fund Balances - End of Year.....	\$ 1,837,288	\$ 2,781,359	\$ 491,511	\$ 882,613	\$ (29,010)	\$ 1,047,819	\$ 8,032	\$ (3,752)	\$ 1,028,992	\$ 608,158	\$ 8,653,010

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

As of June 30, 2014

	Street Projects	Brown- fields	Intermodal Facility	Coral Ridge Avenue	Highway 6 Projects	Oakdale Boulevard Project	Cardinal Road Project	1st Avenue Recon- struction	Oakdale Area	James Street Area	Coral Ridge Mall Area
Assets											
Receivables											
Due from other funds	\$ 1,013,612	\$ —	\$ 189,484	\$ 220,490	\$ —	\$ 16,339	\$ 15,916	\$ —	\$ —	\$ —	\$ —
Due from other governments.....	—	8,375	—	—	1,073,524	—	—	—	1,596,832	—	—
Total Assets	\$ 1,013,612	\$ 8,375	\$ 189,484	\$ 220,490	\$ 1,073,524	\$ 16,339	\$ 15,916	\$ —	\$ 1,596,832	\$ —	\$ —
Liabilities, Deferred Inflows of Resources and Fund Balances											
Liabilities											
Accounts payable	\$ 6,552	\$ 10,227	\$ 70,273	\$ 163,683	\$ —	\$ —	\$ —	\$ —	\$ 29,747	\$ 97	\$ 3,432
Due to other funds	—	105,579	—	—	782,952	—	—	1,122,960	1,966,110	48,382	285,349
Total Liabilities	6,552	115,806	70,273	163,683	782,952	—	—	1,122,960	1,995,857	48,479	288,781
Deferred Inflows of Resources											
Other	—	—	—	—	1,073,524	—	—	—	1,596,832	—	—
Fund Balances											
Restricted	1,007,060	—	119,211	56,807	—	16,339	15,916	—	—	—	—
Unassigned	—	(107,431)	—	—	(782,952)	—	—	(1,122,960)	(1,995,857)	(48,479)	(288,781)
Total Fund Balances	1,007,060	(107,431)	119,211	56,807	(782,952)	16,339	15,916	(1,122,960)	(1,995,857)	(48,479)	(288,781)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,013,612	\$ 8,375	\$ 189,484	\$ 220,490	\$ 1,073,524	\$ 16,339	\$ 15,916	\$ —	\$ 1,596,832	\$ —	\$ —

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

As of June 30, 2014

	Transit/ Parks Facility	Library Expansion	North Fire Station	Animal Control Facility	Recreation Improvements	Northridge Trails	12th Avenue Urban Renewal	Land Use Project	North End Area Projects	FEMA Edgewater Buyouts	Total
Assets											
Receivables											
Due from other funds	\$ 240,668	\$ —	\$ —	\$ 115,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 404,016	\$ 2,215,525
Due from other governments.....	—	—	—	—	—	310,059	—	—	—	—	2,988,790
Total Assets	\$ 240,668	\$ —	\$ —	\$ 115,000	\$ —	\$ 310,059	\$ —	\$ —	\$ —	\$ 404,016	\$ 5,204,315
Liabilities, Deferred Inflows of Resources and Fund Balances											
Liabilities											
Accounts payable	\$ —	\$ —	\$ 2,436	\$ —	\$ 90	\$ —	\$ 4,018	\$ —	\$ 32	\$ —	\$ 290,587
Due to other funds.....	—	93,349	317,210	—	14,701	421,217	264,745	91,350	42,431	—	5,556,335
Total Liabilities	—	93,349	319,646	—	14,791	421,217	268,763	91,350	42,463	—	5,846,922
Deferred Inflows of Resources											
Other	—	—	—	—	—	137,961	—	—	—	—	2,808,317
Fund Balances											
Restricted	240,668	—	—	115,000	—	—	—	—	—	404,016	1,975,017
Unassigned	—	(93,349)	(319,646)	—	(14,791)	(249,119)	(268,763)	(91,350)	(42,463)	—	(5,425,941)
Total Fund Balances	240,668	(93,349)	(319,646)	115,000	(14,791)	(249,119)	(268,763)	(91,350)	(42,463)	404,016	(3,450,924)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 240,668	\$ —	\$ —	\$ 115,000	\$ —	\$ 310,059	\$ —	\$ —	\$ —	\$ 404,016	\$ 5,204,315

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

Year Ended June 30, 2014

	Street Projects	Brown-fields	Intermodal Facility	Coral Ridge Avenue	Highway 6 Projects	Oakdale Boulevard Project	Cardinal Road Project	1st Avenue Recon-struction	Oakdale Area	James Street Area	Coral Ridge Mall Area
Revenue											
Intergovernmental	\$ —	\$ 114,302	\$ 142,625	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,568,837	\$ —	\$ —
Miscellaneous.....	—	—	—	2,500	—	—	—	—	8,998	—	—
Total Revenue	—	114,302	142,625	2,500	—	—	—	—	1,577,835	—	—
Expenditures											
Capital projects.....	1,573,928	171,588	380,299	655,588	—	1	—	287,293	1,945,467	51,638	289,317
Revenue Over (Under) Expenditures	(1,573,928)	(57,286)	(237,674)	(653,088)	—	(1)	—	(287,293)	(367,632)	(51,638)	(289,317)
Other Financing Sources (Uses)											
Transfers in	1,428,670	—	730,090	709,895	—	—	—	—	700,000	242,550	90,207
Transfers out	—	—	—	—	—	—	—	—	(94,384)	—	(450,000)
Total Other Financing Sources (Uses)	1,428,670	—	730,090	709,895	—	—	—	—	605,616	242,550	(359,793)
Net Change in Fund Balances	(145,258)	(57,286)	492,416	56,807	—	(1)	—	(287,293)	237,984	190,912	(649,110)
Fund Balances - Beginning of Year	1,152,318	(50,145)	(373,205)	—	(782,952)	16,340	15,916	(835,667)	(2,233,841)	(239,391)	360,329
Fund Balances - End of Year	\$ 1,007,060	\$ (107,431)	\$ 119,211	\$ 56,807	\$ (782,952)	\$ 16,339	\$ 15,916	\$ (1,122,960)	\$ (1,995,857)	\$ (48,479)	\$ (288,781)

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

Year Ended June 30, 2014

	Transit/ Parks Facility	Library Expansion	North Fire Station	Animal Control Facility	Recreation Improvements	Northridge Trails	12th Avenue Urban Renewal	Theater/ Village Project	Land Use Project	North End Area Projects	FEMA Edgewater Buyouts	Total
Revenue												
Intergovernmental	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 172,638	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,998,402
Miscellaneous	—	—	—	—	14,000	—	—	24,351	—	—	—	49,849
Total Revenue	—	—	—	—	14,000	172,638	—	24,351	—	—	—	2,048,251
Expenditures												
Capital projects.....	26,315	—	1,009,744	—	11,983	276,711	179,229	—	—	7,703	900	6,867,704
Revenue Over (Under) Expenditures	(26,315)	—	(1,009,744)	—	2,017	(104,073)	(179,229)	24,351	—	(7,703)	(900)	(4,819,453)
Other Financing Sources (Uses)												
Transfers in	—	—	1,087,297	115,000	—	80,000	—	—	—	25,000	—	5,208,709
Transfers out	—	—	(279,812)	—	—	(242,550)	—	—	—	—	(140,000)	(1,206,746)
Total Other Financing Sources (Uses)	—	—	807,485	115,000	—	(162,550)	—	—	—	25,000	(140,000)	4,001,963
Net Change in Fund Balances	(26,315)	—	(202,259)	115,000	2,017	(266,623)	(179,229)	24,351	—	17,297	(140,900)	(817,490)
Fund Balances - Beginning of Year	266,983	(93,349)	(117,387)	—	(16,808)	17,504	(89,534)	(24,351)	(91,350)	(59,760)	544,916	(2,633,434)
Fund Balances - End of Year	\$ 240,668	\$ (93,349)	\$ (319,646)	\$ 115,000	\$ (14,791)	\$ (249,119)	\$ (268,763)	\$ —	\$ (91,350)	\$ (42,463)	\$ 404,016	\$ (3,450,924)

Combining Schedule of Net Position - Nonmajor Proprietary Funds

As of June 30, 2014

	Water	Solid Waste	Golf	Transit	Storm Water	Total
Assets						
Current Assets						
Receivables						
Assets held by property manager.....	\$ —	\$ —	\$ 181,837	\$ —	\$ —	\$ 181,837
Customer accounts.....	340,866	154,608	37,272	—	51,643	584,389
Due from other funds.....	2,341,444	567,410	—	807,229	465,438	4,181,521
Inventories and prepaids.....	130,419	10,803	72,247	42,995	—	256,464
Total Current Assets.....	<u>2,812,729</u>	<u>732,821</u>	<u>291,356</u>	<u>850,224</u>	<u>517,081</u>	<u>5,204,211</u>
Noncurrent Assets						
Restricted Assets						
Cash and pooled investments ...	350,152	—	—	—	14,164	364,316
Beneficial interest in a trust.....	—	—	710,220	—	—	710,220
Capital assets (net of accumulated depreciation).....	8,410,514	969,791	10,062,153	5,037,980	—	24,480,438
Total Noncurrent Assets	<u>8,760,666</u>	<u>969,791</u>	<u>10,772,373</u>	<u>5,037,980</u>	<u>14,164</u>	<u>25,554,974</u>
Total Assets	<u>\$ 11,573,395</u>	<u>\$ 1,702,612</u>	<u>\$ 11,063,729</u>	<u>\$ 5,888,204</u>	<u>\$ 531,245</u>	<u>\$ 30,759,185</u>
Liabilities and Net Position						
Current Liabilities						
Accounts payable.....	\$ 117,326	\$ 46,521	\$ 287,668	\$ 55,659	\$ 47,283	\$ 554,457
Accrued liabilities and compensated absences.....	33,606	41,396	113,207	85,824	2,537	276,570
Due to other funds.....	—	—	627,704	—	—	627,704
Current maturities of long-term debt	210,000	—	209,957	—	77,000	496,957
Customer deposits	251,400	—	—	—	—	251,400
Total Current Liabilities	<u>612,332</u>	<u>87,917</u>	<u>1,238,536</u>	<u>141,483</u>	<u>126,820</u>	<u>2,207,088</u>
Advances From Other Funds ...	<u>—</u>	<u>—</u>	<u>118,860</u>	<u>—</u>	<u>—</u>	<u>118,860</u>
Long-Term Debt.....	<u>2,165,000</u>	<u>—</u>	<u>7,589,960</u>	<u>—</u>	<u>1,662,739</u>	<u>11,417,699</u>
Total Liabilities	<u>2,777,332</u>	<u>87,917</u>	<u>8,947,356</u>	<u>141,483</u>	<u>1,789,559</u>	<u>13,743,647</u>
Net investment in capital assets, net of related debt.....	6,035,514	969,791	2,972,456	5,037,980	—	15,015,741
Restricted for debt service.....	350,152	—	—	—	14,164	364,316
Unrestricted	2,410,397	644,904	(856,083)	708,741	(1,272,478)	1,635,481
Total Net Position	<u>8,796,063</u>	<u>1,614,695</u>	<u>2,116,373</u>	<u>5,746,721</u>	<u>(1,258,314)</u>	<u>17,015,538</u>
Total Liabilities and Net Position.....	<u>\$ 11,573,395</u>	<u>\$ 1,702,612</u>	<u>\$ 11,063,729</u>	<u>\$ 5,888,204</u>	<u>\$ 531,245</u>	<u>\$ 30,759,185</u>

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

Year Ended June 30, 2014

	Water	Solid Waste	Golf	Transit	Storm Water	Total
Operating Revenue						
Charges for sales and service	<u>\$ 2,359,483</u>	<u>\$ 978,267</u>	<u>\$ 1,986,957</u>	<u>\$ 582,090</u>	<u>\$ 369,345</u>	<u>\$ 6,276,142</u>
Operating Expenses						
Salaries and employee benefits ..	591,364	496,141	384,664	935,916	85,020	2,493,105
Contractual services	632,805	76,883	157,303	203,238	114,042	1,184,271
Commodities	105,006	279,784	1,260,573	581,287	269,861	2,496,511
Depreciation	468,252	92,455	226,688	308,669	—	1,096,064
Total Operating Expenses.....	<u>1,797,427</u>	<u>945,263</u>	<u>2,029,228</u>	<u>2,029,110</u>	<u>468,923</u>	<u>7,269,951</u>
Operating Income (Loss)	<u>562,056</u>	<u>33,004</u>	<u>(42,271)</u>	<u>(1,447,020)</u>	<u>(99,578)</u>	<u>(993,809)</u>
Nonoperating Revenue (Expenses)						
Intergovernmental Revenue						
Federal	—	—	—	452,888	—	452,888
State	—	—	—	368,971	—	368,971
Interest revenue	1	—	229	1,325	—	1,555
Interest expense	(90,737)	—	(403,306)	—	(11,292)	(505,335)
Total Nonoperating Revenue (Expenses)	<u>(90,736)</u>	<u>—</u>	<u>(403,077)</u>	<u>823,184</u>	<u>(11,292)</u>	<u>318,079</u>
Income (Loss) Before Transfers	471,320	33,004	(445,348)	(623,836)	(110,870)	(675,730)
Transfers in	1,753	—	80,000	564,307	—	646,060
Transfers out	(60,000)	(25,000)	(163,419)	—	(1,790,984)	(2,039,403)
Net Income (Loss)	<u>413,073</u>	<u>8,004</u>	<u>(528,767)</u>	<u>(59,529)</u>	<u>(1,901,854)</u>	<u>(2,069,073)</u>
Net Position - Beginning of Year, as previously reported	8,382,990	1,606,691	2,794,895	5,806,250	643,540	19,234,366
Change in accounting principle (Note 20).....	—	—	(149,755)	—	—	(149,755)
Net Position - Beginning of Year, as Restated	<u>8,382,990</u>	<u>1,606,691</u>	<u>2,645,140</u>	<u>5,806,250</u>	<u>643,540</u>	<u>19,084,611</u>
Net Position - End of Year	<u>\$ 8,796,063</u>	<u>\$ 1,614,695</u>	<u>\$ 2,116,373</u>	<u>\$ 5,746,721</u>	<u>\$ (1,258,314)</u>	<u>\$ 17,015,538</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2014

	Water	Solid Waste	Golf	Transit	Storm Water	Total
Operating Revenue						
Cash Flows From Operating Activities						
Receipts from customers.....	\$ 2,397,665	\$ 985,481	\$ 2,006,308	\$ 582,090	\$ 317,702	\$ 6,289,246
Payments to suppliers	(681,858)	(329,262)	(1,281,430)	(751,737)	(348,604)	(3,392,891)
Payments to employees	(591,364)	(496,141)	(384,664)	(935,916)	(85,020)	(2,493,105)
Net Cash Provided by (Used in) Operating Activities	<u>1,124,443</u>	<u>160,078</u>	<u>340,214</u>	<u>(1,105,563)</u>	<u>(115,922)</u>	<u>403,250</u>
Cash Flows From Noncapital Financing Activities						
Noncapital federal and state grants	—	—	—	821,859	—	821,859
Net transfers	(58,247)	(25,000)	(83,419)	564,307	(1,790,984)	(1,393,343)
Net Cash Provided by (Used in) Noncapital Financing Activities.....	<u>(58,247)</u>	<u>(25,000)</u>	<u>(83,419)</u>	<u>1,386,166</u>	<u>(1,790,984)</u>	<u>(571,484)</u>
Cash Flows From Capital and Related Financing Activities						
Proceeds from debt	1,050,000	—	—	—	1,739,739	2,789,739
Proceeds from trust	—	—	(96)	—	—	(96)
Purchase of capital assets.....	(1,223,965)	(26,085)	(202,144)	(227,466)	—	(1,679,660)
Repayment of debt	(205,000)	—	(195,204)	—	—	(400,204)
Payment of interest.....	(88,436)	—	(404,085)	—	(8,755)	(501,276)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(467,401)</u>	<u>(26,085)</u>	<u>(801,529)</u>	<u>(227,466)</u>	<u>1,730,984</u>	<u>208,503</u>
Cash Flows From Investing Activities						
(Increase) decrease in due from other funds.....	(440,827)	(108,993)	425,645	(54,462)	190,086	11,449
Increase in advance from other funds.....	—	—	118,860	—	—	118,860
Interest received	1	—	229	1,325	—	1,555
Net Cash Used in Investing Activities	<u>(440,826)</u>	<u>(108,993)</u>	<u>544,734</u>	<u>(53,137)</u>	<u>190,086</u>	<u>131,864</u>
Net Increase in Cash	157,969	—	—	—	14,164	172,133
Cash and Pooled Investments at Beginning of Year	192,183	—	—	—	—	192,183
Cash and Pooled Investments at End of Year	<u>\$ 350,152</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14,164</u>	<u>\$ 364,316</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2014

	Water	Solid Waste	Golf	Transit	Storm Water	Total
Reconciliation of Operating Income to Net Cash Provided by (Used in)						
Operating Activities						
Operating income (loss).....	\$ 562,056	\$ 33,004	\$ (42,271)	\$ (1,447,020)	\$ (99,578)	\$ (993,809)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in)						
Operating Activities						
Depreciation.....	468,252	92,455	226,688	308,669	—	1,096,064
(Increase) decrease in receivables.....	23,697	7,214	19,351	—	(51,643)	(1,381)
(Increase) decrease in inventories and prepaids.....	(3,985)	(439)	8,072	(1,867)	—	1,781
Increase in accounts payable.....	52,432	24,729	135,204	39,521	35,299	287,185
Increase (decrease) in accrued liabilities and compensated absences.....	7,506	3,115	(6,830)	(4,866)	—	(1,075)
Increase in customer deposits ...	14,485	—	—	—	—	14,485
Net Cash Provided by (Used in) Operating Activities.....	\$ 1,124,443	\$ 160,078	\$ 340,214	\$ (1,105,563)	\$ (115,922)	\$ 403,250
Schedule of Noncash Investing and Financing Activities						
Cash Paid for Capital Assets						
Capital asset additions	\$ 780,651	\$ 26,085	\$ 202,144	\$ 227,466	\$ —	\$ 1,236,346
Net change in accounts payable	443,314	—	—	—	—	443,314
Cash Paid for Capital Assets.....	\$ 1,223,965	\$ 26,085	\$ 202,144	\$ 227,466	\$ —	\$ 1,679,660

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

Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue										
Property tax.....	\$ 12,470,651	\$ 12,122,228	\$ 11,666,499	\$ 11,281,558	\$ 10,811,220	\$ 10,371,050	\$ 9,777,725	\$ 9,155,120	\$ 8,098,678	\$ 7,542,431
TIF and other city taxes.....	20,058,183	19,052,501	18,747,034	18,863,375	17,161,601	16,642,895	15,030,854	13,786,896	11,397,440	9,586,743
Special assessments.....	55,906	71,790	280,101	227,302	123,848	431,610	1,239,963	1,126,217	882,838	1,227,337
Licenses and permits.....	592,207	549,717	674,089	576,401	412,577	451,523	474,595	604,110	730,436	659,633
Use of money and property.....	2,685,995	762,405	1,091,475	1,276,051	1,116,480	815,258	946,203	1,347,299	2,438,667	1,353,761
Intergovernmental.....	12,584,964	16,179,608	13,799,733	26,866,111	8,346,001	5,356,316	5,351,026	5,384,289	5,499,728	3,519,790
Charges for service.....	2,452,927	3,009,752	1,956,937	1,948,703	1,879,808	1,791,577	1,680,722	1,599,894	1,425,389	1,393,208
Miscellaneous.....	441,687	737,070	1,391,780	498,273	827,165	1,269,316	1,537,664	4,871,096	812,366	871,612
Total Revenue.....	\$ 51,342,520	\$ 52,485,071	\$ 49,607,648	\$ 61,537,774	\$ 40,678,700	\$ 37,129,545	\$ 36,038,752	\$ 37,874,921	\$ 31,285,542	\$ 26,154,515
Expenditures										
Operating										
Public safety.....	\$ 5,178,097	\$ 4,761,114	\$ 5,070,890	\$ 4,322,466	\$ 4,030,223	\$ 4,446,950	\$ 4,201,185	\$ 3,946,226	\$ 3,940,020	\$ 3,404,787
Public works.....	1,693,000	1,729,154	1,412,413	1,255,807	1,682,532	1,826,042	1,635,688	1,430,685	1,429,082	1,300,160
Health and social services.....	115,732	85,599	94,420	92,004	91,520	156,322	86,859	114,444	130,441	105,521
Culture and recreation.....	7,376,349	7,200,849	6,543,383	5,645,219	5,598,284	5,226,438	4,925,136	4,748,913	3,953,353	3,833,780
Community and economic development..	4,118,053	2,965,705	2,117,826	2,187,438	2,749,405	9,218,894	1,824,297	427,164	1,753,471	928,797
General government.....	3,178,173	2,756,732	2,570,471	2,599,830	2,662,316	2,129,519	1,852,344	1,852,670	1,546,342	1,457,547
Debt service.....	22,070,482	26,709,034	19,794,431	18,737,642	17,635,000	15,877,962	21,420,881	65,482,393	18,828,354	8,748,113
Capital projects.....	18,192,254	39,404,017	47,319,803	34,036,991	19,144,343	9,735,463	13,730,878	37,500,330	53,606,579	27,810,276
Total Expenditures.....	\$ 61,922,140	\$ 85,612,204	\$ 84,923,637	\$ 68,877,397	\$ 53,593,623	\$ 48,617,590	\$ 49,677,268	\$ 115,502,825	\$ 85,187,642	\$ 47,588,981

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Indirect			
Pass-Through Iowa Department of Agriculture Summer Food Service Program for Children	10.559		<u>\$ 11,437</u>
U.S. Department of Commerce			
Direct			
Economic Adjustment Assistance	11.307	05-79-04798	<u>114,253</u>
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	11-HSG-010 08-DRMI-021	39,464 <u>1,968,124</u>
Total U.S. Department of Housing and Urban Development.....			<u>2,007,588</u>
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607		<u>5,112</u>
U.S. Department of Transportation			
Direct			
Federal Transit - Formula Grants	20.507		<u>374,623</u>
Indirect			
Pass-Through Iowa Department of Transportation Enhanced Mobility of Seniors and Individuals With Disabilities	20.513		34,363
Job Access and Reverse Commute Program (JARC)	20.516		<u>43,902</u> <u>78,265</u>
Recreation Trails Program.....	20.219	NRT-NT10(001)--9G-52	<u>196,221</u>
Total U.S. Department of Transportation			<u>649,109</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency			
Direct			
Brownfields Assessment and Cleanup			
Cooperative Agreements	66.818	BF 97720901-0	\$ 63,020
		BF 97721001-0	25,553
		BF 97740701-0	<u>15,656</u>
			<u>104,229</u>
U.S. Department of Homeland Security			
Indirect			
Pass-Through Iowa Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Various	<u>76,436</u>
Total Expenditures of Federal Awards.....			<u>\$ 2,968,164</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Coralville, Iowa, and is presented using accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Government Accounting Standards Board and other recognized authoritative sources. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Program expenditures include only amounts subject to reimbursement from the grantor agency or program income; thus, they are net of local matching.

Note 2. Subrecipients

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

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, in accordance with the 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Coralville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Coralville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Coralville's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified deficiencies in internal control that we consider to be material weaknesses.

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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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 deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 14-II-R-1, 14-II-R-2, 14-II-R-3, 14-II-R-4 and 14-II-R-5 to be material weaknesses.

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, 2014 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.

City of Coralville's Response to Findings

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.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
December 17, 2014

HOGAN • HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

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 its major federal programs for the year ended June 30, 2014. The City of Coralville's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Coralville's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Nonprofit 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Coralville's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the City of Coralville complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

The management of the City of Coralville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Coralville’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program 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 significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
December 17, 2014

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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

20.507

Name of Federal Program or Cluster

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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2014

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

14-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. The potential effect of this material weakness is financial statements and related disclosures may not be prepared in accordance with generally accepted accounting principles. We recommend that management consider ways in which to add their knowledge of the requirements of generally accepted accounting principles through reading professional literature or attending education courses.

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

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

City's Response - The City 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.

Auditor's Conclusion - Response accepted.

14-II-R-2 Bank Account Reconciliation

Prior Year Finding and Recommendation - During our audit, we found that the reconciliation of bank accounts did not agree to the total of the City-wide cash accounts within the general ledger. Some months during the year, the differences were very large. As of June 30, 2013, the reconciled bank balance was approximately \$55,000 more than the total of the cash accounts within the City's general ledger. The failure to properly reconcile the bank accounts each month leads to inaccurate financial statements and could possibly mask a misappropriation of cash.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

We understand that City staff have been working to determine the reason for the differences and how to identify those differences in a timely manner. With the number of bank accounts, funds and transactions that the City has, the monthly reconciling process is a challenge. We recommend that the City consider assigning the reconciling process to a different person or consider creating a reconciling team of two or more people. The City should consider implementing daily reconciling activities which could reduce the amount of work required at month end or which could help identify errors in a more timely manner. Further, written procedures should be created which could be used as a checklist to assist the staff in completion of the reconciliation in a timely manner. The entire process should be overseen by the City Director of Finance with an expectation that the accounts be reconciled within two weeks of month end.

Current Year Finding - We found that the same condition existed throughout the year ended June 30, 2014. Subsequent to that date, City accounting staff were able to identify most of the corrections needed and made a final entry to record \$27,867 of miscellaneous income to the general fund to get the bank accounts reconciled with the general ledger as of June 30, 2014.

Auditor's Recommendation - We reiterate the theme of our prior year recommendation in that the City must establish procedures which are followed each month to ensure that the bank accounts are reconciled in a timely manner.

City's Response - The Director of Finance is aware of this and has been working to resolve it. City staff appreciate the auditor's recommendations regarding the assignment of the reconciliation process to another person and/or staffing it with a team of two or more persons. These recommendations were implemented in part during 2014 and will be completed during 2015. The City staff believes that this issue has effectively been resolved.

Auditor's Conclusion - Response accepted.

14-II-R-3 Old Outstanding Checks

Prior Year Finding and Recommendation - During our testing of the bank reconciliation, we noted several checks which have not cleared the bank, some that are dated as far back as 2009. City staff should investigate these old outstanding checks to determine whether the check did clear the bank (and that may be part of the reconciliation errors); void the check and reissue a new one to the vendor; or submit the check to the Iowa Treasurer in compliance with the state escheat law. Timely follow up on checks that do not clear the bank within a month or two will lead to less errors in the reconciling process and compliance with state laws.

The City should review the existing list of old outstanding checks and determine whether the checks did indeed clear the bank or if they need to be voided and reissued. If there are checks for which the vendor cannot be located, then the City should comply with the Iowa escheat law and forward those to the Iowa Treasurer's office.

The City should implement new procedures each month to investigate any check which does not clear within two months of the issuance date. Those procedures should include contacting the vendor to see if they received the check. Checks that have been lost should be voided and reissued.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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

Auditor's Recommendation - We reiterate our prior year recommendation

City's Response - City staff appreciate the auditor's recommendations in connection with this finding and will implement them during 2015.

Auditor's Conclusion - Response accepted.

14-II-R-4 Credit Card Usage

Prior Year Finding and Recommendation - Several City employees are provided access to credit cards in order to make routine, day-to-day purchases of supplies, fuel and other goods and services. Each employee is either assigned a specific credit card or required to sign out a general-use credit card and then provide to the finance department receipts for each amount charged. During our audit of several credit card statements, we found instances where charges lacked a supporting receipt. City policy is that for any charge not supported by a receipt, the amount is to be withheld from the employee's payroll. We found that the City did not follow that policy where we noted charges that lacked proper supporting documentation. It is important that the City require receipts for every charge to ensure proper use of City funds and to prevent fraud.

The City should review its policies in place over credit cards and must require receipts for every charge made on a credit card. The City has a good policy in place requiring unsupported charges to be withheld from the employee's payroll, but it must consistently implement the policy for it to serve any meaningful purpose.

Current Year Finding - During our audit, we tested each month's credit card statement, noting seven instances where receipts were missing which totaled \$179.57 and which was not reimbursed by an employee. We also noted that in several instances the City paid sales tax totaling \$193.31 when credits cards were used. The City is exempt from paying sales tax.

Auditor's Recommendation - We reiterate our prior year recommendation that the City ensure it is getting receipts for all charges made with a credit card and if the employee cannot provide the receipt, the amount should be withheld from their pay. Further, we recommend that the City remind its employees who use the credit cards, that purchases should not be subject to sales tax.

City's Response - City staff do not believe that the quantity and dollar amounts of the expenditures involved in this finding are of a magnitude that represents a significant risk of fraud or misuse of resources. However, City staff does agree with the importance of enforcing the existing policy for the reasons stated in the finding. The Director of Finance will review the policy and its implementation with an eye to consistent enforcement.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

14-II-R-5 Proper Supporting Documentation for Disbursements

Finding - During our audit, we examined all checks and wire transfers over \$11,000 to determine if proper supporting documentation existed. We found four disbursements totaling \$375,410 which did not have supporting documentation. These consisted of two disbursements to Wellmark Blue Cross Blue Shield of Iowa totaling \$348,894 and one to computer hardware/software vendor for \$13,499. The potential effect of this material weakness is that failure to maintain supporting documentation for disbursements could indicate fraud or misuse of City assets.

Auditor's Recommendation - The City has good internal controls over cash disbursements and it is likely that the invoices were simply misplaced. The City files the invoices with a copy of the check in check number order. We recommend that the City consider reviewing the files of check copies a few times per year to ensure that any missing item is investigated in a timely manner.

City's Response - City staff understand the importance of good internal controls over cash disbursements, and appreciate the auditor's recognition of the strength of the existing internal controls. City staff have begun scanning all invoices and attaching them electronically within the accounting software utilized by accounts payable staff. We believe that this additional process, in addition to the continued retention of paper copies, will mitigate the risk of loss of this type of documentation through staff access to files in the future.

Auditor's 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.

Part IV: Findings Related to Statutory Reporting:

14-IV-A Certified Budget - Disbursements in the Health and Social Services, Culture and Recreation, Community and Economic Development, Debt Service, Capital Projects 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.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

14-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.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Randy Knotternus, spouse of a City employee, owner of Randy's Concrete	Concrete repairs	\$ 2,093
Amy Barney, spouse of a City employee, owner of Barney's Duty Supply	Police badges, parts, sewing, flags	8,442

Chapter 362.5(3)(j) of the Code of Iowa requires that transactions with related parties greater than \$1,500 be competitively bid. The amounts above are the total payments made to these businesses during the year ended June 30, 2014. Both of them include at least one invoice for goods or services over \$1,500 which was not competitively bid and may therefore be a conflict of interest as defined by the Code of Iowa.

14-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 ensure that the coverage is adequate for current operations.

14-IV-F Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Finding - Code of Iowa Chapter 372.13(6) requires that the minutes of the meetings of the City Council be published within 15 days of the meeting and include a list of all claims allowed and a summary of receipts. During our audit, we noted that the City did not publish the listing of receipts in a timely manner. Publishing of this information in a timely manner is important for compliance with Iowa law and to provide relevant information to the citizens of Coralville.

Auditor's Recommendation - The City should review the requirements of Chapter 372.13(6) of the Code of Iowa and implement policies to ensure compliance.

City's Response - This finding is related to, and largely a result of, 14-II-R-2 (Bank Account Reconciliation). The delay referred to in this finding is due to the delay in the bank account reconciliation, in an effort to ensure that the claim and receipt amounts published were accurate. City staff believes that the resolution of finding 14-II-R-2 will cause this finding to be resolved as well, but will also review Chapter 372.13(6) of the Iowa Code.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

14-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.

14-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.

14-IV-I Financial Condition - The funds listed below had deficit balances as of June 30, 2014 as noted:

Special Revenue	
Police Grants	\$ 29,010
Rental Properties	3,752
Capital Projects	
Flood Mitigation	7,756,836
Iowa River Landing	2,024,347
Brownfields	107,431
Highway 6 Projects	782,952
1st Avenue Reconstruction	1,122,960
Oakdale Area	1,995,857
James Street Area	48,479
Coral Ridge Mall Area	288,781
Library Expansion	93,349
North Fire Station	319,646
Recreation Improvements	14,791
Northridge Trails	249,119
12th Avenue Urban Renewal	268,763
Land Use Project	91,350
North End Area Projects	42,463
Proprietary	
Storm Water	1,258,314

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.

14-II-J Urban Renewal Annual Report - The urban renewal annual report was not properly approved and certified to the Iowa Department of Management on or before December 1.

Auditor's Recommendation - The City should implement procedures to ensure that the report is filed in a timely manner.

City's Response - We will file the report in a timely manner next year.

Auditor's Conclusion - Response accepted.