

**CITY OF CORALVILLE, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

# Table of Contents

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<b>Officials</b> .....	1
<b>Independent Auditor’s Report</b> .....	2-3
<b>Management’s Discussion and Analysis (MD&amp;A)</b> .....	4-13
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position .....	14
Statement of Activities.....	15
Governmental Fund Financial Statements	
Balance Sheet.....	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	17
Statement of Revenue, Expenditures and Changes in Fund Balances.....	18
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities .....	19
Proprietary Fund Financial Statements	
Statement of Net Position .....	20
Statement of Revenue, Expenses and Changes in Net Position .....	21
Statement of Cash Flows .....	22
Notes to the Financial Statements .....	23-52
<b>Required Supplementary Information</b>	
Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget to Actual (Cash Basis) - All Governmental Funds and Proprietary Funds.....	53
Schedule of Budgetary Comparison - Budget to GAAP Reconciliation .....	54
Notes to Required Supplementary Information - Budgetary Reporting.....	55
Schedule of Proportionate Share of the Net Pension Liability .....	56
Schedule of Contributions.....	57
Notes to Required Supplementary Information - Pension Liability.....	58
Schedule of Funding Progress for the Retiree Health Plan .....	59
<b>Supplementary Information</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet Schedule .....	60
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances .....	61
Nonmajor Special Revenue Funds	
Combining Balance Sheet Schedule .....	62
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances .....	63
Nonmajor Capital Projects Funds	
Combining Balance Sheet Schedule .....	64-65
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances .....	66-67
Nonmajor Proprietary Funds	
Combining Schedule of Net Position .....	68
Combining Schedule of Revenue, Expenses and Changes in Net Position.....	69
Combining Schedule of Cash Flows.....	70-71
Schedule of Revenue by Source and Expenditures by Function - All Governmental Funds.....	72
Schedule of Expenditures of Federal Awards .....	73-74
<b>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</b> .....	75-76
<b>Independent Auditor’s Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance</b> .....	77-78
<b>Schedule of Findings and Questioned Costs</b> .....	79-82

# Officials

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## Elected Officials

Name	Title	Term Expires
(Before November, 2017 Election)		
John Lundell	Mayor	January 1, 2018
Jill Dodds	Council Member	January 1, 2020
Thomas Gill	Council Member	January 1, 2018
Laurie Goodrich	Council Member	January 1, 2018
Mitch Gross	Council Member	January 1, 2020
William Hoeft	Council Member	January 1, 2018
(After November, 2017 Election)		
John Lundell	Mayor	January 1, 2020
Jill Dodds	Council Member	January 1, 2020
Thomas Gill	Council Member	January 1, 2022
Laurie Goodrich	Council Member	January 1, 2022
Mitch Gross	Council Member	January 1, 2020
Meghann Foster	Council Member	January 1, 2022

## 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	City Attorney	Indefinite
Kelly Lindsay	Deputy City Clerk	Indefinite

## **Independent Auditor's Report**

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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, 2017, 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, 2017, 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, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 4 through 13 and 53 through 59 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 third paragraph of this report, the financial statements for the nine years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included on pages 60 through 74, including the schedule of expenditures of federal awards required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) 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, except as noted on Page 72, 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 January 9, 2018 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  
January 9, 2018

## 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, 2017.

### FINANCIAL HIGHLIGHTS

- At the close of the current fiscal year, the City of Coralville's governmental funds reported combined ending fund balances of \$17,526,870, a decrease of 22.1% as compared to the prior fiscal year balance of \$22,508,050.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,288,691, or 28%, of the 2017 total General Fund expenditures. As of June 30, 2016, unassigned General Fund balance was \$4,734,776, or 25%, of the 2016 total General Fund expenditures.
- Revenue of the City's governmental activities was approximately the same as the prior year.
- Program expenses of the City's governmental activities increased 2%, to approximately \$43.4 million, from fiscal year 2016 to fiscal year 2017. The increase was attributable to normal increases in expenses.
- The City of Coralville's total net position as of June 30, 2017 and 2016, was \$178,525,216 and \$168,701,005, respectively. Of this amount, \$7,817,730 and \$14,498,793, respectively, are unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors. The larger decrease results from the reduction in debt which increases the net position invested in capital assets.
- Total governmental long-term debt decreased by approximately \$7.2 million during the current fiscal year. The City issued \$96.9 million of new debt and retired \$104.1 million of existing debt. The new debt was issued to fund various projects within the City and to refinance debt at lower interest rates or to extend the maturities with new debt.

Total business-type activity debt issued and retired was approximately \$39.6 million and \$42.8 million, respectively. The new debt was issued to finance water and sewer projects and to refinance hotel debt at a lower rate and to extend the maturity of the debt as contemplated in the original plan of finance for the hotel and conference center.

### 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, the City's share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary information provides detailed information about the nonmajor governmental funds.

## **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, water works, sanitation department, public transit, storm water and 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, 2017 and 2016 follows.

### City of Coralville's Net Position

	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 47,764,617	\$ 14,041,405	\$ 61,806,022	\$ 49,891,966	\$ 14,415,188	\$ 64,307,154
Restricted assets	2,980,178	8,909,680	11,889,858	4,413,519	8,787,719	13,201,238
Capital assets	305,574,161	111,991,809	417,565,970	300,858,918	111,993,909	412,852,827
Other noncurrent assets	<u>7,505,731</u>	<u>—</u>	<u>7,505,731</u>	<u>6,850,444</u>	<u>—</u>	<u>6,850,444</u>
<b>Total Assets</b>	<b>363,824,687</b>	<b>134,942,894</b>	<b>498,767,581</b>	<b>362,014,847</b>	<b>135,196,816</b>	<b>497,211,663</b>
<b>Deferred Outflows of Resources</b>	<b><u>2,182,957</u></b>	<b><u>606,445</u></b>	<b><u>2,789,402</u></b>	<b><u>920,775</u></b>	<b><u>448,376</u></b>	<b><u>1,369,151</u></b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 366,007,644</u></b>	<b><u>\$ 135,549,339</u></b>	<b><u>\$ 501,556,983</u></b>	<b><u>\$ 362,935,622</u></b>	<b><u>\$ 135,645,192</u></b>	<b><u>\$ 498,580,814</u></b>
Current liabilities	\$ 12,818,118	\$ 4,630,279	\$ 17,448,397	\$ 22,374,161	\$ 5,769,106	\$ 28,143,267
Noncurrent liabilities	<u>202,094,171</u>	<u>67,635,314</u>	<u>269,729,485</u>	<u>198,027,694</u>	<u>68,882,857</u>	<u>266,910,551</u>
<b>Total Liabilities</b>	<b><u>214,912,289</u></b>	<b><u>72,265,593</u></b>	<b><u>287,177,882</u></b>	<b><u>220,401,855</u></b>	<b><u>74,651,963</u></b>	<b><u>295,053,818</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>35,821,728</u></b>	<b><u>32,157</u></b>	<b><u>35,853,885</u></b>	<b><u>34,551,764</u></b>	<b><u>274,227</u></b>	<b><u>34,825,991</u></b>
<b>Net Position</b>						
Invested in capital assets	101,018,393	51,269,819	152,288,212	89,007,772	48,176,614	137,184,386
Restricted	15,116,859	3,302,415	18,419,274	13,805,294	3,212,532	17,017,826
Unrestricted	<u>(861,625)</u>	<u>8,679,355</u>	<u>7,817,730</u>	<u>5,168,937</u>	<u>9,329,856</u>	<u>14,498,793</u>
<b>Total Net Position</b>	<b><u>115,273,627</u></b>	<b><u>63,251,589</u></b>	<b><u>178,525,216</u></b>	<b><u>107,982,003</u></b>	<b><u>60,719,002</u></b>	<b><u>168,701,005</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b><u>\$ 366,007,644</u></b>	<b><u>\$ 135,549,339</u></b>	<b><u>\$ 501,556,983</u></b>	<b><u>\$ 362,935,622</u></b>	<b><u>\$ 135,645,192</u></b>	<b><u>\$ 498,580,814</u></b>

\$152.3 million of the City's net position (85.3%) represents resources which are invested in capital assets and \$18.4 million of the City's net position (10.3%) represents resources that are subject to external restrictions on how they may be used. This amount includes funds held in reserve accounts pledged to secured creditors. Unrestricted net position totaling \$7.8 million (4.4%) may be used to meet the government's ongoing obligations to citizens and unsecured 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, 2017 and 2016 follows:

City of Coralville's Governmental and Business-Type Activities						
	2017			2016		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenue</b>						
Charges for service	\$ 7,797,075	\$ 25,947,052	\$ 33,744,127	\$ 7,841,824	\$ 24,906,668	\$ 32,748,492
Operating grants and contributions	5,520,312	740,141	6,260,453	5,157,021	1,171,434	6,328,455
Capital grants and contributions	2,293,114	—	2,293,114	3,530,456	—	3,530,456
Other General Revenue						
Property tax	33,303,450	—	33,303,450	31,504,088	—	31,504,088
Other taxes	3,618,724	—	3,618,724	3,523,277	—	3,523,277
Other	422,475	154,805	577,280	626,698	64,502	691,200
Gain (loss) on sale of capital assets	(959,878)	(84,128)	(1,044,006)	(177,220)	4,992	(172,228)
<b>Total Revenue</b>	<b>51,995,272</b>	<b>26,757,870</b>	<b>78,753,142</b>	<b>52,006,144</b>	<b>26,147,596</b>	<b>78,153,740</b>
<b>Expenses</b>						
Public safety	5,579,458	—	5,579,458	5,058,963	—	5,058,963
Public works	1,681,318	—	1,681,318	1,778,380	—	1,778,380
Health and social services	126,870	—	126,870	124,370	—	124,370
Culture and recreation	11,325,545	—	11,325,545	11,395,062	—	11,395,062
Community and economic development	12,312,342	—	12,312,342	11,226,919	—	11,226,919
General government	3,095,420	—	3,095,420	2,915,472	—	2,915,472
Depreciation - unallocated	10,960	—	10,960	10,959	—	10,959
Interest on long-term debt	9,318,274	—	9,318,274	10,293,356	—	10,293,356
Hotel and conference center	—	14,795,559	14,795,559	—	15,639,043	15,639,043
Sewer	—	2,816,806	2,816,806	—	2,502,623	2,502,623
Parking facilities and operations	—	2,380,027	2,380,027	—	1,770,278	1,770,278
Water	—	1,931,077	1,931,077	—	1,886,340	1,886,340
Solid waste	—	988,444	988,444	—	965,003	965,003
Transit	—	2,133,663	2,133,663	—	1,931,835	1,931,835
Storm water	—	433,168	433,168	—	393,777	393,777
<b>Total Expenses</b>	<b>43,450,187</b>	<b>25,478,744</b>	<b>68,928,931</b>	<b>42,803,481</b>	<b>25,088,899</b>	<b>67,892,380</b>
<b>Increase Before Contributed Capital and Transfers</b>						
	<b>8,545,085</b>	<b>1,279,126</b>	<b>9,824,211</b>	<b>9,202,663</b>	<b>1,058,697</b>	<b>10,261,360</b>
Contributed capital	—	—	—	(13,657,980)	13,657,980	—
Transfers	(1,253,461)	1,253,461	—	(1,917,824)	1,917,824	—
<b>Increase (Decrease) in Net Assets</b>						
	<b>7,291,624</b>	<b>2,532,587</b>	<b>9,824,211</b>	<b>(6,373,141)</b>	<b>16,634,501</b>	<b>10,261,360</b>
Beginning Net Position	107,982,003	60,719,002	168,701,005	114,355,144	44,084,501	158,439,645
<b>Ending Net Position</b>	<b>\$ 115,273,627</b>	<b>\$ 63,251,589</b>	<b>\$ 178,525,216</b>	<b>\$ 107,982,003</b>	<b>\$ 60,719,002</b>	<b>\$ 168,701,005</b>

## **Governmental Activities**

Total governmental activities revenue was \$51,995,272 and \$52,006,144 for the years ended June 30, 2017 and 2016, respectively. The largest single revenue source for the City was property and other taxes of \$36,922,174 and \$35,027,365 recorded for the years ended June 30, 2017 and 2016, 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 would be 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 \$17.5 million. Approximately (\$2.8) million constitutes unassigned fund balance. 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 \$5.3 million, while total fund balance reached \$10.1 million. Unassigned fund balance represents 52.4% of total General Fund balance. The General Fund revenue increased approximately \$212,000, or 1.1%, over fiscal year 2016, while expenditures decreased approximately \$32,000, or 0.2%, over the prior year. Key factors in the increase in revenue were higher licenses and permits.

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 2017 with a fund balance of \$5.2 million compared to the prior year ending fund balance of \$4.3 million. The increase resulted from taxes in excess of current requirements.

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 2017 with a balance of \$3.2 million, an increase of approximately \$432,000 from 2016. The primary reason for this increase was due to debt issued for projects and debt proceeds required to be held in reserves until certain bonds are retired.

The Capital Projects - Flood Mitigation Fund accounts for flood control projects being carried out in various areas of the City.

## **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, 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, Parking Facilities and Operations Fund and Transit Fund, as these are considered major funds of the City. Data from the other three enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

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 2017 with a net position balance totaling \$11.4 million compared to the prior year ending net position balance of \$10.8 million. The increase was the result of a net income of \$600,000 after net transfers in of \$600,000. The net income was after \$1.4 million of noncash depreciation expense.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended 2017 with a net position balance of \$16.4 million compared to the prior year ending net position balance of \$15.6 million. The increase was due to an increase in user rates to prepare for significant capital expenditures in the future.

The Parking Facilities and Operations Fund accounts for the two parking ramps, one surface lot and a portion of the Intermodal Facility located in the Iowa River Landing development area and the Town Center parking ramp. The net position totaled approximately \$10.4 million as of the end of 2017, an increase of approximately \$881,000 due to rental income from the parking ramps and transfers in from other funds totaling \$231,923.

The Transit Fund accounts for the City's public bus transportation system. The net position totaled approximately \$14.6 million as of the end of 2017, a decrease of \$227,000 due primarily to depreciation expense of \$456,419.

## **BUDGETARY HIGHLIGHTS**

The City had one budget amendment during the fiscal year which did not change budgeted revenue and increased budgeted expenditures by approximately \$147 million for significant debt refinancing which took place in the Spring of 2017.

The following table presented on a budgetary basis (cash basis) demonstrates the statutory compliance with the annual fiscal year 2017 budget. The amounts in the 'Actual' column were taken from the City's annual report to the State of Iowa prepared on the cash basis of accounting.

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Govern-mental Fund Types	Proprietary Funds	Total	
<b>Receipts</b>						
Property tax	\$ 13,717,818	\$ 13,717,818	\$ 13,503,508	\$ —	\$ 13,503,508	\$ (214,310)
Tax increment financing	20,043,923	20,043,923	19,734,389	—	19,734,389	(309,534)
Other city taxes	3,025,945	3,025,945	3,548,623	—	3,548,623	522,678
Licenses and permits	810,050	810,050	1,139,162	—	1,139,162	329,112
Use of money and property	248,580	248,580	1,896,277	—	1,896,277	1,647,697
Intergovernmental	9,939,289	9,939,289	7,936,063	3,861,796	11,797,859	1,858,570
Charges for service	32,157,298	32,157,298	3,098,772	23,349,631	26,448,403	(5,708,895)
Special assessments	—	—	32,189	—	32,189	32,189
Miscellaneous	557,420	557,420	3,580,894	—	3,580,894	3,023,474
<b>Total Receipts</b>	<b>80,500,323</b>	<b>80,500,323</b>	<b>54,469,877</b>	<b>27,211,427</b>	<b>81,681,304</b>	<b>1,180,981</b>
<b>Disbursements</b>						
Public safety	5,555,401	6,837,417	5,633,441	—	5,633,441	(1,203,976)
Public works	1,623,051	2,097,763	2,112,326	—	2,112,326	14,563
Health and social services	119,320	123,120	126,870	—	126,870	3,750
Culture and recreation	7,540,105	12,038,904	10,524,128	—	10,524,128	(1,514,776)
Community and economic development	174,975	4,823,773	4,609,458	—	4,609,458	(214,315)
General government	4,090,656	5,034,654	3,047,533	—	3,047,533	(1,987,121)
Debt service	23,538,565	113,538,565	112,376,168	—	112,376,168	(1,162,397)
Capital projects	10,000,000	19,415,406	22,543,841	—	22,543,841	3,128,435
Business-type activities	25,083,907	60,976,278	—	66,301,656	66,301,656	5,325,378
<b>Total Disbursements</b>	<b>77,725,980</b>	<b>224,885,880</b>	<b>160,973,765</b>	<b>66,301,656</b>	<b>227,275,421</b>	<b>2,389,541</b>
<b>Receipts Over (Under) Disbursements</b>	<b>2,774,343</b>	<b>(144,385,557)</b>	<b>(106,503,888)</b>	<b>(39,090,229)</b>	<b>(145,594,117)</b>	<b>(1,208,560)</b>
<b>Other Financing Sources (Uses)</b>						
Other financing sources	31,396,688	175,704,466	147,059,767	41,092,392	188,152,159	12,447,693
Other financing uses	(29,396,688)	(29,396,688)	(46,725,222)	(1,540,411)	(48,265,633)	(18,868,945)
<b>Total Other Financing Sources (Uses)</b>	<b>2,000,000</b>	<b>146,307,778</b>	<b>100,334,545</b>	<b>39,551,981</b>	<b>139,886,526</b>	<b>(6,421,252)</b>
<b>Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</b>	<b>4,774,343</b>	<b>1,922,221</b>	<b>(6,169,343)</b>	<b>461,752</b>	<b>(5,707,591)</b>	<b>\$ (7,629,812)</b>
Balance - Beginning of Year	35,243,934	35,243,934	17,122,773	19,350,349	36,473,122	
<b>Balance - End of Year</b>	<b>\$ 40,018,277</b>	<b>\$ 37,166,155</b>	<b>\$ 10,953,430</b>	<b>\$ 19,812,101</b>	<b>\$ 30,765,531</b>	

## 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 84,804,050	\$ 79,743,403	\$ 3,068,759	\$ 3,068,759	\$ 87,872,809	\$ 82,812,162
Land improvements	71,917,149	72,912,660	—	—	71,917,149	72,912,660
Buildings and improvements	53,687,185	57,015,162	97,091,938	99,907,128	150,779,123	156,922,290
Infrastructure	76,795,287	80,768,877	—	—	76,795,287	80,768,877
Machinery and equipment	7,669,496	8,812,284	6,914,955	7,309,483	14,584,451	16,121,767
Construction-in-progress	10,700,994	1,606,532	4,916,157	1,708,539	15,617,151	3,315,071
<b>Total</b>	<b><u>\$ 305,574,161</u></b>	<b><u>\$ 300,858,918</u></b>	<b><u>\$ 111,991,809</u></b>	<b><u>\$ 111,993,909</u></b>	<b><u>\$ 417,565,970</u></b>	<b><u>\$ 412,852,827</u></b>

### Long-Term Debt

The following summarizes maturities of principal and interest on bonded debt outstanding as of June 30, 2017:

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		
2018	\$ 6,915,000	\$ 7,649,406	\$ 289,474	\$ 543,938	\$ 1,718,000	\$ 786,529	\$ 8,922,474	\$ 8,979,873
2019	5,410,000	7,538,469	289,474	553,026	3,868,926	739,207	9,568,400	8,830,702
2020	10,405,000	7,386,275	289,474	538,553	2,237,667	690,343	12,932,141	8,615,171
2021	6,905,000	7,055,084	289,474	524,079	1,966,000	707,317	9,160,474	8,286,480
2022	6,370,000	6,838,554	289,474	495,132	1,816,000	584,171	8,475,474	7,917,857
2023-2027	34,614,000	30,437,316	1,447,370	2,258,552	9,243,000	3,091,076	45,304,370	35,786,944
2028-2032	42,988,000	23,664,314	1,447,370	1,896,710	7,877,000	990,219	52,312,370	26,551,243
2033-2037	77,050,000	12,693,888	1,157,890	1,563,815	489,000	25,463	78,696,890	14,283,166
2038-2042	—	—	1,500,000	1,440,000	—	—	1,500,000	1,440,000
2043-2047	—	—	5,000,000	675,000	—	—	5,000,000	675,000
	190,657,000	103,263,306	12,000,000	10,488,805	29,215,593	7,614,325	231,872,593	121,366,436
Net unamortized bond premium (discount)	(893,048)	—	410,415	—	—	—	(482,633)	—
<b>Net</b>	<b><u>\$189,763,952</u></b>	<b><u>\$103,263,306</u></b>	<b><u>\$12,410,415</u></b>	<b><u>\$10,488,805</u></b>	<b><u>\$29,215,593</u></b>	<b><u>\$7,614,325</u></b>	<b><u>\$231,389,960</u></b>	<b><u>\$121,366,436</u></b>

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 \$116 million.

The City of Coralville has been assigned a Baa3 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 2018 budget. Unemployment in Johnson County now stands at 2.5% versus 2.6% two years ago. This compares with the State's unemployment rate of 3.2% and the national rate of 4.2%. The City will experience an increase in General Fund receipts and disbursements from fiscal year 2017 to fiscal year 2018. 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 2018 with a fund balance approximately equal to that of 2017.

Water, Storm Water Management and Public Transit rates will remain the same for fiscal year 2018 as fiscal year 2017. Sewer and Solid Waste rates will increase in fiscal year 2018 to meet the capital improvement and programming needs of the users of these systems.

The City property tax levy rate for fiscal year 2018 will be \$13.5277 which is the same as 2017.

Property tax will provide about 47% of General Fund revenue. Over the past five years, City-wide assessed values have increased an average of 5.5%, while taxable values have had an average annual growth rate of 4.6%.

## **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**

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## Statement of Net Position

As of June 30, 2017

	Governmental Activities	Business- Type Activities	Total
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
<b>Current Assets</b>			
Cash and pooled investments .....	\$ 13,592,502	\$ 5,660,716	\$ 19,253,218
Receivables			
Property Tax			
Current year delinquent, net of allowance for uncollectible taxes .....	149,401	—	149,401
Succeeding year .....	35,575,977	—	35,575,977
Assets held by property manager.....	—	818,287	818,287
Customer accounts, net of allowance for uncollectible accounts .....	—	1,792,893	1,792,893
Internal balances.....	(5,369,094)	5,369,094	—
Due from other governments.....	2,193,846	39,126	2,232,972
Special assessments .....	4,513	—	4,513
Other.....	945,835	—	945,835
Inventories and prepaids .....	671,637	361,289	1,032,926
<b>Total Current Assets</b> .....	<b><u>47,764,617</u></b>	<b><u>14,041,405</u></b>	<b><u>61,806,022</u></b>
<b>Noncurrent Assets</b>			
<b>Restricted Assets</b>			
Cash and pooled investments .....	2,980,178	3,302,415	6,282,593
Beneficial interest in a trust .....	—	5,607,265	5,607,265
Loans, net of allowance for uncollectible amounts .....	7,370,141	—	7,370,141
Special assessments.....	135,590	—	135,590
Capital assets, net of accumulated depreciation .....	305,574,161	111,991,809	417,565,970
<b>Total Noncurrent Assets</b> .....	<b><u>316,060,070</u></b>	<b><u>120,901,489</u></b>	<b><u>436,961,559</u></b>
<b>Total Assets</b> .....	<b><u>363,824,687</u></b>	<b><u>134,942,894</u></b>	<b><u>498,767,581</u></b>
<b>Deferred Outflows of Resources</b>			
Pension-related deferred outflows .....	<b><u>2,182,957</u></b>	<b><u>606,445</u></b>	<b><u>2,789,402</u></b>
<b>Total Assets and Deferred Outflows of Resources</b> .....	<b><u>\$ 366,007,644</u></b>	<b><u>\$ 135,549,339</u></b>	<b><u>\$ 501,556,983</u></b>

See accompanying notes to the financial statements.

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts and retainages payable .....	\$ 2,985,885	\$ 1,756,782	\$ 4,742,667
Accrued expenses .....	2,154,848	1,155,497	3,310,345
General obligation bonds payable .....	6,915,000	—	6,915,000
Other loans payable .....	472,911	—	472,911
Current Liabilities Payable From Restricted Assets			
Tax increment financing bonds payable ..	289,474	—	289,474
Revenue bonds payable .....	—	1,718,000	1,718,000
<b>Total Current Liabilities</b> .....	<b><u>12,818,118</u></b>	<b><u>4,630,279</u></b>	<b><u>17,448,397</u></b>
<b>Noncurrent Liabilities</b>			
Revenue bonds payable .....	—	27,497,593	27,497,593
General obligation bonds payable .....	182,848,952	—	182,848,952
Tax increment financing bonds payable .....	12,120,941	—	12,120,941
Other loans payable .....	1,908,490	—	1,908,490
Capital leases .....	—	38,211,662	38,211,662
Net pension liability .....	5,215,788	1,926,059	7,141,847
<b>Total Noncurrent Liabilities</b> .....	<b><u>202,094,171</u></b>	<b><u>67,635,314</u></b>	<b><u>269,729,485</u></b>
<b>Total Liabilities</b> .....	<b><u>214,912,289</u></b>	<b><u>72,265,593</u></b>	<b><u>287,177,882</u></b>
<b>Deferred Inflows of Resources</b>			
Succeeding year property tax .....	35,575,977	—	35,575,977
Special assessments .....	135,591	—	135,591
Pension-related deferred inflows .....	110,160	32,157	142,317
<b>Total Deferred Inflows of Resources</b> .....	<b><u>35,821,728</u></b>	<b><u>32,157</u></b>	<b><u>35,853,885</u></b>
<b>Net Position</b>			
Invested in capital assets .....	101,018,393	51,269,819	152,288,212
Restricted for			
Debt service .....	12,453,641	3,302,415	15,756,056
Expendable trust .....	761,366	—	761,366
Road use purposes .....	1,861,757	—	1,861,757
Employee benefits .....	4,024	—	4,024
Economic development .....	36,071	—	36,071
Unrestricted .....	(861,625)	8,679,355	7,817,730
<b>Total Net Position</b> .....	<b><u>115,273,627</u></b>	<b><u>63,251,589</u></b>	<b><u>178,525,216</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> .....	<b><u>\$ 366,007,644</u></b>	<b><u>\$ 135,549,339</u></b>	<b><u>\$ 501,556,983</u></b>

# Statement of Activities

Year Ended June 30, 2017

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
<b>Governmental Activities</b>							
Public safety .....	\$ 5,579,458	\$ 74,093	\$ 190,780	\$ —	\$ (5,314,585)	\$ —	\$ (5,314,585)
Public works .....	1,681,318	27,515	2,416,180	—	762,377	—	762,377
Health and social services .....	126,870	—	—	—	(126,870)	—	(126,870)
Culture and recreation .....	11,325,545	4,504,005	98,524	—	(6,723,016)	—	(6,723,016)
Community and economic development .....	12,312,342	1,839,881	787,984	2,293,114	(7,391,363)	—	(7,391,363)
General government .....	3,095,420	1,351,581	2,026,844	—	283,005	—	283,005
Depreciation - unallocated* .....	10,960	—	—	—	(10,960)	—	(10,960)
Interest on long-term debt .....	9,318,274	—	—	—	(9,318,274)	—	(9,318,274)
<b>Total Governmental Activities .....</b>	<b>43,450,187</b>	<b>7,797,075</b>	<b>5,520,312</b>	<b>2,293,114</b>	<b>(27,839,686)</b>	<b>—</b>	<b>(27,839,686)</b>
<b>Business-Type Activities</b>							
Hotel and conference center .....	14,795,559	14,738,144	—	—	—	(57,415)	(57,415)
Sewer .....	2,816,806	3,636,534	—	—	—	819,728	819,728
Parking facilities and operations .....	2,380,027	3,041,128	—	—	—	661,101	661,101
Transit .....	2,133,663	544,514	740,141	—	—	(849,008)	(849,008)
Water .....	1,931,077	2,429,571	—	—	—	498,494	498,494
Solid waste .....	988,444	1,086,052	—	—	—	97,608	97,608
Storm water .....	433,168	471,109	—	—	—	37,941	37,941
<b>Total Business-Type Activities .....</b>	<b>25,478,744</b>	<b>25,947,052</b>	<b>740,141</b>	<b>—</b>	<b>—</b>	<b>1,208,449</b>	<b>1,208,449</b>
<b>Total .....</b>	<b>\$ 68,928,931</b>	<b>\$ 33,744,127</b>	<b>\$ 6,260,453</b>	<b>\$ 2,293,114</b>	<b>(27,839,686)</b>	<b>1,208,449</b>	<b>(26,631,237)</b>
<b>General Revenue</b>							
Taxes							
Property tax levied for general purposes .....					10,191,033	—	10,191,033
Property tax levied for debt service .....					3,385,750	—	3,385,750
Tax increment financing .....					19,726,667	—	19,726,667
Other taxes and payments in lieu of taxes .....					3,618,724	—	3,618,724
Investment earnings .....					83,861	40,320	124,181
Miscellaneous .....					348,363	62,163	410,526
Cost of debt issuance .....					(1,529,514)	(580,978)	(2,110,492)
Gain on debt refunding .....					1,519,765	633,300	2,153,065
Loss on sale of capital assets .....					(959,878)	(84,128)	(1,044,006)
<b>Total General Revenue .....</b>					<b>36,384,771</b>	<b>70,677</b>	<b>36,455,448</b>
<b>Change in Net Position Before Other Financing Sources (Uses) .....</b>					<b>8,545,085</b>	<b>1,279,126</b>	<b>9,824,211</b>
<b>Other Financing Sources (Uses)</b>							
Transfers .....					(1,253,461)	1,253,461	—
<b>Change in Net Position .....</b>					<b>7,291,624</b>	<b>2,532,587</b>	<b>9,824,211</b>
Net Position - Beginning of Year .....					107,982,003	60,719,002	168,701,005
<b>Net Position - End of Year .....</b>					<b>\$ 115,273,627</b>	<b>\$ 63,251,589</b>	<b>\$ 178,525,216</b>

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

# Balance Sheet - Governmental Funds

As of June 30, 2017

	General Fund	Special Revenue - Mall/Highway 6 TIF Fund	General Obligation Debt Service	Capital Projects Flood Mitigation	Other Governmental Funds	Total
<b>Assets</b>						
Cash and pooled investments .....	\$ 9,752,590	\$ —	\$ 1,085,734	\$ —	\$ 2,754,178	\$ 13,592,502
Receivables						
Property Tax						
Current year delinquent.....	23,804	98,354	12,288	—	14,955	149,401
Succeeding year .....	9,092,147	16,637,299	3,578,500	—	6,268,031	35,575,977
Loans.....	—	3,565,451	—	—	3,804,690	7,370,141
Due from other funds .....	—	881,237	—	—	2,141,799	3,023,036
Due from other governments.....	26,530	—	—	139,883	2,027,433	2,193,846
Assets held by property manager.....	57,494	—	—	—	—	57,494
Other.....	138,341	750,000	—	—	—	888,341
Special assessments .....	—	—	—	—	140,103	140,103
Inventories and prepaids .....	646,149	—	—	—	25,488	671,637
Restricted Assets						
Cash and pooled investments .....	—	—	2,393,753	—	586,425	2,980,178
<b>Total Assets .....</b>	<b>\$ 19,737,055</b>	<b>\$ 21,932,341</b>	<b>\$ 7,070,275</b>	<b>\$ 139,883</b>	<b>\$ 17,763,102</b>	<b>\$ 66,642,656</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable .....	\$ 449,757	\$ 137,678	\$ 301,500	\$ 788,612	\$ 1,308,338	\$ 2,985,885
Accrued liabilities.....	103,632	—	—	—	210	103,842
Due to other funds.....	—	—	—	5,003,606	3,388,524	8,392,130
<b>Total Liabilities .....</b>	<b>553,389</b>	<b>137,678</b>	<b>301,500</b>	<b>5,792,218</b>	<b>4,697,072</b>	<b>11,481,857</b>
<b>Deferred Inflows of Resources</b>						
Succeeding years property tax .....	9,092,147	16,637,299	3,578,500	—	6,268,031	35,575,977
Special assessments.....	—	—	—	—	135,591	135,591
Other .....	—	—	—	139,883	1,782,478	1,922,361
<b>Total Deferred Inflows of Resources .....</b>	<b>9,092,147</b>	<b>16,637,299</b>	<b>3,578,500</b>	<b>139,883</b>	<b>8,186,100</b>	<b>37,633,929</b>
<b>Fund Balances</b>						
Nonspendable .....	646,149	—	—	—	340,488	986,637
Restricted						
Debt service.....	—	5,157,364	3,190,275	—	4,106,002	12,453,641
Expendable trust.....	—	—	—	—	761,366	761,366
Road use purposes.....	—	—	—	—	1,861,757	1,861,757
Employee benefits .....	—	—	—	—	4,024	4,024
Special assessments .....	—	—	—	—	36,701	36,701
Committed for capital asset acquisition.....	4,156,679	—	—	—	89,434	4,246,113
Unassigned .....	5,288,691	—	—	(5,792,218)	(2,319,842)	(2,823,369)
<b>Total Fund Balances .....</b>	<b>10,091,519</b>	<b>5,157,364</b>	<b>3,190,275</b>	<b>(5,792,218)</b>	<b>4,879,930</b>	<b>17,526,870</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances .....</b>	<b>\$ 19,737,055</b>	<b>\$ 21,932,341</b>	<b>\$ 7,070,275</b>	<b>\$ 139,883</b>	<b>\$ 17,763,102</b>	<b>\$ 66,642,656</b>

See accompanying notes to the financial statements.

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

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As of June 30, 2017

**Total Fund Balances for Governmental Funds (Page 16)....** **\$ 17,526,870**

***Amounts reported for governmental activities in the  
statement of net position are different because:***

Certain receivables are not available financial resources and, therefore, are reported as deferred inflows of resources in governmental funds..... 1,922,361

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. .... 305,574,161

Long-term liabilities, accrued interest, compensated absences and pensions are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds payable .....	\$ (189,763,952)	
Tax increment financing bonds payable .....	(12,410,415)	
Other loans payable .....	(2,381,401)	
Accrued interest payable .....	(1,137,941)	
Compensated absences.....	(913,065)	
Net pension liability .....	<u>(5,215,788)</u>	(211,822,562)

Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources .....	\$ 2,182,957	
Deferred inflows of resources .....	<u>(110,160)</u>	<u>2,072,797</u>

**Net Position of Governmental Activities (Page 14).....** **\$ 115,273,627**

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

Year Ended June 30, 2017

	General Fund	Special Revenue - Mall/Highway 6 TIF Fund	General Obligation Debt Service	Capital Projects Flood Mitigation	Other Governmental Funds	Total
<b>Revenue</b>						
Property tax.....	\$ 8,981,967	\$ —	\$ 3,560,670	\$ —	\$ 2,145,989	\$ 14,688,626
TIF and other city taxes.....	3,627,315	15,789,720	—	—	4,305,686	23,722,721
Special assessments.....	—	—	—	—	32,188	32,188
Licenses and permits.....	1,033,867	—	—	—	—	1,033,867
Use of money and property.....	188,181	47,400	12,895	35,000	1,500,827	1,784,303
Intergovernmental.....	587,634	—	1,034,605	1,563,832	2,831,936	6,018,007
Charges for service.....	4,558,289	—	—	—	182,535	4,740,824
Miscellaneous.....	253,366	5,562	—	—	234,201	493,129
<b>Total Revenue.....</b>	<b>19,230,619</b>	<b>15,842,682</b>	<b>4,608,170</b>	<b>1,598,832</b>	<b>11,233,362</b>	<b>52,513,665</b>
<b>Expenditures</b>						
Operating						
Public safety.....	5,500,516	—	—	—	30,362	5,530,878
Public works.....	—	—	—	—	2,110,072	2,110,072
Health and social services.....	126,870	—	—	—	—	126,870
Culture and recreation.....	9,862,275	—	—	—	275,023	10,137,298
Community and economic development.....	735,627	1,329,681	—	—	1,886,989	3,952,297
General government.....	3,000,377	—	—	—	—	3,000,377
Debt Service						
Principal.....	—	27,025,045	17,033,895	—	—	44,058,940
Interest and other charges.....	—	1,669,083	7,468,923	—	—	9,138,006
Capital projects.....	—	—	—	7,045,499	12,219,513	19,265,012
<b>Total Expenditures.....</b>	<b>19,225,665</b>	<b>30,023,809</b>	<b>24,502,818</b>	<b>7,045,499</b>	<b>16,521,959</b>	<b>97,319,750</b>
<b>Revenue Over (Under) Expenditures.....</b>	<b>4,954</b>	<b>(14,181,127)</b>	<b>(19,894,648)</b>	<b>(5,446,667)</b>	<b>(5,288,597)</b>	<b>(44,806,085)</b>
<b>Other Financing Sources (Uses)</b>						
Bond proceeds.....	—	895,000	37,980,045	—	—	38,875,045
Refunding bonds issued.....	—	5,605,000	52,989,955	—	—	58,594,955
Refunding bond principal payments.....	—	(5,605,000)	(52,989,955)	—	—	(58,594,955)
Discount on bonds issued.....	—	(156,910)	(627,791)	—	—	(784,701)
Cost of debt issuance.....	—	—	(1,360,978)	—	—	(1,360,978)
Proceeds from sale of assets.....	64,000	4,285,000	—	—	—	4,349,000
Transfers in.....	2,761,468	19,624,943	12,843,356	—	9,699,473	44,929,240
Transfers out.....	(1,687,706)	(9,657,746)	(28,508,208)	(460,950)	(5,868,091)	(46,182,701)
<b>Total Other Financing Sources (Uses).....</b>	<b>1,137,762</b>	<b>14,990,287</b>	<b>20,326,424</b>	<b>(460,950)</b>	<b>3,831,382</b>	<b>39,824,905</b>
<b>Net Change in Fund Balances.....</b>	<b>1,142,716</b>	<b>809,160</b>	<b>431,776</b>	<b>(5,907,617)</b>	<b>(1,457,215)</b>	<b>(4,981,180)</b>
Fund Balances - Beginning of Year.....	8,948,803	4,348,204	2,758,499	115,399	6,337,145	22,508,050
<b>Fund Balances - End of Year.....</b>	<b>\$ 10,091,519</b>	<b>\$ 5,157,364</b>	<b>\$ 3,190,275</b>	<b>\$ (5,792,218)</b>	<b>\$ 4,879,930</b>	<b>\$ 17,526,870</b>

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, 2017

**Changes in Fund Balances - Total Governmental Funds (Page 18) \$ (4,981,180)**

***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:

Expenditures for capital assets.....	\$ 18,305,733	
Depreciation expense.....	(8,281,612)	
Proceeds from sale of capital assets .....	(4,349,000)	
Loss on disposal of capital assets .....	<u>(959,878)</u>	4,715,243

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.....	\$ (97,470,000)	
Long-term debt principal repaid.....	102,653,895	
Gain on debt refunding.....	1,519,765	
Issuance discounts capitalized .....	616,165	
Amortization of discounts and premiums .....	(24,448)	
Increase in accrued interest .....	<u>(155,820)</u>	7,139,557

Certain receivables are reported in the statement of activities net of the estimated amount that will be uncollectible, but are not available financial resources and, therefore, are not reported as revenue in the governmental funds 311,350

The current year City employer share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position..... 839,744

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other.....	\$ 139,884	
Compensated absences.....	11,495	
Pension expense.....	<u>(884,469)</u>	<u>(733,090)</u>

**Change in Net Position of Governmental Activities (Page 15) \$ 7,291,624**

# Statement of Net Position - Proprietary Funds

As of June 30, 2017

	Hotel and Conference Center	Sewer	Parking Facilities and Operations	Transit	Nonmajor Proprietary Funds	Total
<b>Current Assets</b>						
Cash and pooled investments .....	\$ —	\$ 1,843,952	\$ 828,486	\$ 1,043,196	\$ 1,945,082	\$ 5,660,716
Receivables						
Assets held by property manager.....	818,287	—	—	—	—	818,287
Customer accounts.....	467,198	623,632	60,998	—	641,065	1,792,893
Due from other funds.....	—	1,200,000	2,000,000	600,000	2,355,000	6,155,000
Due from other governments .....	—	—	—	39,126	—	39,126
Inventories and prepaids ...	65,848	34,733	38,923	39,077	182,708	361,289
<b>Total Current Assets</b>	<b>1,351,333</b>	<b>3,702,317</b>	<b>2,928,407</b>	<b>1,721,399</b>	<b>5,123,855</b>	<b>14,827,311</b>
<b>Noncurrent Assets</b>						
Restricted Assets						
Cash and pooled investments.....	—	621,855	2,346,270	—	334,290	3,302,415
Beneficial interest in a trust.....	5,607,265	—	—	—	—	5,607,265
Capital assets (net of accumulated depreciation)	44,493,840	21,300,967	23,348,273	13,436,625	9,412,104	111,991,809
<b>Total Noncurrent Assets</b>	<b>50,101,105</b>	<b>21,922,822</b>	<b>25,694,543</b>	<b>13,436,625</b>	<b>9,746,394</b>	<b>120,901,489</b>
<b>Total Assets</b> .....	<b>51,452,438</b>	<b>25,625,139</b>	<b>28,622,950</b>	<b>15,158,024</b>	<b>14,870,249</b>	<b>135,728,800</b>
<b>Deferred Outflows of Resources</b>						
Pension-related deferred outflows .....	—	105,304	73,862	191,773	235,506	606,445
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 51,452,438</b>	<b>\$ 25,730,443</b>	<b>\$ 28,696,812</b>	<b>\$ 15,349,797</b>	<b>\$ 15,105,755</b>	<b>\$ 136,335,245</b>
<b>Liabilities and Net Position</b>						
<b>Current Liabilities</b>						
Accounts payable .....	\$ 487,273	\$ 123,788	\$ 566,330	\$ 36,329	\$ 543,062	\$ 1,756,782
Accrued liabilities and compensated absences...	581,694	65,127	23,887	90,816	90,043	851,567
Due to other funds.....	785,906	—	—	—	—	785,906
Current maturities of long-term debt .....	—	632,000	1,027,000	—	59,000	1,718,000
Customer deposits .....	—	—	—	—	303,930	303,930
<b>Total Current Liabilities</b>	<b>1,854,873</b>	<b>820,915</b>	<b>1,617,217</b>	<b>127,145</b>	<b>996,035</b>	<b>5,416,185</b>
<b>Noncurrent Liabilities</b>						
Long-term debt .....	38,211,662	8,208,926	16,464,000	—	2,824,667	65,709,255
Net pension liability .....	—	336,492	228,106	611,811	749,650	1,926,059
<b>Total Noncurrent Liabilities</b> .....	<b>38,211,662</b>	<b>8,545,418</b>	<b>16,692,106</b>	<b>611,811</b>	<b>3,574,317</b>	<b>67,635,314</b>
<b>Total Liabilities</b> .....	<b>40,066,535</b>	<b>9,366,333</b>	<b>18,309,323</b>	<b>738,956</b>	<b>4,570,352</b>	<b>73,051,499</b>
<b>Deferred Inflows of Resources</b>						
Pension-related deferred inflows.....	—	5,240	4,032	9,275	13,610	32,157
<b>Net Position</b>						
Invested in capital assets, net of related debt.....	11,889,443	12,460,041	5,857,273	13,436,625	7,626,437	51,269,819
Restricted for debt service	—	621,855	2,346,270	—	334,290	3,302,415
Unrestricted .....	(503,540)	3,276,974	2,179,914	1,164,941	2,561,066	8,679,355
<b>Total Net Position</b> .....	<b>11,385,903</b>	<b>16,358,870</b>	<b>10,383,457</b>	<b>14,601,566</b>	<b>10,521,793</b>	<b>63,251,589</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> .....	<b>\$ 51,452,438</b>	<b>\$ 25,730,443</b>	<b>\$ 28,696,812</b>	<b>\$ 15,349,797</b>	<b>\$ 15,105,755</b>	<b>\$ 136,335,245</b>

See accompanying notes to the financial statements.



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

Year Ended June 30, 2017

	Hotel and Conference Center	Sewer	Parking Facilities and Operations	Transit	Nonmajor Proprietary Funds	Total
<b>Operating Revenue</b>						
<b>Charges for Sales and Service</b> .....	<b>\$ 14,738,144</b>	<b>\$ 3,636,534</b>	<b>\$ 3,041,128</b>	<b>\$ 544,514</b>	<b>\$ 3,986,732</b>	<b>\$ 25,947,052</b>
<b>Operating Expenses</b>						
Salaries and employee benefits.....	—	566,866	381,395	1,023,911	1,327,187	3,299,359
Contractual services.....	1,359,674	822,408	262,142	257,868	809,079	3,511,171
Commodities.....	10,374,901	310,656	526,402	395,465	576,002	12,183,426
Depreciation.....	1,395,034	900,086	664,389	456,419	564,839	3,980,767
<b>Total Operating Expenses</b>	<b>13,129,609</b>	<b>2,600,016</b>	<b>1,834,328</b>	<b>2,133,663</b>	<b>3,277,107</b>	<b>22,974,723</b>
<b>Operating Income (Loss)</b>	<b>1,608,535</b>	<b>1,036,518</b>	<b>1,206,800</b>	<b>(1,589,149)</b>	<b>709,625</b>	<b>2,972,329</b>
<b>Nonoperating Revenue (Expenses)</b>						
Rent revenue.....	—	—	—	62,163	—	62,163
Intergovernmental Revenue						
Federal.....	—	—	—	462,309	—	462,309
State.....	—	—	—	277,832	—	277,832
Loss on sale of assets.....	—	—	(18,184)	(32,105)	(33,839)	(84,128)
Interest revenue.....	28,411	2,236	9,990	—	(317)	40,320
Cost of debt issuance.....	(580,978)	—	—	—	—	(580,978)
Gain on debt refunding....	633,300	—	—	—	—	633,300
Interest expense.....	(1,665,950)	(216,790)	(545,699)	—	(75,582)	(2,504,021)
<b>Total Nonoperating Revenue (Expenses) ..</b>	<b>(1,585,217)</b>	<b>(214,554)</b>	<b>(553,893)</b>	<b>770,199</b>	<b>(109,738)</b>	<b>(1,693,203)</b>
<b>Income (Loss) Before Transfers</b> .....	<b>23,318</b>	<b>821,964</b>	<b>652,907</b>	<b>(818,950)</b>	<b>599,887</b>	<b>1,279,126</b>
Transfers in.....	600,000	—	231,923	591,418	81,120	1,504,461
Transfers out.....	(25,000)	(87,500)	(3,500)	—	(135,000)	(251,000)
<b>Net Income (Loss)</b> .....	<b>598,318</b>	<b>734,464</b>	<b>881,330</b>	<b>(227,532)</b>	<b>546,007</b>	<b>2,532,587</b>
Net Position - Beginning of Year.....	10,787,585	15,624,406	9,502,127	14,829,098	9,975,786	60,719,002
<b>Net Position - End of Year</b> .....	<b>\$ 11,385,903</b>	<b>\$ 16,358,870</b>	<b>\$ 10,383,457</b>	<b>\$ 14,601,566</b>	<b>\$ 10,521,793</b>	<b>\$ 63,251,589</b>

# Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2017

	Hotel and Conference Center	Sewer	Parking Facilities and Operations	Transit	Nonmajor Proprietary Funds	Total
<b>Cash Flows From Operating Activities</b>						
Receipts from customers .....	\$ 14,862,068	\$ 3,591,332	\$ 3,014,636	\$ 544,514	\$ 3,985,186	\$ 25,997,736
Payments to suppliers .....	(11,932,123)	(1,114,829)	(748,925)	(656,782)	(1,299,730)	(15,752,389)
Payments to employees .....	—	(564,878)	(379,962)	(1,020,254)	(1,321,720)	(3,286,814)
<b>Net Cash Provided by (Used in) Operating Activities.....</b>	<b><u>2,929,945</u></b>	<b><u>1,911,625</u></b>	<b><u>1,885,749</u></b>	<b><u>(1,132,522)</u></b>	<b><u>1,363,736</u></b>	<b><u>6,958,533</u></b>
<b>Cash Flows From Noncapital Financing Activities</b>						
Noncapital federal and state grants .....	—	—	—	1,152,322	—	1,152,322
Net transfers.....	575,000	(87,500)	228,423	591,418	(53,880)	1,253,461
<b>Net Cash Provided by (Used in) Noncapital Financing Activities.....</b>	<b><u>575,000</u></b>	<b><u>(87,500)</u></b>	<b><u>228,423</u></b>	<b><u>1,743,740</u></b>	<b><u>(53,880)</u></b>	<b><u>2,405,783</u></b>
<b>Cash Flows From Capital and Related Financing Activities</b>						
Increase in due to other funds .....	785,906	—	—	—	—	785,906
Capital lease issuance costs .....	(580,978)	—	—	—	—	(580,978)
Proceeds from debt .....	38,298,065	843,425	—	—	445,986	39,587,476
Net received from trust .....	(8,825)	—	—	—	—	(8,825)
Purchase of capital assets.....	(777,512)	(2,065,201)	(60,314)	—	(744,022)	(3,647,049)
Repayment of debt .....	(39,420,000)	(613,000)	(998,000)	—	(958,000)	(41,989,000)
Payment of interest .....	(1,806,759)	(215,171)	(545,699)	—	(78,074)	(2,645,703)
<b>Net Cash Used in Capital and Related Financing Activities.....</b>	<b><u>(3,510,103)</u></b>	<b><u>(2,049,947)</u></b>	<b><u>(1,604,013)</u></b>	<b><u>—</u></b>	<b><u>(1,334,110)</u></b>	<b><u>(8,498,173)</u></b>
<b>Cash Flows From Investing Activities</b>						
Increase in due from other funds .....	—	(1,200,000)	(2,000,000)	(600,000)	(1,375,810)	(5,175,810)
Rent revenue.....	—	—	—	62,163	—	62,163
Interest received.....	5,158	2,236	9,990	—	(317)	17,067
<b>Net Cash Provided by (Used in) Investing Activities.....</b>	<b><u>5,158</u></b>	<b><u>(1,197,764)</u></b>	<b><u>(1,990,010)</u></b>	<b><u>(537,837)</u></b>	<b><u>(1,376,127)</u></b>	<b><u>(5,096,580)</u></b>
<b>Net Increase (Decrease) in Cash .....</b>	<b><u>—</u></b>	<b><u>(1,423,586)</u></b>	<b><u>(1,479,851)</u></b>	<b><u>73,381</u></b>	<b><u>(1,400,381)</u></b>	<b><u>(4,230,437)</u></b>
Cash and Pooled Investments at Beginning of Year.....	—	3,889,393	4,654,607	969,815	3,679,753	13,193,568
<b>Cash and Pooled Investments at End of Year.....</b>	<b><u>\$ —</u></b>	<b><u>\$ 2,465,807</u></b>	<b><u>\$ 3,174,756</u></b>	<b><u>\$ 1,043,196</u></b>	<b><u>\$ 2,279,372</u></b>	<b><u>\$ 8,963,131</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>						
Operating income (loss) .....	\$ 1,608,535	\$ 1,036,518	\$ 1,206,800	\$(1,589,149)	\$ 709,625	\$ 2,972,329
Adjustments to Reconcile Income (Loss) by (Used in) Operating Activities						
From Operations to Net Cash Provided						
Depreciation .....	1,395,034	900,086	664,389	456,419	564,839	3,980,767
(Increase) decrease in receivables .....	123,924	(45,202)	(26,493)	—	(19,711)	32,518
(Increase) decrease in inventories and prepaids .....	(3,998)	912	623	961	169	(1,333)
Decrease in pension-related deferred outflows.....	—	(42,071)	(28,300)	(77,383)	(73,769)	(221,523)
Increase (decrease) in accounts and retainages payable.....	(89,785)	37,243	50,507	20,510	116,134	134,609
Decrease in accrued liabilities and compensated absences.....	(103,765)	(19,920)	(11,510)	(24,920)	(30,952)	(191,067)
Increase in customer deposits .....	—	—	—	—	18,165	18,165
Increase (decrease) in net pension liability	—	71,106	195,774	130,726	159,613	557,219
Increase (decrease) in pension-related deferred inflows .....	—	(27,047)	(166,041)	(49,686)	(80,377)	(323,151)
<b>Net Cash Provided by (Used in) Operating Activities.....</b>	<b><u>\$ 2,929,945</u></b>	<b><u>\$ 1,911,625</u></b>	<b><u>\$ 1,885,749</u></b>	<b><u>\$ (1,132,522)</u></b>	<b><u>\$ 1,363,736</u></b>	<b><u>\$ 6,958,533</u></b>
<b>Schedule of Noncash Investing and Financing Activities</b>						
<b>Cash Paid for Capital Assets</b>						
Capital asset additions .....	\$ 777,512	\$ 2,084,401	\$ 60,314	\$ —	\$ 1,140,567	\$ 4,062,794
Net change in accounts payable.....	—	(19,200)	—	—	(396,545)	(415,745)
<b>Cash Paid for Capital Assets .....</b>	<b><u>\$ 777,512</u></b>	<b><u>\$ 2,065,201</u></b>	<b><u>\$ 60,314</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 744,022</u></b>	<b><u>\$ 3,647,049</u></b>
<b>Loss on Asset Disposal</b>						
Cash received .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Book value of assets disposed .....	—	—	18,184	32,105	33,839	84,128
<b>Loss on Asset Disposal .....</b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ (18,184)</u></b>	<b><u>\$ (32,105)</u></b>	<b><u>\$ (33,839)</u></b>	<b><u>\$ (84,128)</u></b>

See accompanying notes to the financial statements.

# Notes to the Financial Statements

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## **(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 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

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## (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 grant revenue and project expenses in connection with flood control projects.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

The City had the following major enterprise funds:

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

Sewer Fund - This fund accounts for the operation and maintenance of the City's sanitary sewage systems.

Parking Facilities and Operations - This fund accounts for the two parking ramps located in the Iowa River Landing area and the Town Center parking ramp.

Transit Fund - This fund accounts for the operation of the City public bus transportation system.

### 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.

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.

### **(1) Summary of Significant Accounting Policies**

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

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

#### **Budgets and Budgetary Accounting**

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The City amended its budget once during the year ended June 30, 2017.

The cash basis reports cash receipts and disbursements rather than revenue and expenditures/expenses. Receivables, payables, accruals and deferrals do not apply to the cash basis budget. The budgetary comparison and related disclosures are reported as required supplementary information.

The City follows these procedures in the adoption of or amendment of the annual budget:

1. Department supervisors submit preliminary budget requests during October. These requests are reviewed by the City Administrator and City Finance Officer, who present a proposed budget to the City Council. The City Council prepares a projected budget based on their recommendations.
2. The City Clerk provides the projected budget to interested citizens not later than February 20, and public hearings are conducted to obtain taxpayer comments.
3. Prior to March 15, the budget is legally enacted through passage of a resolution and is submitted to the County Auditor.
4. Amendments to the budget may be considered and reviewed throughout the fiscal year. Amendments are subject to council review and by justification to the City Administrator. The budget is formally amended by the City Council after the process of public hearings.

State law mandates that the control of the level of classification at which expenditures may not legally exceed appropriations is based upon ten major classes of disbursements, known as functions, not by fund or fund type. It is permissible, therefore, to overspend the budget within a particular fund so long as the expenditures within a function are not exceeded. The ten functions are Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, Business-Type Activities and Nonprogram. As of June 30, 2017, disbursements exceeded the budgeted amounts in Public Works, Health and Social Services, Capital Projects and Business-Type Activities functional areas.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### **Assets, Deferred Outflows of Resources, 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 a trust which was created with amounts borrowed to finance the hotel and conference center construction. The trust consists of cash, certificates of deposit and pooled cash investments, all of which are restricted for this project.

#### ***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.

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, 2015 assessed property valuations, is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March, 2016.

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.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

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 Prepays***

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

Prepays 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.

### ***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.



# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives.

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
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

### ***Deferred Outflows of Resources***

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

### ***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, 2017. 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.

### ***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## (1) Summary of Significant Accounting Policies

### ***Deferred Inflows of Resources***

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments

### ***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.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

### Estimates and Assumptions

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

## (2) Cash and Pooled Investments

The City's deposits as of June 30, 2017 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.

The City's cash and pooled investments as of June 30, 2017 were as follows:

Cash accounts.....	\$ 25,251,117
Pooled cash investments - Iowa Public Agency Investment Trust.....	1,225
Certificates of deposit .....	<u>283,469</u>
<b>Total .....</b>	<b><u>\$ 25,535,811</u></b>

The City uses the fair value hierarchy established by generally accepted accounting principles, based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

In addition, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which were valued at an amortized cost of \$1,225 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in IPAIT is unrated.

The City had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

## (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.

## Notes to the Financial Statements

### (3) Loans Receivable

The following is a summary of the loans as of June 30, 2017:

Year Entered Into	Balance July 1, 2016	Loans Made	Loans Forgiven	Balance June 30, 2017
2005	\$ 1,100,000	\$ —	\$ —	\$ 1,100,000
2006	1,019,190	—	—	1,019,190
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
2015	—	—	—	—
2016	—	—	—	—
2017	—	690,000	—	690,000
	<u>\$ 6,593,890</u>	<u>\$ 690,000</u>	<u>\$ —</u>	<u>\$ 7,283,890</u>

No interest income was recognized on these loans during the year ended June 30, 2017.

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. During 2017, the City Council approved forgiving \$23,638 of principal and \$5,562 of interest. The unpaid balance as of June 30, 2017 was \$86,251.

### (4) Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2017 is as follows:

Due From/To	Interfund Receivables	Interfund Payables
Special Revenue Funds		
Iowa River Landing Operations .....	\$ 648,886	\$ —
12th Avenue TIF .....	41,958	—
Mall/Highway 6 TIF Fund .....	881,237	—
Police Grants .....	—	9,162
Capital Projects Funds		
First Avenue Projects .....	651,292	—
Transit/Parks Facility .....	237,318	—
Animal Control Facility .....	36,779	—
Recreation Improvements .....	147,206	—
Land Use Project .....	341,822	—
Water Connection Camp Cardinal .....	36,538	—
Flood Mitigation .....	—	5,003,606
Street Projects .....	—	1,596,087
Iowa River Landing .....	—	100,424

## Notes to the Financial Statements

### (4) Interfund Receivables and Payables

Due From/To	Interfund Receivables	Interfund Payables
Capital Projects Funds		
Brownfields .....	\$ —	\$ 37,774
Coral Ridge Avenue .....	—	477,654
Coral Ridge Mall Area .....	—	1,014,668
Northridge Trails .....	—	18,997
12th Avenue Urban Renewal .....	—	41,958
North End Area Projects .....	—	76,800
Southeast Commercial Area .....	—	15,000
Proprietary Funds		
Sewer .....	1,200,000	—
Parking Facilities and Operations .....	2,000,000	—
Transit .....	600,000	—
Water .....	1,945,000	—
Solid Waste .....	300,000	—
Storm Water .....	110,000	—
Hotel and Conference Center .....	—	785,906
	<u>\$ 9,178,036</u>	<u>\$ 9,178,036</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 (including grant revenue), debt proceeds and transfers.

### (5) Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land .....	\$ 79,743,403	\$ 5,735,389	\$ 674,742	\$ 84,804,050
Construction in progress .....	<u>1,606,532</u>	<u>9,785,335</u>	<u>690,873</u>	<u>10,700,994</u>
Total Capital Assets Not Being Depreciated .....	<u>81,349,935</u>	<u>15,520,724</u>	<u>1,365,615</u>	<u>95,505,044</u>
Capital Assets Being Depreciated				
Land improvements .....	80,711,826	690,873	—	81,402,699
Buildings and improvements .....	71,939,776	1,553,612	3,472,805	70,020,583
Furniture and equipment .....	15,970,107	666,249	2,646,160	13,990,196
Vehicles .....	3,095,430	565,148	515,208	3,145,370
Road network .....	115,057,553	—	—	115,057,553
Bridge network .....	7,903,035	—	—	7,903,035
Parking ramps .....	<u>5,522,881</u>	<u>—</u>	<u>—</u>	<u>5,522,881</u>
Total Capital Assets Being Depreciated .....	<u>300,200,608</u>	<u>3,475,882</u>	<u>6,634,173</u>	<u>297,042,317</u>

## Notes to the Financial Statements

### (5) Capital Assets

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Less Accumulated Depreciation for				
Land improvements.....	\$ 7,799,166	\$ 1,686,384	\$ —	\$ 9,485,550
Buildings and improvements.....	14,924,614	1,746,477	337,693	16,333,398
Furniture and equipment.....	8,638,528	640,498	1,147,136	8,131,890
Vehicles.....	1,614,725	234,663	515,208	1,334,180
Road network.....	45,019,660	3,705,071	—	48,724,731
Bridge network.....	1,645,581	158,061	—	1,803,642
Parking ramps.....	1,049,351	110,458	—	1,159,809
Total Accumulated Depreciation ...	<u>80,691,625</u>	<u>8,281,612</u>	<u>2,000,037</u>	<u>86,973,200</u>
Net Capital Assets Being Depreciated..	<u>219,508,983</u>	<u>(4,805,730)</u>	<u>4,634,136</u>	<u>210,069,117</u>
<b>Net Governmental Activities</b>				
<b>Capital Assets</b> .....	<b><u>\$ 300,858,918</u></b>	<b><u>\$ 10,714,994</u></b>	<b><u>\$ 5,999,751</u></b>	<b><u>\$ 305,574,161</u></b>
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Land.....	\$ 3,068,759	\$ —	\$ —	\$ 3,068,759
Construction in progress.....	<u>1,708,539</u>	<u>3,207,618</u>	<u>—</u>	<u>4,916,157</u>
Total Capital Assets Not Being Depreciated.....	<u>4,777,298</u>	<u>3,207,618</u>	<u>—</u>	<u>7,984,916</u>
Capital Assets Being Depreciated				
Buildings and improvements.....	133,449,420	377,643	191,798	133,635,265
Furniture and equipment.....	27,790,273	434,566	430,532	27,794,307
Vehicles.....	<u>998,470</u>	<u>42,967</u>	<u>—</u>	<u>1,041,437</u>
Total Capital Assets Being Depreciated.....	<u>162,238,163</u>	<u>855,176</u>	<u>622,330</u>	<u>162,471,009</u>
Less Accumulated Depreciation for				
Buildings and improvements.....	33,542,292	3,190,060	189,025	36,543,327
Furniture and equipment.....	21,047,703	691,848	349,178	21,390,373
Vehicles.....	<u>431,557</u>	<u>98,859</u>	<u>—</u>	<u>530,416</u>
Total Accumulated Depreciation ...	<u>55,021,552</u>	<u>3,980,767</u>	<u>538,203</u>	<u>58,464,116</u>
Net Capital Assets Being Depreciated..	<u>107,216,611</u>	<u>(3,125,591)</u>	<u>84,127</u>	<u>104,006,893</u>
<b>Net Business-Type Activities</b>				
<b>Capital Assets</b> .....	<b><u>\$ 111,993,909</u></b>	<b><u>\$ 82,027</u></b>	<b><u>\$ 84,127</u></b>	<b><u>\$ 111,991,809</u></b>

Depreciation expense was charged to functions as follows for the year ended June 30, 2017:

Governmental Activities	
Public safety.....	\$ 420,215
Public works.....	187,455
Culture and recreation.....	1,351,378
Community and economic development.....	6,140,327
General government.....	<u>171,277</u>
	8,270,652
Unallocated depreciation.....	<u>10,960</u>
<b>Total Governmental Activities Depreciation Expense</b> .....	<b><u>\$ 8,281,612</u></b>

## Notes to the Financial Statements

### (5) Capital Assets

Business-Type Activities	
Hotel and conference center .....	\$ 1,395,034
Sewer.....	900,086
Parking facilities and operations.....	664,389
Water .....	448,138
Solid waste.....	116,701
Transit.....	456,419
<b>Total Business-Type Activities Depreciation Expense .....</b>	<b><u>\$ 3,980,767</u></b>

### (6) Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2017:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Amount Due in the Next Year	Range of Interest Rates
<b>Governmental Activities</b>						
General obligation						
bonds .....	\$ 170,158,543	\$ 90,510,745	\$ 70,905,336	\$ 189,763,952	\$ 6,915,000	2.00%-6.875%
Tax increment						
revenue bonds .....	38,710,226	6,343,090	32,642,901	12,410,415	289,474	4.50%-5.000%
Other long-term debt	2,982,377	—	600,976	2,381,401	472,911	2.65%-4.500%
Compensated						
absences.....	924,560	913,065	924,560	913,065	913,065	N/A
Net pension liability ..	3,617,481	1,598,307	—	5,215,788	—	N/A
<b>Totals.....</b>	<b><u>\$ 216,393,187</u></b>	<b><u>\$ 99,365,207</u></b>	<b><u>\$ 105,073,773</u></b>	<b><u>\$ 210,684,621</u></b>	<b><u>\$ 8,590,450</u></b>	
<b>Business-Type Activities</b>						
Revenue bonds .....	\$ 30,495,182	\$ 1,289,411	\$ 2,569,000	\$ 29,215,593	\$ 1,718,000	0.00%-5.000%
Capital leases.....	40,053,300	38,298,065	40,139,703	38,211,662	—	4.000%
Compensated						
absences.....	209,064	200,258	209,064	200,258	200,258	N/A
Net pension liability ..	1,513,375	412,684	—	1,926,059	—	N/A
<b>Totals.....</b>	<b><u>\$ 72,270,921</u></b>	<b><u>\$ 40,200,418</u></b>	<b><u>\$ 42,917,767</u></b>	<b><u>\$ 69,553,572</u></b>	<b><u>\$ 1,918,258</u></b>	

### 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. For annual appropriation debt, and in accordance with the Code of Iowa, only that portion which has been appropriated by the City Council is included in the computation of the statutory debt limit.

## Notes to the Financial Statements

### (6) Long-Term Debt

As of June 30, 2017, there were 25 outstanding general obligation bonds/notes outstanding with interest rates ranging from 2% to 6.875%, with annual principal and interest payments due through June, 2037.

#### ***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, 2017, there were two outstanding tax increment revenue bonds/notes outstanding with interest rates ranging from 4.50% to 5.00%, with annual principal and interest payments due through June, 2047.

### Other Long-Term Debt

#### ***Land Purchase Contracts***

The City has entered into agreements to purchase land for recreation space and future development. The agreements include interest at rates ranging from 2.65% to 4.50%. Total principal and interest paid during the year ended June 30, 2017 totaled \$600,975 and \$88,908, respectively.

As of June 30, 2017, annual maturities of the land purchase contracts are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018.....	\$ 472,911	\$ 69,956	\$ 542,867
2019.....	1,599,165	55,548	1,654,713
2020.....	91,921	11,819	103,740
2021.....	186,628	9,791	196,419
2022.....	13,169	1,029	14,198
Later years.....	17,607	532	18,139
<b>Total .....</b>	<b><u>\$ 2,381,401</u></b>	<b><u>\$ 148,675</u></b>	<b><u>\$ 2,530,076</u></b>



## Notes to the Financial Statements

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### (6) Long-Term Debt

#### Business-Type Activities

As of June 30, 2017, 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	4.00%	June, 2036
Sewer	6	0.00% to 3.00%	June, 2034
Iowa River Landing Parking	1	2.95% to 5.00%	June, 2031
Water	3	0.00% to 3.02%	June, 2028
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 \$2,027,720. Principal and interest due in the next year and total customer net revenue (operating income plus depreciation) for 2017 was \$31,710 and \$999,191, respectively.

The City has pledged future sewer customer revenue, net of specified operating expenses, to repay sewer revenue notes. Proceeds from the notes provided financing for the construction of improvements to the sewer plant. The notes are payable solely from sewer customer net revenue and are payable through 2031. Net revenue is required to be at least 110% of the current year debt service. The total principal and interest remaining to be paid on the notes is \$10,579,222. For the current year, principal and interest paid and total customer net revenue (operating income plus depreciation) was \$851,620 and \$1,936,604, 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 City did not meet this requirement. The total principal and interest remaining to be paid on the notes is \$1,269,362. For the current year, principal and interest paid and total customer net revenue (operating income plus depreciation and certain expenditures) was \$78,230 and \$150,451, respectively.

## Notes to the Financial Statements

### (6) Long-Term Debt

#### **Capital Lease Obligation**

**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 proceeds 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 original Certificates of Participation were issued during the year ended June 30, 2007 at a premium of \$1,206,283. Those additional proceeds were used for the project.

During the year ended June 30, 2017, the City refunded the debt through a new issuance of \$36,570,000 of Certificates of Participation by Bankers Trust. The City received a premium of \$1,728,065 upon the issuance of the new debt. The existing debt of \$39,420,000 was retired using the proceeds of the new debt, the premium and cash held in reserves from the original issue. In connection with the refinancing, the unamortized premium of \$633,300 from the 2007 issuance has been recorded as a gain on the refunding and the premium from this 2017 issuance has been capitalized and will be amortized over the term of the new Certificates. The new Certificates bear interest at 4% compared to 5.25% on the 2007 Certificates.

During the year ended June 30, 2017, interest paid totaled \$1,797,259.

As of June 30, 2017, future minimum lease payments on the capital lease obligation are as follows:

<b>Year Ending June 30,</b>	
2018.....	\$ 1,412,925
2019.....	2,842,925
2020.....	2,840,725
2021.....	2,841,325
2022.....	2,839,525
2023-2027.....	14,201,625
2028-2032.....	14,201,625
2033-2036.....	<u>11,368,050</u>
Total Minimum Lease Payments .....	52,548,725
Less amount representing interest .....	(15,978,725)
Plus unamortized original issue premium .....	<u>1,641,662</u>
<b>Present Value of Net Minimum Lease Payments .....</b>	<b><u>\$ 38,211,662</u></b>

#### **Adjustable Rate Debt**

During the year ended June 30, 2016, the City issued a bond which is being repaid with TIF revenue and rent income generated from the property purchased with the debt. The agreement contains an adjustable interest rate initially set at 5.00% which will reset on April 15, 2021, 2026 and 2031 to be equal to the rate on United States Treasury Notes adjusted to a constant maturity of five years (as identified in the Federal Reserve Bank weekly release H.15 during the week of such interest rate adjustment) plus 3.25%.

## Notes to the Financial Statements

### (6) Long-Term Debt

During the year ended June 30, 2013, the City issued Parking Revenue Bonds with an adjustable 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%.

#### Debt Service Requirements

Annual debt service requirements to maturity for general obligation bonds, tax increment revenue bonds, special assessment bonds and revenue bonds as of June 30, 2017 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		
2018 .....	\$ 6,915,000	\$ 7,649,406	\$ 289,474	\$ 543,938	\$ 1,718,000	\$ 786,529	\$ 8,922,474	\$ 8,979,873
2019 .....	5,410,000	7,538,469	289,474	553,026	3,868,926	739,207	9,568,400	8,830,702
2020 .....	10,405,000	7,386,275	289,474	538,553	2,237,667	690,343	12,932,141	8,615,171
2021 .....	6,905,000	7,055,084	289,474	524,079	1,966,000	707,317	9,160,474	8,286,480
2022 .....	6,370,000	6,838,554	289,474	495,132	1,816,000	584,171	8,475,474	7,917,857
2023-2027 ...	34,614,000	30,437,316	1,447,370	2,258,552	9,243,000	3,091,076	45,304,370	35,786,944
2028-2032 ...	42,988,000	23,664,314	1,447,370	1,896,710	7,877,000	990,219	52,312,370	26,551,243
2033-2037 ...	77,050,000	12,693,888	1,157,890	1,563,815	489,000	25,463	78,696,890	14,283,166
2038-2042 ...	—	—	1,500,000	1,440,000	—	—	1,500,000	1,440,000
2043-2047 ...	—	—	5,000,000	675,000	—	—	5,000,000	675,000
	190,657,000	103,263,306	12,000,000	10,488,805	29,215,593	7,614,325	231,872,593	121,366,436
Net unamor- tized bond premium (discount)....	(893,048)	—	410,415	—	—	—	(482,633)	—
<b>Net .....</b>	<b><u>\$189,763,952</u></b>	<b><u>\$103,263,306</u></b>	<b><u>\$12,410,415</u></b>	<b><u>\$10,488,805</u></b>	<b><u>\$29,215,593</u></b>	<b><u>\$7,614,325</u></b>	<b><u>\$231,389,960</u></b>	<b><u>\$121,366,436</u></b>

Interest expense and other charges recorded in governmental fund types totaled \$9.1 million for the year ended June 30, 2017. Interest expense recorded in proprietary fund types totaled \$2.5 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, 2017, the City was in compliance with these covenants, in all material respects.

### (7) Retirement System

#### Plan Description

IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

### **(7) Retirement System**

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

#### **Pension Benefits**

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July, 1990 receive a guaranteed dividend with their regular November benefit payments.

#### **Disability and Death Benefits**

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

## Notes to the Financial Statements

### (7) Retirement System

#### Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to one percentage point. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%. Protective occupation members contributed 6.56% of covered payroll and the City contributed 9.84% for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2017 were \$1,056,567.

#### Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the City reported a liability of \$7,141,847 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. As of June 30, 2016, the City's proportion was 0.113483% which was an increase of 0.009630% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$1,113,837. As of June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience .....	\$ 61,689	\$ 137,677
Changes of assumptions .....	106,492	710
Net difference between projected and actual earnings on IPERS' investments .....	1,375,115	—
Changes in proportion and differences between City contributions and proportionate share of contributions .....	189,539	3,930
City contributions subsequent to the measurement date .....	1,056,567	—
<b>Total</b> .....	<b><u>\$ 2,789,402</u></b>	<b><u>\$ 142,317</u></b>

\$1,056,567 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## Notes to the Financial Statements

### (7) Retirement System

Year Ending June 30,	
2018 .....	\$ 211,472
2019 .....	211,472
2020 .....	744,995
2021 .....	424,192
2022 .....	(1,613)
<b>Total</b> .....	<b><u>\$ 1,590,518</u></b>

There were no nonemployer contributing entities at IPERS.

#### Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3% per annum.
Salary increases (effective June 30, 2010)	4% to 17%, average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4% per annum, based on 3% inflation assumption and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	1.90%
Domestic Equity	24	5.85
International Equity	16	6.32
Private Equity/Debt	11	10.31
Real Estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(0.26)
<b>Total</b>	<b><u>100%</u></b>	

**(7) Retirement System**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
City's proportionate share of the net pension liability	\$12,879,011	\$7,141,847	\$2,301,313

**IPERS' Plan Fiduciary Net Position**

Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to IPERS**

All legally required City contributions and legally required employee contributions which had been withheld from employee wages were remitted by the City to IPERS by June 30, 2017.

**(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 150 active and 5 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.

## Notes to the Financial Statements

### (8) Other Postemployment Benefits (OPEB)

#### 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, 2017, the amount actually contributed to the plan and changes in the City's net OPEB obligation based upon the January 1, 2015 actuarial report:

Annual required contribution.....	\$ 47,223
Interest on net OPEB obligation.....	8,834
Adjustment to annual required contribution.....	<u>(12,052)</u>
Annual OPEB Cost .....	44,005
Contributions made .....	<u>(30,794)</u>
Increase in Net OPEB Obligation .....	13,211
Net OPEB Obligation - Beginning of Year.....	<u>215,241</u>
Net OPEB Obligation - End of Year .....	<u><b>\$ 228,452</b></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, 2015, the date of the most recent valuation report.

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, 2017 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 44,383	48.1%	\$ 196,311
2016	44,383	56.5	215,241
2017	44,005	70.0	228,452

#### Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$405,037 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$405,037. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8.5 million and the ratio of the UAAL to covered payroll was 4.7%. As of June 30, 2017, there were no trust fund assets.



## Notes to the Financial Statements

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### (8) Other Postemployment Benefits (OPEB)

#### 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, 2015 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 5%. The general inflation rate is projected to be 3%.

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

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

### (9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer From	Amount
General	Special Revenue	
	Mall/Highway 6 TIF	\$ 352,274
	Nonmajor Governmental Funds	2,067,977
	Capital Projects	
	Nonmajor Governmental Funds	72,500
	Permanent Funds	
	Cemetery	17,717
	Proprietary	
	Hotel and Conference Center	25,000
	Sewer	87,500
	Parking Facilities and Operations	3,500
	Nonmajor Proprietary	<u>135,000</u>
		<u>2,761,468</u>

## Notes to the Financial Statements

### (9) Interfund Transfers

Transfer to	Transfer From	Amount
Mall/Highway 6 TIF	Special Revenue	
	Nonmajor Governmental Funds	\$ 231,208
	General Obligation Debt Service	<u>19,393,735</u>
		<u>19,624,943</u>
General Obligation Debt Service	General	1,016,288
	Special Revenue	
	Mall/Highway 6 TIF	8,119,352
	Nonmajor Governmental Funds	3,246,766
	Capital Projects	
	Flood Mitigation	<u>460,950</u>
		<u>12,843,356</u>
Nonmajor Special Revenue	General Obligation Debt Service	<u>200,000</u>
Nonmajor Capital Projects	General	80,000
	Special Revenue	
	Mall/Highway 6 TIF	505,000
	General Obligation Debt Service	<u>8,914,473</u>
		<u>9,499,473</u>
Hotel and Conference Center	Special Revenue	
	Mall/Highway 6 TIF	<u>600,000</u>
Parking Facilities and Operations	Special Revenue	
	Nonmajor Governmental Funds	<u>231,923</u>
Transit	General	<u>591,418</u>
Nonmajor Proprietary		
Storm Water	Special Revenue	
	Mall/Highway 6 TIF	81,120
<b>Total</b>		<b><u>\$ 46,433,701</u></b>

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. Further, certain transfers during 2017 were made to resolve funds with negative fund balances and to close some capital projects funds where the project had been completed.

### (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, 2017:

Special Revenue		
Police Grants .....	\$	9,162
Rental Properties .....		493

## Notes to the Financial Statements

### (10) Deficit Balances

Capital Projects	
Flood Mitigation.....	\$ 5,792,218
Street Projects .....	1,596,466
Iowa River Landing .....	655,964
Coral Ridge Avenue.....	556,618
Coral Ridge Mall Area.....	1,015,327
Northridge Trails .....	55,132
12th Avenue Urban Renewal .....	42,617
North End Area Projects .....	76,879
Brownfields .....	48,128
Southeast Commercial Area .....	15,000
Proprietary	
Storm Water.....	783,715

### (11) Operating Lease

The City is leasing golf carts and two beverage carts under an operating lease requiring annual payments totaling \$45,499. The City is also leasing GPS units for use at the golf course. That lease requires payments totaling \$11,712 per year. The expense for this lease is recorded in the General Fund.

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

<b>Year Ending June 30,</b>	
2018 .....	\$ 57,211
2019 .....	8,113
	<u>\$ 65,324</u>

### (12) Leasing Activities

The City owned a building which was outfitted to operate as a brewery. The building and equipment were 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. During 2016, the lease was amended to reduce the monthly rental payment in exchange for the lessee agreeing to purchase the property before January 31, 2017. No rent income was recognized during the year ended June 30, 2017; however, the City received \$111,665 in common area maintenance fees and payments in lieu of taxes. The City sold the building and equipment to the lessee for \$3,800,000 of which \$3,050,000 was received in cash prior to June 30, 2017 and the balance of \$750,000 is due during the year ending June 30, 2018. At the time of the sale, the net book value of the assets was \$4,623,979 which resulted in the City recognizing an \$823,979 loss on the sale of the building and equipment.

The City owns retail space in four buildings located in the Iowa River Landing area. The City has also completed improvements to certain spaces within the buildings or paid allowances for improvements made by tenants. These retail spaces are generally leased to tenants at fixed monthly rates with additional rents due for some leases upon the tenant reaching certain levels of sales. Total rent income earned from these leases was \$413,277 for the year ended June 30, 2017.

## Notes to the Financial Statements

### (12) Leasing Activities

In connection with its ownership of the retail space in the Iowa River Landing area, the City provides certain common area maintenance to businesses located adjacent to the City's property. In exchange, the businesses have agreed to pay a fee for this service. Total common area maintenance fees and payments in lieu of taxes earned from these businesses during the year ended June 30, 2017 was \$530,737.

The City also owns real estate which it is leasing to businesses until such time as the City either needs the land for development or decides ownership is no longer beneficial to the City. Total rent income from these leases totaled \$470,383 for the year ended June 30, 2017.

The following is an analysis of the leased property as of June 30, 2017:

Class of Property	Asset Balance
<b>Iowa River Landing Retail Space</b>	
Buildings and improvements.....	\$ 15,378,365
Less accumulated depreciation .....	<u>757,055</u>
<b>Total</b> .....	<b><u>\$ 14,621,310</u></b>

The following is a schedule by years of future minimum rentals to be received under the operating leases.

Year Ending June 30,	
2018 .....	\$ 789,476
2019 .....	597,219
2020 .....	448,114
2021 .....	407,471
2022 .....	<u>654,766</u>
<b>Total Minimum Rentals</b> .....	<b><u>\$ 2,897,046</u></b>

### (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 the state and federal government. The remainder is generally funded through the proceeds of debt issues. As of June 30, 2017, the City was committed to approximately \$15 million of construction contracts and agreements to purchase capital assets.

#### Economic Development

The City has made commitments to provide economic development loans totaling \$575,000 to a local business.

### **(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 753 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 casualty 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 basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property 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.

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, 2017, the City made payments of approximately \$634,000 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 \$500,000 per claim. Claims exceeding \$500,000 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 \$250,000 each occurrence, each location. Property risks exceeding \$250,000 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.

### **(15) Risk Management**

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, 2017, no liability has been recorded in the City's financial statements. As of June 30, 2017, 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.

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, 2017 were approximately \$190,000.

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

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

## Notes to the Financial Statements

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### **(16) Subsequent Events**

Management has evaluated subsequent events through January 9, 2018, the date which the financial statements were available to be issued.

Subsequent events included the following:

#### **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 \$8 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.

### **(19) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenue that results from an agreement between one or more governments and an individual entity in which (a) one or more governments promise to forgo tax revenue to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

#### **City Tax Abatements**

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated approximately \$1,050,000 of property tax under the urban renewal and economic development projects.

### **(20) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the statement of net position is expected to include a significant liability for the government's other postemployment benefits.



**Required Supplementary Information**

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# 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, 2017

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Govern- mental Fund Types	Proprietary Funds	Total	
<b>Receipts</b>						
Property tax .....	\$ 13,717,818	\$ 13,717,818	\$ 13,503,508	\$ —	\$ 13,503,508	\$ (214,310)
Tax increment						
financing .....	20,043,923	20,043,923	19,734,389	—	19,734,389	(309,534)
Other city taxes .....	3,025,945	3,025,945	3,548,623	—	3,548,623	522,678
Licenses and permits .....	810,050	810,050	1,139,162	—	1,139,162	329,112
Use of money and						
property .....	248,580	248,580	1,896,277	—	1,896,277	1,647,697
Intergovernmental .....	9,939,289	9,939,289	7,936,063	3,861,796	11,797,859	1,858,570
Charges for service .....	32,157,298	32,157,298	3,098,772	23,349,631	26,448,403	(5,708,895)
Special assessments .....	—	—	32,189	—	32,189	32,189
Miscellaneous .....	557,420	557,420	3,580,894	—	3,580,894	3,023,474
<b>Total Receipts .....</b>	<b>80,500,323</b>	<b>80,500,323</b>	<b>54,469,877</b>	<b>27,211,427</b>	<b>81,681,304</b>	<b>1,180,981</b>
<b>Disbursements</b>						
Public safety .....	5,555,401	6,837,417	5,633,441	—	5,633,441	(1,203,976)
Public works .....	1,623,051	2,097,763	2,112,326	—	2,112,326	14,563
Health and social						
services .....	119,320	123,120	126,870	—	126,870	3,750
Culture and recreation .....	7,540,105	12,038,904	10,524,128	—	10,524,128	(1,514,776)
Community and						
economic development	174,975	4,823,773	4,609,458	—	4,609,458	(214,315)
General government .....	4,090,656	5,034,654	3,047,533	—	3,047,533	(1,987,121)
Debt service .....	23,538,565	113,538,565	112,376,168	—	112,376,168	(1,162,397)
Capital projects .....	10,000,000	19,415,406	22,543,841	—	22,543,841	3,128,435
Business-type activities .....	25,083,907	60,976,278	—	66,301,656	66,301,656	5,325,378
<b>Total Disbursements .....</b>	<b>77,725,980</b>	<b>224,885,880</b>	<b>160,973,765</b>	<b>66,301,656</b>	<b>227,275,421</b>	<b>2,389,541</b>
<b>Receipts Over (Under)</b>						
<b>Disbursements .....</b>	<b>2,774,343</b>	<b>(144,385,557)</b>	<b>(106,503,888)</b>	<b>(39,090,229)</b>	<b>(145,594,117)</b>	<b>(1,208,560)</b>
<b>Other Financing</b>						
<b>Sources (Uses) .....</b>	<b>31,396,688</b>	<b>175,704,466</b>	<b>147,059,767</b>	<b>41,092,392</b>	<b>188,152,159</b>	<b>12,447,693</b>
Other financing sources .....	(29,396,688)	(29,396,688)	(46,725,222)	(1,540,411)	(48,265,633)	(18,868,945)
Other financing uses .....						
<b>Total Other Financing</b>						
<b>Sources (Uses) .....</b>	<b>2,000,000</b>	<b>146,307,778</b>	<b>100,334,545</b>	<b>39,551,981</b>	<b>139,886,526</b>	<b>(6,421,252)</b>
<b>Receipts and Other</b>						
<b>Financing Sources</b>						
<b>Over (Under) Disburse-</b>						
<b>ments and Other</b>						
<b>Financing Uses .....</b>	<b>4,774,343</b>	<b>1,922,221</b>	<b>(6,169,343)</b>	<b>461,752</b>	<b>(5,707,591)</b>	<b>\$ (7,629,812)</b>
Balance - Beginning						
of Year .....	35,243,934	35,243,934	17,122,773	19,350,349	36,473,122	
<b>Balance - End of Year .....</b>	<b>\$ 40,018,277</b>	<b>\$ 37,166,155</b>	<b>\$ 10,953,430</b>	<b>\$ 19,812,101</b>	<b>\$ 30,765,531</b>	

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 - Budget to GAAP Reconciliation ▬▬▬

Year Ended June 30, 2017

	<b>Governmental Fund Types</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>GAAP Basis</b>
Revenue.....	\$ 54,469,877	\$ (1,956,212)	\$ 52,513,665
Expenditures .....	<u>160,973,765</u>	<u>(63,654,015)</u>	<u>97,319,750</u>
Net.....	(106,503,888)	61,697,803	(44,806,085)
Other financing sources (uses).....	100,334,545	(60,509,640)	39,824,905
Beginning fund balances .....	<u>17,122,773</u>	<u>5,385,277</u>	<u>22,508,050</u>
<b>Ending Fund Balances.....</b>	<b><u>\$ 10,953,430</u></b>	<b><u>\$ 6,573,440</u></b>	<b><u>\$ 17,526,870</u></b>

	<b>Proprietary Fund Types</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>GAAP Basis</b>
Revenue.....	\$ 27,211,427	\$ 211,549	\$ 27,422,976
Expenditures .....	<u>66,301,656</u>	<u>(40,157,806)</u>	<u>26,143,850</u>
Net.....	(39,090,229)	40,369,355	1,279,126
Other financing sources (uses).....	39,551,981	(38,298,520)	1,253,461
Beginning fund balances .....	<u>19,350,349</u>	<u>41,368,653</u>	<u>60,719,002</u>
<b>Ending Fund Balances.....</b>	<b><u>\$ 19,812,101</u></b>	<b><u>\$ 43,439,488</u></b>	<b><u>\$ 63,251,589</u></b>

## Notes to Required Supplementary Information - Budgetary Reporting

Year Ended June 30, 2017

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 amended the budget once.

During the year ended June 30, 2017, disbursements in Public Works, Health and Social Services, Capital Projects and Business-Type Activities functional areas exceeded the budgeted amount.

# Schedule of Proportionate Share of the Net Pension Liability ————— Iowa Public Employees' Retirement System

Last Three Years\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability.....	0.113483%	0.103853%	0.0948%
City's proportionate share of the net pension liability	\$7,141,847	\$5,130,856	\$3,759,774
City's covered-employee payroll.....	\$11,954,000	\$10,523,819	\$10,137,660
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll .	59.74%	48.75%	37.09%
Plan fiduciary net position as a percentage of the total pension liability .....	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

**Schedule of Contributions**  
**Iowa Public Employees' Retirement System**

Last Ten Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution .....	\$ 1,056,567	\$ 972,898	\$ 939,777	\$ 905,293	\$ 851,288	\$ 752,572	\$ 639,649	\$ 578,085	\$ 527,213	\$ 474,589
Contributions in relation to the statutorily required contributions.....	<u>(1,056,567)</u>	<u>(972,898)</u>	<u>(939,777)</u>	<u>(905,293)</u>	<u>(851,288)</u>	<u>(752,572)</u>	<u>(639,649)</u>	<u>(578,085)</u>	<u>(527,213)</u>	<u>(474,589)</u>
Contribution Deficiency (Excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered-employee payroll .....	\$ 11,538,408	\$ 11,954,000	\$ 10,523,819	\$ 10,137,660	\$ 9,818,777	\$ 9,337,122	\$ 9,203,583	\$ 8,693,008	\$ 8,302,567	\$ 7,844,446
Contributions as a percentage of covered-employee payroll .....	9.16%	8.14%	8.93%	8.93%	8.67%	8.06%	6.95%	6.65%	6.35%	6.05%

## Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2017

### Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

### Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the unfunded actuarial liability (UAL) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

## 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	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
2015	7-1-14	—	405,037	405,037	—	8,500,000	4.7
2016	7-1-14	—	405,037	405,037	—	8,500,000 (est)	4.7
2017	7-1-14	—	405,037	405,037	—	8,500,000 (est)	4.7

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**

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# Combining Balance Sheet Schedule - Nonmajor Governmental Funds

As of June 30, 2017

	Special Revenue	Capital Projects	Permanent - Cemetery Perpetual Care	Total
<b>Assets</b>				
Cash and pooled investments .....	\$ 2,664,744	\$ —	\$ 89,434	\$ 2,754,178
Receivables				
Property Tax				
Current year delinquent .....	14,955	—	—	14,955
Succeeding year.....	6,268,031	—	—	6,268,031
Loans.....	3,804,690	—	—	3,804,690
Due from other funds .....	690,844	1,450,955	—	2,141,799
Due from other governments.....	244,955	1,782,478	—	2,027,433
Special assessments .....	140,103	—	—	140,103
Inventories and prepaids .....	25,488	—	—	25,488
Restricted Assets				
Cash and pooled investments .....	<u>586,425</u>	<u>—</u>	<u>—</u>	<u>586,425</u>
<b>Total Assets .....</b>	<b><u>\$ 14,440,235</u></b>	<b><u>\$ 3,233,433</u></b>	<b><u>\$ 89,434</u></b>	<b><u>\$ 17,763,102</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable .....	\$ 128,741	\$ 1,179,597	\$ —	\$ 1,308,338
Accrued liabilities.....	210	—	—	210
Due to other funds.....	<u>9,162</u>	<u>3,379,362</u>	<u>—</u>	<u>3,388,524</u>
<b>Total Liabilities .....</b>	<b><u>138,113</u></b>	<b><u>4,558,959</u></b>	<b><u>—</u></b>	<b><u>4,697,072</u></b>
<b>Deferred Inflows of Resources</b>				
Succeeding years property tax .....	6,268,031	—	—	6,268,031
Special assessments.....	135,591	—	—	135,591
Other .....	<u>—</u>	<u>1,782,478</u>	<u>—</u>	<u>1,782,478</u>
<b>Total Deferred Inflows     of Resources.....</b>	<b><u>6,403,622</u></b>	<b><u>1,782,478</u></b>	<b><u>—</u></b>	<b><u>8,186,100</u></b>
<b>Fund Balances</b>				
Nonspendable .....	340,488	—	—	340,488
Restricted				
Debt service .....	4,106,002	—	—	4,106,002
Expendable trust.....	761,366	—	—	761,366
Road use purposes.....	1,861,757	—	—	1,861,757
Employee benefits .....	4,024	—	—	4,024
Special assessments .....	36,701	—	—	36,701
Committed for capital asset acquisition	—	—	89,434	89,434
Unassigned .....	<u>788,162</u>	<u>(3,108,004)</u>	<u>—</u>	<u>(2,319,842)</u>
<b>Total Fund Balances.....</b>	<b><u>7,898,500</u></b>	<b><u>(3,108,004)</u></b>	<b><u>89,434</u></b>	<b><u>4,879,930</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 14,440,235</u></b>	<b><u>\$ 3,233,433</u></b>	<b><u>\$ 89,434</u></b>	<b><u>\$ 17,763,102</u></b>

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

Year Ended June 30, 2017

	Special Revenue	Capital Projects	Permanent - Cemetery Perpetual Care	Total
<b>Revenue</b>				
Property tax.....	\$ 2,145,989	\$ —	\$ —	\$ 2,145,989
TIF and other city taxes .....	4,305,686	—	—	4,305,686
Special assessments.....	32,188	—	—	32,188
Use of money and property .....	1,500,827	—	—	1,500,827
Intergovernmental .....	2,437,364	394,572	—	2,831,936
Charges for service .....	112,149	70,386	—	182,535
Miscellaneous.....	<u>231,026</u>	<u>—</u>	<u>3,175</u>	<u>234,201</u>
<b>Total Revenue.....</b>	<b><u>10,765,229</u></b>	<b><u>464,958</u></b>	<b><u>3,175</u></b>	<b><u>11,233,362</u></b>
<b>Expenditures</b>				
Operating				
Public safety .....	30,362	—	—	30,362
Public works.....	2,110,072	—	—	2,110,072
Culture and recreation.....	275,023	—	—	275,023
Community and economic development.....	1,886,989	—	—	1,886,989
Capital projects.....	<u>—</u>	<u>12,219,513</u>	<u>—</u>	<u>12,219,513</u>
<b>Total Expenditures .....</b>	<b><u>4,302,446</u></b>	<b><u>12,219,513</u></b>	<b><u>—</u></b>	<b><u>16,521,959</u></b>
<b>Revenue Over (Under) Expenditures</b>	<b><u>6,462,783</u></b>	<b><u>(11,754,555)</u></b>	<b><u>3,175</u></b>	<b><u>(5,288,597)</u></b>
<b>Other Financing Sources (Uses)</b>				
Transfers in .....	200,000	9,499,473	—	9,699,473
Transfers out .....	<u>(5,777,874)</u>	<u>(72,500)</u>	<u>(17,717)</u>	<u>(5,868,091)</u>
<b>Total Other Financing Sources (Uses) .....</b>	<b><u>(5,577,874)</u></b>	<b><u>9,426,973</u></b>	<b><u>(17,717)</u></b>	<b><u>3,831,382</u></b>
<b>Net Change in Fund Balances .....</b>	<b>884,909</b>	<b>(2,327,582)</b>	<b>(14,542)</b>	<b>(1,457,215)</b>
Fund Balances - Beginning of Year ..	<u>7,013,591</u>	<u>(780,422)</u>	<u>103,976</u>	<u>6,337,145</u>
<b>Fund Balances - End of Year .....</b>	<b><u>\$ 7,898,500</u></b>	<b><u>\$ (3,108,004)</u></b>	<b><u>\$ 89,434</u></b>	<b><u>\$ 4,879,930</u></b>

# Combining Balance Sheet Schedule - Nonmajor Special Revenue Funds

As of June 30, 2017

	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
<b>Assets</b>											
Cash and pooled investments .....	\$ —	\$ —	\$ 766,625	\$ 225,893	\$ —	\$ 1,640,037	\$ —	\$ —	\$ —	\$ 32,189	\$ 2,664,744
Receivables											
Property Tax											
Current year delinquent.....	10,931	—	—	—	—	—	4,024	—	—	—	14,955
Succeeding year .....	1,824,503	2,363,753	—	—	—	—	2,079,775	—	—	—	6,268,031
Loans .....	—	3,489,690	—	—	—	—	—	—	315,000	—	3,804,690
Due from other funds .....	41,958	—	—	648,886	—	—	—	—	—	—	690,844
Special assessments .....	—	—	—	—	—	—	—	—	—	140,103	140,103
Due from other governments.....	—	—	—	—	—	244,955	—	—	—	—	244,955
Inventories and prepaids .....	—	—	120	6,465	—	18,903	—	—	—	—	25,488
Restricted Assets											
Cash and cash equivalents .....	404,866	181,559	—	—	—	—	—	—	—	—	586,425
<b>Total Assets .....</b>	<b>\$ 2,282,258</b>	<b>\$ 6,035,002</b>	<b>\$ 766,745</b>	<b>\$ 881,244</b>	<b>\$ —</b>	<b>\$ 1,903,895</b>	<b>\$ 2,083,799</b>	<b>\$ —</b>	<b>\$ 315,000</b>	<b>\$ 172,292</b>	<b>\$ 14,440,235</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>											
<b>Liabilities</b>											
Accounts payable .....	\$ 20,002	\$ 3,000	\$ 5,379	\$ 57,939	\$ —	\$ 41,928	\$ —	\$ 493	\$ —	\$ —	\$ 128,741
Accrued liabilities.....	—	—	—	—	—	210	—	—	—	—	210
Due to other funds.....	—	—	—	—	9,162	—	—	—	—	—	9,162
<b>Total Liabilities .....</b>	<b>20,002</b>	<b>3,000</b>	<b>5,379</b>	<b>57,939</b>	<b>9,162</b>	<b>42,138</b>	<b>—</b>	<b>493</b>	<b>—</b>	<b>—</b>	<b>138,113</b>
<b>Deferred Inflows of Resources</b>											
Unavailable Revenue											
Succeeding year property tax.....	1,824,503	2,363,753	—	—	—	—	2,079,775	—	—	—	6,268,031
Other.....	—	—	—	—	—	—	—	—	—	135,591	135,591
<b>Total Deferred Inflows of Resources .....</b>	<b>1,824,503</b>	<b>2,363,753</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,079,775</b>	<b>—</b>	<b>—</b>	<b>135,591</b>	<b>6,403,622</b>
<b>Fund Balances</b>											
Nonspendable .....	—	—	120	6,465	—	18,903	—	—	315,000	—	340,488
Restricted .....	437,753	3,668,249	761,246	816,840	(9,162)	1,842,854	4,024	(493)	—	36,701	7,558,012
<b>Total Fund Balances .....</b>	<b>437,753</b>	<b>3,668,249</b>	<b>761,366</b>	<b>823,305</b>	<b>(9,162)</b>	<b>1,861,757</b>	<b>4,024</b>	<b>(493)</b>	<b>315,000</b>	<b>36,701</b>	<b>7,898,500</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances .....</b>	<b>\$ 2,282,258</b>	<b>\$ 6,035,002</b>	<b>\$ 766,745</b>	<b>\$ 881,244</b>	<b>\$ —</b>	<b>\$ 1,903,895</b>	<b>\$ 2,083,799</b>	<b>\$ —</b>	<b>\$ 315,000</b>	<b>\$ 172,292</b>	<b>\$ 14,440,235</b>

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

Year Ended June 30, 2017

	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
<b>Revenue</b>											
Property tax.....	\$ 76,352	\$ 167,973	\$ —	\$ —	\$ —	\$ —	\$ 1,901,664	\$ —	\$ —	\$ —	\$ 2,145,989
TIF and other city taxes.....	2,696,815	1,608,871	—	—	—	—	—	—	—	—	4,305,686
Special assessments.....	—	—	—	—	—	—	—	—	—	32,188	32,188
Interest and rent income.....	—	919	8,329	1,056,196	—	—	—	435,383	—	—	1,500,827
Intergovernmental.....	—	—	—	—	21,184	2,416,180	—	—	—	—	2,437,364
Charges for service.....	—	—	112,149	—	—	—	—	—	—	—	112,149
Miscellaneous.....	—	—	203,511	—	16	27,499	—	—	—	—	231,026
<b>Total Revenue.....</b>	<b>2,773,167</b>	<b>1,777,763</b>	<b>323,989</b>	<b>1,056,196</b>	<b>21,200</b>	<b>2,443,679</b>	<b>1,901,664</b>	<b>435,383</b>	<b>—</b>	<b>32,188</b>	<b>10,765,229</b>
<b>Expenditures</b>											
Operating											
Public safety.....	—	—	—	—	30,362	—	—	—	—	—	30,362
Public works.....	—	—	—	—	—	2,110,072	—	—	—	—	2,110,072
Culture and recreation.....	—	—	275,023	—	—	—	—	—	—	—	275,023
Community and economic development.....	586,994	166,953	—	931,607	—	—	—	201,435	—	—	1,886,989
<b>Total Expenditures.....</b>	<b>586,994</b>	<b>166,953</b>	<b>275,023</b>	<b>931,607</b>	<b>30,362</b>	<b>2,110,072</b>	<b>—</b>	<b>201,435</b>	<b>—</b>	<b>—</b>	<b>4,302,446</b>
<b>Revenue Over (Under) Expenditures.....</b>	<b>2,186,173</b>	<b>1,610,810</b>	<b>48,966</b>	<b>124,589</b>	<b>(9,162)</b>	<b>333,607</b>	<b>1,901,664</b>	<b>233,948</b>	<b>—</b>	<b>32,188</b>	<b>6,462,783</b>
<b>Other Financing Sources (Uses)</b>											
Transfers in.....	—	—	—	—	—	200,000	—	—	—	—	200,000
Transfers out.....	(2,320,403)	(1,114,364)	—	(157,923)	—	(50,000)	(1,903,977)	(231,207)	—	—	(5,777,874)
<b>Total Other Financing Sources (Uses).....</b>	<b>(2,320,403)</b>	<b>(1,114,364)</b>	<b>—</b>	<b>(157,923)</b>	<b>—</b>	<b>150,000</b>	<b>(1,903,977)</b>	<b>(231,207)</b>	<b>—</b>	<b>—</b>	<b>(5,577,874)</b>
<b>Net Change in Fund Balances.....</b>	<b>(134,230)</b>	<b>496,446</b>	<b>48,966</b>	<b>(33,334)</b>	<b>(9,162)</b>	<b>483,607</b>	<b>(2,313)</b>	<b>2,741</b>	<b>—</b>	<b>32,188</b>	<b>884,909</b>
Fund Balances - Beginning of Year.....	571,983	3,171,803	712,400	856,639	—	1,378,150	6,337	(3,234)	315,000	4,513	7,013,591
<b>Fund Balances - End of Year.....</b>	<b>\$ 437,753</b>	<b>\$ 3,668,249</b>	<b>\$ 761,366</b>	<b>\$ 823,305</b>	<b>\$ (9,162)</b>	<b>\$ 1,861,757</b>	<b>\$ 4,024</b>	<b>\$ (493)</b>	<b>\$ 315,000</b>	<b>\$ 36,701</b>	<b>\$ 7,898,500</b>

**Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds**

As of June 30, 2017

	Street Projects	Iowa River Landing	Brownfields	Coral Ridge Avenue	Highway 6 Projects	First Avenue Projects	Coral Ridge Mall Area	Transit/ Parks Facility
<b>Assets</b>								
Receivables								
Due from other funds .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 651,292	\$ —	\$ 237,318
Due from other governments.....	—	—	—	113,100	1,073,524	579,564	—	—
<b>Total Assets .....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 113,100</b>	<b>\$ 1,073,524</b>	<b>\$ 1,230,856</b>	<b>\$ —</b>	<b>\$ 237,318</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable .....	\$ 379	\$ 555,540	\$ 10,354	\$ 78,964	\$ —	\$ 496,828	\$ 659	\$ —
Due to other funds.....	1,596,087	100,424	37,774	477,654	—	—	1,014,668	—
<b>Total Liabilities .....</b>	<b>1,596,466</b>	<b>655,964</b>	<b>48,128</b>	<b>556,618</b>	<b>—</b>	<b>496,828</b>	<b>1,015,327</b>	<b>—</b>
<b>Deferred Inflows of Resources</b>								
Unavailable Revenue								
Other.....	—	—	—	113,100	1,073,524	579,564	—	—
<b>Fund Balances</b>								
Restricted.....	(1,596,466)	(655,964)	(48,128)	(556,618)	—	154,464	(1,015,327)	237,318
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances .....</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 113,100</b>	<b>\$ 1,073,524</b>	<b>\$ 1,230,856</b>	<b>\$ —</b>	<b>\$ 237,318</b>

**Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds**

As of June 30, 2017

	Animal Control Facility	Recreation Improvements	Northridge Trails	12th Avenue Urban Renewal	Land Use Project	North End Area Projects	Water Connection Camp Cardinal	Southeast Commercial Area	Total
<b>Assets</b>									
Receivables									
Due from other funds .....	\$ 36,779	\$ 147,206	\$ —	\$ —	\$ 341,822	\$ —	\$ 36,538	\$ —	\$ 1,450,955
Due from other governments.....	—	—	16,290	—	—	—	—	—	1,782,478
<b>Total Assets .....</b>	<b>\$ 36,779</b>	<b>\$ 147,206</b>	<b>\$ 16,290</b>	<b>\$ —</b>	<b>\$ 341,822</b>	<b>\$ —</b>	<b>\$ 36,538</b>	<b>\$ —</b>	<b>\$ 3,233,433</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>									
<b>Liabilities</b>									
Accounts payable .....	\$ —	\$ —	\$ 36,135	\$ 659	\$ —	\$ 79	\$ —	\$ —	\$ 1,179,597
Due to other funds.....	—	—	18,997	41,958	—	76,800	—	15,000	3,379,362
<b>Total Liabilities .....</b>	<b>—</b>	<b>—</b>	<b>55,132</b>	<b>42,617</b>	<b>—</b>	<b>76,879</b>	<b>—</b>	<b>15,000</b>	<b>4,558,959</b>
<b>Deferred Inflows of Resources</b>									
Unavailable Revenue									
Other.....	—	—	16,290	—	—	—	—	—	1,782,478
<b>Fund Balances</b>									
Restricted.....	36,779	147,206	(55,132)	(42,617)	341,822	(76,879)	36,538	(15,000)	(3,108,004)
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances .....</b>	<b>\$ 36,779</b>	<b>\$ 147,206</b>	<b>\$ 16,290</b>	<b>\$ —</b>	<b>\$ 341,822</b>	<b>\$ —</b>	<b>\$ 36,538</b>	<b>\$ —</b>	<b>\$ 3,233,433</b>

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

Year Ended June 30, 2017

	Street Projects	Iowa River Landing	Brownfields	Coral Ridge Avenue	Highway 6 Projects	First Avenue Projects	Coral Ridge Mall Area	Transit/Parks Facility
<b>Revenue</b>								
Intergovernmental .....	\$ —	\$ —	\$ 179,316	\$ 40,000	\$ —	\$ —	\$ —	\$ —
Charges for service .....	—	—	—	—	—	—	—	—
<b>Total Revenue</b> .....	<u>—</u>	<u>—</u>	<u>179,316</u>	<u>40,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Expenditures</b>								
Capital projects.....	<u>547,547</u>	<u>7,792,248</u>	<u>237,220</u>	<u>491,668</u>	<u>—</u>	<u>1,623,036</u>	<u>1,014,797</u>	<u>—</u>
<b>Revenue Over (Under) Expenditures</b> .....	<u>(547,547)</u>	<u>(7,792,248)</u>	<u>(57,904)</u>	<u>(451,668)</u>	<u>—</u>	<u>(1,623,036)</u>	<u>(1,014,797)</u>	<u>—</u>
<b>Other Financing Sources (Uses)</b>								
Transfers in .....	—	6,819,473	—	—	—	1,850,000	—	—
Transfers out .....	—	—	—	—	—	(72,500)	—	—
<b>Total Other Financing Sources (Uses)</b> .....	<u>—</u>	<u>6,819,473</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,777,500</u>	<u>—</u>	<u>—</u>
<b>Net Change in Fund Balances</b> .....	<u>(547,547)</u>	<u>(972,775)</u>	<u>(57,904)</u>	<u>(451,668)</u>	<u>—</u>	<u>154,464</u>	<u>(1,014,797)</u>	<u>—</u>
Fund Balances - Beginning of Year .....	<u>(1,048,919)</u>	<u>316,811</u>	<u>9,776</u>	<u>(104,950)</u>	<u>—</u>	<u>—</u>	<u>(530)</u>	<u>237,318</u>
<b>Fund Balances - End of Year</b> .....	<u>\$ (1,596,466)</u>	<u>\$ (655,964)</u>	<u>\$ (48,128)</u>	<u>\$ (556,618)</u>	<u>\$ —</u>	<u>\$ 154,464</u>	<u>\$ (1,015,327)</u>	<u>\$ 237,318</u>



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

Year Ended June 30, 2017

	Animal Control Facility	Recreation Improve- ments	Northridge Trails	12th Avenue Urban Renewal	Land Use Project	North End Area Projects	Water Connection Camp Cardinal	Southeast Commercial Area	Total
<b>Revenue</b>									
Intergovernmental .....	\$ —	\$ 120,804	\$ 54,452	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 394,572
Charges for service .....	—	—	—	—	70,386	—	—	—	70,386
<b>Total Revenue</b> .....	<u>—</u>	<u>120,804</u>	<u>54,452</u>	<u>—</u>	<u>70,386</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>464,958</u>
<b>Expenditures</b>									
Capital projects.....	—	—	193,873	42,167	3,033	258,924	—	15,000	12,219,513
<b>Revenue Over (Under) Expenditures</b> .....	<u>—</u>	<u>120,804</u>	<u>(139,421)</u>	<u>(42,167)</u>	<u>67,353</u>	<u>(258,924)</u>	<u>—</u>	<u>(15,000)</u>	<u>(11,754,555)</u>
<b>Other Financing Sources (Uses)</b>									
Transfers in .....	—	496,000	80,000	—	—	254,000	—	—	9,499,473
Transfers out .....	—	—	—	—	—	—	—	—	(72,500)
<b>Total Other Financing Sources (Uses)</b> .....	<u>—</u>	<u>496,000</u>	<u>80,000</u>	<u>—</u>	<u>—</u>	<u>254,000</u>	<u>—</u>	<u>—</u>	<u>9,426,973</u>
<b>Net Change in Fund Balances</b> .....	<u>—</u>	<u>616,804</u>	<u>(59,421)</u>	<u>(42,167)</u>	<u>67,353</u>	<u>(4,924)</u>	<u>—</u>	<u>(15,000)</u>	<u>(2,327,582)</u>
Fund Balances - Beginning of Year .....	36,779	(469,598)	4,289	(450)	274,469	(71,955)	36,538	—	(780,422)
<b>Fund Balances - End of Year</b> .....	<u>\$ 36,779</u>	<u>\$ 147,206</u>	<u>\$ (55,132)</u>	<u>\$ (42,617)</u>	<u>\$ 341,822</u>	<u>\$ (76,879)</u>	<u>\$ 36,538</u>	<u>\$ (15,000)</u>	<u>\$ (3,108,004)</u>

## Combining Schedule of Net Position - Nonmajor Proprietary Funds

As of June 30, 2017

	Water	Solid Waste	Storm Water	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and pooled investments .....	\$ 1,416,163	\$ 373,157	\$ 155,762	\$ 1,945,082
Receivables				
Customer accounts .....	378,598	181,029	81,438	641,065
Due from other funds .....	1,945,000	300,000	110,000	2,355,000
Inventories and prepaids .....	160,027	9,278	13,403	182,708
<b>Total Current Assets .....</b>	<b><u>3,899,788</u></b>	<b><u>863,464</u></b>	<b><u>360,603</u></b>	<b><u>5,123,855</u></b>
<b>Noncurrent Assets</b>				
Restricted Assets				
Cash and pooled investments ....	326,085	—	8,205	334,290
Capital assets (net of accumulated depreciation) .....	8,453,428	958,676	—	9,412,104
<b>Total Noncurrent Assets .....</b>	<b><u>8,779,513</u></b>	<b><u>958,676</u></b>	<b><u>8,205</u></b>	<b><u>9,746,394</u></b>
<b>Total Assets .....</b>	<b><u>12,679,301</u></b>	<b><u>1,822,140</u></b>	<b><u>368,808</u></b>	<b><u>14,870,249</u></b>
<b>Deferred Outflows of Resources</b>				
Pension-related deferred outflows	<u>120,876</u>	<u>92,397</u>	<u>22,233</u>	<u>235,506</u>
<b>Total Assets and Deferred Outflows of Resources .....</b>	<b><u>\$ 12,800,177</u></b>	<b><u>\$ 1,914,537</u></b>	<b><u>\$ 391,041</u></b>	<b><u>\$ 15,105,755</u></b>
<b>Liabilities and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable .....	\$ 519,900	\$ 18,246	\$ 4,916	\$ 543,062
Accrued liabilities and compensated absences .....	37,032	49,825	3,186	90,043
Current maturities of long-term debt.....	—	—	59,000	59,000
Customer deposits.....	303,930	—	—	303,930
<b>Total Current Liabilities.....</b>	<b><u>860,862</u></b>	<b><u>68,071</u></b>	<b><u>67,102</u></b>	<b><u>996,035</u></b>
<b>Noncurrent Liabilities</b>				
Long-term debt .....	1,785,667	—	1,039,000	2,824,667
Net pension liability.....	388,054	294,439	67,157	749,650
<b>Total Noncurrent Liabilities</b>	<b><u>2,173,721</u></b>	<b><u>294,439</u></b>	<b><u>1,106,157</u></b>	<b><u>3,574,317</u></b>
<b>Total Liabilities .....</b>	<b><u>3,034,583</u></b>	<b><u>362,510</u></b>	<b><u>1,173,259</u></b>	<b><u>4,570,352</u></b>
<b>Deferred Inflows of Resources</b>				
Pension-related deferred inflows ...	<u>6,791</u>	<u>5,322</u>	<u>1,497</u>	<u>13,610</u>
<b>Net Position</b>				
Invested in capital assets, net of related debt .....	6,667,761	958,676	—	7,626,437
Restricted for debt service .....	326,085	—	8,205	334,290
Unrestricted .....	2,764,957	588,029	(791,920)	2,561,066
<b>Total Net Position .....</b>	<b><u>9,758,803</u></b>	<b><u>1,546,705</u></b>	<b><u>(783,715)</u></b>	<b><u>10,521,793</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b><u>\$ 12,800,177</u></b>	<b><u>\$ 1,914,537</u></b>	<b><u>\$ 391,041</u></b>	<b><u>\$ 15,105,755</u></b>

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

---

Year Ended June 30, 2017

	Water	Solid Waste	Storm Water	Total
<b>Operating Revenue</b>				
Charges for sales and service .....	<u>\$ 2,429,571</u>	<u>\$ 1,086,052</u>	<u>\$ 471,109</u>	<u>\$ 3,986,732</u>
<b>Operating Expenses</b>				
Salaries and employee benefits.....	651,379	525,858	149,950	1,327,187
Contractual services .....	629,113	68,206	111,760	809,079
Commodities .....	149,888	277,679	148,435	576,002
Depreciation .....	448,138	116,701	—	564,839
<b>Total Operating Expenses .....</b>	<u><b>1,878,518</b></u>	<u><b>988,444</b></u>	<u><b>410,145</b></u>	<u><b>3,277,107</b></u>
<b>Operating Income .....</b>	<u><b>551,053</b></u>	<u><b>97,608</b></u>	<u><b>60,964</b></u>	<u><b>709,625</b></u>
<b>Nonoperating Revenue (Expenses)</b>				
Loss on sale of assets .....	(26,445)	(7,394)	—	(33,839)
Interest revenue .....	(347)	15	15	(317)
Interest expense .....	(52,559)	—	(23,023)	(75,582)
<b>Total Nonoperating Revenue (Expenses) .....</b>	<u><b>(79,351)</b></u>	<u><b>(7,379)</b></u>	<u><b>(23,008)</b></u>	<u><b>(109,738)</b></u>
<b>Income Before Transfers .....</b>	<u><b>471,702</b></u>	<u><b>90,229</b></u>	<u><b>37,956</b></u>	<u><b>599,887</b></u>
Transfers in .....	—	—	81,120	81,120
Transfers out .....	(80,000)	(25,000)	(30,000)	(135,000)
<b>Net Income .....</b>	<u><b>391,702</b></u>	<u><b>65,229</b></u>	<u><b>89,076</b></u>	<u><b>546,007</b></u>
Net Position - Beginning of Year.....	<u>9,367,101</u>	<u>1,481,476</u>	<u>(872,791)</u>	<u>9,975,786</u>
<b>Net Position - End of Year.....</b>	<u><b>\$ 9,758,803</b></u>	<u><b>\$ 1,546,705</b></u>	<u><b>\$ (783,715)</b></u>	<u><b>\$ 10,521,793</b></u>

## Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2017

	Water	Solid Waste	Storm Water	Total
<b>Cash Flows From Operating Activities</b>				
Receipts from customers.....	\$ 2,454,261	\$ 1,066,852	\$ 464,073	\$ 3,985,186
Payments to suppliers .....	(685,320)	(350,746)	(263,664)	(1,299,730)
Payments to employees .....	<u>(648,077)</u>	<u>(524,109)</u>	<u>(149,534)</u>	<u>(1,321,720)</u>
<b>Net Cash Provided by Operating Activities.....</b>	<b><u>1,120,864</u></b>	<b><u>191,997</u></b>	<b><u>50,875</u></b>	<b><u>1,363,736</u></b>
<b>Cash Flows From Noncapital Financing Activities</b>				
Net transfers .....	<u>(80,000)</u>	<u>(25,000)</u>	<u>51,120</u>	<u>(53,880)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Proceeds from debt.....	445,986	—	—	445,986
Purchase of capital assets .....	(726,672)	(17,350)	—	(744,022)
Repayment of debt.....	(900,000)	—	(58,000)	(958,000)
Payment of interest.....	<u>(54,954)</u>	<u>—</u>	<u>(23,120)</u>	<u>(78,074)</u>
<b>Net Cash Used in Capital and Related Financing Activities .....</b>	<b><u>(1,235,640)</u></b>	<b><u>(17,350)</u></b>	<b><u>(81,120)</u></b>	<b><u>(1,334,110)</u></b>
<b>Cash Flows From Investing Activities</b>				
Increase in due from other funds .....	(965,810)	(300,000)	(110,000)	(1,375,810)
Interest received.....	<u>(347)</u>	<u>15</u>	<u>15</u>	<u>(317)</u>
<b>Net Cash Used in Investing Activities.....</b>	<b><u>(966,157)</u></b>	<b><u>(299,985)</u></b>	<b><u>(109,985)</u></b>	<b><u>(1,376,127)</u></b>
<b>Net Decrease in Cash.....</b>	<b>(1,160,933)</b>	<b>(150,338)</b>	<b>(89,110)</b>	<b>(1,400,381)</b>
Cash and Pooled Investments at Beginning of Year .....	<u>2,903,181</u>	<u>523,495</u>	<u>253,077</u>	<u>3,679,753</u>
<b>Cash and Pooled Investments at End of Year.....</b>	<b><u>\$ 1,742,248</u></b>	<b><u>\$ 373,157</u></b>	<b><u>\$ 163,967</u></b>	<b><u>\$ 2,279,372</u></b>

# Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2017

	Water	Solid Waste	Storm Water	Total
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating income.....	\$ 551,053	\$ 97,608	\$ 60,964	\$ 709,625
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities				
Depreciation.....	448,138	116,701	—	564,839
(Increase) decrease in receivables.....	6,525	(19,200)	(7,036)	(19,711)
Increase in pension-related deferred outflows.....	(29,194)	(37,008)	(7,567)	(73,769)
(Increase) decrease in inventories and prepaids .....	(426)	243	352	169
Increase (decrease) in accounts payable .....	109,517	7,537	(920)	116,134
Decrease in accrued liabilities and compensated absences	(15,410)	(12,641)	(2,901)	(30,952)
Increase in customer deposits	18,165	—	—	18,165
Increase in net pension liability	82,237	62,519	14,857	159,613
Decrease in pension-related deferred inflows.....	<u>(49,741)</u>	<u>(23,762)</u>	<u>(6,874)</u>	<u>(80,377)</u>
<b>Net Cash Provided by Operating Activities.....</b>	<b><u>\$ 1,120,864</u></b>	<b><u>\$ 191,997</u></b>	<b><u>\$ 50,875</u></b>	<b><u>\$ 1,363,736</u></b>

## Schedule of Noncash Investing and Financing Activities

### Cash Paid for Capital Assets

Capital asset additions .....	\$ 1,123,217	\$ 17,350	\$ —	\$ 1,140,567
Net change in accounts payable.....	<u>(396,545)</u>	<u>—</u>	<u>—</u>	<u>(396,545)</u>
<b>Cash Paid for Capital Assets .....</b>	<b><u>\$ 726,672</u></b>	<b><u>\$ 17,350</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 744,022</u></b>

### Loss on Asset Disposal

Cash received .....	\$ —	\$ —	\$ —	\$ —
Book value of assets disposed .....	<u>26,445</u>	<u>7,394</u>	<u>—</u>	<u>33,839</u>
<b>Loss on Asset Disposal .....</b>	<b><u>\$ (26,445)</u></b>	<b><u>\$ (7,394)</u></b>	<b><u>\$ —</u></b>	<b><u>\$ (33,839)</u></b>

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

Last Ten Years  
(Years Prior to 2016 Do Not Include Brown Deer Golf Course)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenue</b>										
Property tax.....	\$ 14,688,626	\$ 14,155,082	\$ 13,477,889	\$ 12,470,651	\$ 12,122,228	\$ 11,666,499	\$ 11,281,558	\$ 10,811,220	\$ 10,371,050	\$ 9,777,725
TIF and other city taxes.....	23,722,721	22,363,579	23,139,723	20,058,183	19,052,501	18,747,034	18,863,375	17,161,601	16,642,895	15,030,854
Special assessments.....	32,188	300,830	19,383	55,906	71,790	280,101	227,302	123,848	431,610	1,239,963
Licenses and permits.....	1,033,867	702,810	669,766	592,207	549,717	674,089	576,401	412,577	451,523	474,595
Use of money and property.....	1,784,303	1,702,761	1,615,505	2,685,995	762,405	1,091,475	1,276,051	1,116,480	815,258	946,203
Intergovernmental.....	6,018,007	7,146,575	16,718,042	12,584,964	16,179,608	13,799,733	26,866,111	8,346,001	5,356,316	5,351,026
Charges for service.....	4,740,824	5,227,042	2,556,704	2,452,927	3,009,752	1,956,937	1,948,703	1,879,808	1,791,577	1,680,722
Miscellaneous.....	493,129	798,367	572,670	441,687	737,070	1,391,780	498,273	827,165	1,269,316	1,537,664
<b>Total Revenue.....</b>	<b>\$ 52,513,665</b>	<b>\$ 52,397,046</b>	<b>\$ 58,769,682</b>	<b>\$ 51,342,520</b>	<b>\$ 52,485,071</b>	<b>\$ 49,607,648</b>	<b>\$ 61,537,774</b>	<b>\$ 40,678,700</b>	<b>\$ 37,129,545</b>	<b>\$ 36,038,752</b>
<b>Expenditures</b>										
Operating										
Public safety.....	\$ 5,530,878	\$ 5,114,295	\$ 5,088,714	\$ 5,178,097	\$ 4,761,114	\$ 5,070,890	\$ 4,322,466	\$ 4,030,223	\$ 4,446,950	\$ 4,201,185
Public works.....	2,110,072	1,854,533	1,446,340	1,693,000	1,729,154	1,412,413	1,255,807	1,682,532	1,826,042	1,635,688
Health and social services.....	126,870	124,370	130,320	115,732	85,599	94,420	92,004	91,520	156,322	86,859
Culture and recreation.....	10,137,298	10,575,119	7,392,376	7,376,349	7,200,849	6,543,383	5,645,219	5,598,284	5,226,438	4,925,136
Community and economic development..	3,952,297	4,159,133	4,136,884	4,118,053	2,965,705	2,117,826	2,187,438	2,749,405	9,218,894	1,824,297
General government.....	3,000,377	2,995,245	2,856,759	3,178,173	2,756,732	2,570,471	2,599,830	2,662,316	2,129,519	1,852,344
Debt service.....	53,196,946	16,060,930	24,849,838	22,070,482	26,709,034	19,794,431	18,737,642	17,635,000	15,877,962	21,420,881
Capital projects.....	19,265,012	15,221,200	33,415,386	18,192,254	39,404,017	47,319,803	34,036,991	19,144,343	9,735,463	13,730,878
<b>Total Expenditures.....</b>	<b>\$ 97,319,750</b>	<b>\$ 56,104,825</b>	<b>\$ 79,316,617</b>	<b>\$ 61,922,140</b>	<b>\$ 85,612,204</b>	<b>\$ 84,923,637</b>	<b>\$ 68,877,397</b>	<b>\$ 53,593,623</b>	<b>\$ 48,617,590</b>	<b>\$ 49,677,268</b>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<b>Indirect</b>				
<b>U.S. Department of Education</b>				
Indirect				
Pass-Through Iowa Department of Agriculture				
Summer Food Service Program for Children .....	10.559		<u>\$ —</u>	<u>\$ 12,471</u>
<b>U.S. Department of Housing and Urban Development</b>				
Indirect				
Pass-Through Iowa Economic Development Authority				
Community Development Block Grants/Entitlement Grants .....	14.218	13-NDRI-010	<u>—</u>	<u>92,809</u>
<b>U.S. Department of Transportation</b>				
Direct				
Federal Transit - Formula Grants .....	20.507	N/A	<u>—</u>	<u>430,989</u>
Enhanced Mobility for Seniors and Individuals With Disabilities .....	20.513	N/A	<u>—</u>	<u>31,320</u>
Total Direct .....			<u>—</u>	<u>462,309</u>
Indirect				
Pass-Through Iowa Department of Transportation				
Highway Planning and Construction	20.205	TAP-U-1557(644)--8I-52	<u>—</u>	70,742
		STP-U-1557(639)--70-52	<u>—</u>	<u>451,470</u>
Total Indirect.....			<u>—</u>	<u>522,212</u>
<b>Total U.S. Department of         Transportation .....</b>			<u>—</u>	<u>984,521</u>
<b>U.S. Environmental Protection Agency</b>				
Direct				
Brownfields Assessment and Cleanup Cooperative Agreements .....	66.818	BF 97740701-0	<u>—</u>	<u>175,111</u>
<b>Total .....</b>			<u>\$ —</u>	<u>\$ 1,264,912</u>

# Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2017

## **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the City of Coralville under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the City of Coralville, it is not indented to and does not present the financial position, changes in financial position or cash flows of the City of Coralville.

## **Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## **Indirect Cost Rate**

The City of Coralville has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



**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**

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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, 2017, 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 January 9, 2018.

**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.

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. 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.

Our consideration of internal control 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 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. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 17-II-R-1 and 17-II-R-2 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 II 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, 2017 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, a public record by law, 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  
January 9, 2018

## **Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the the Uniform Guidance**

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

### **Report on Compliance for the Major Federal Program**

We have audited the City of Coralville's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2017. The City of Coralville's major federal program is 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 program.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Coralville's major federal program 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 the audit requirements of the Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination on the City of Coralville's compliance.

### **Opinion on the 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 its major federal program for the year ended June 30, 2017.

### **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 the major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major program and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Coralville's internal control over compliance.

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

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, a public record by law, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
January 9, 2018

# Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

## Part I: Summary of Independent 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 the Uniform Guidance?  yes  no

Identification of major program:

#### **CFDA Numbers or Cluster**

#### **Name of Federal Program**

20.205

Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes  no

# Schedule of Findings and Questioned Costs

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Year Ended June 30, 2017

## **Part II: Findings Related to the Financial Statements:**

### **Instances of Noncompliance**

There were no reported instances of noncompliance.

### **Internal Control Deficiencies**

#### **17-II-R-1 Financial Statement Preparation**

**Criteria** - A properly designed system of internal control over financial reporting includes the preparation of the City's financial statements and accompanying notes to the financial statements by City staff.

**Condition** - The City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles. The City relies upon its audit firm to assist with drafting the financial statements.

**Cause** - As is inherent in many governmental 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 apply generally accepted accounting principles in preparing the financial statements and the related disclosures.

**Effect or Potential Effect** - The financial statements and related disclosures may not be prepared in accordance with generally accepted accounting principles.

**Identification of Repeat Finding** - 16-I R-1.

**Auditor's Recommendation** - The City should obtain additional knowledge through reading relevant accounting literature and attending local professional education courses.

**Views of Responsible Officials and Planned Corrective Action** - The City is aware of the condition and will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

#### **17-II-R-2 Failure to Void Check Which was Reissued**

**Criteria** - When the situation arises where a check needs to be reissued to a vendor, procedures should be in place to ensure that the original check is first voided before reissuing another check.

**Condition** - We found that the City issued a check to a vendor in the amount of \$98,932 in January, 2017 which should have been voided when a replacement check was issued. However, the original check was not voided and was listed as outstanding on the June 30, 2017 bank reconciliation. When the error was brought to the City's attention, management took the necessary steps to void the check and update the bank reconciliation as of June 30, 2017.

**Cause** - The cause of the error was a failure to follow policies requiring the original check to be voided at the time a new check is issued. Further, staff are not reviewing the list of outstanding checks each month to search for checks which have been outstanding for a long period of time or taking action to follow up on the status of those checks.

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2017

**Effect or Potential Effect** - The effect of this error is that cash and related expenditures may be materially misstated and there are no properly functioning controls in place to detect this.

**Identification of Repeat Finding** - Not applicable.

**Auditor's Recommendation** - Each month the staff person responsible for preparing the bank reconciliation should be reviewing the list of outstanding checks and investigating any check that has not cleared the bank within 30 days.

**Views of Responsible Officials and Planned Corrective Action** - City staff reconciling the bank account will begin investigating outstanding checks that do not clear the bank within a reasonable amount of time and take appropriate action.

### **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:**

**17-IV-A Certified Budget** - Disbursements in the Public Works, Health and Social Services, Capital Projects and Business-Type activities functional areas exceeded amounts budgeted during the year. In addition, disbursements exceeded the original budget prior to it being amended. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

**City's Response** - The budget will be amended in the future prior to exceeding it.

**Auditor's Conclusion** - Response accepted.

**17-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.

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

**17-IV-D Business Transactions** - There were no business transactions between the City and City officials or employees that exceeded \$1,500.

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

- 17-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.
- 17-IV-F Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.
- 17-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.
- 17-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.
- 17-IV-I Financial Condition** - The funds listed below had deficit balances as of June 30, 2017 as noted:

Special Revenue	
Police Grants .....	\$ 9,162
Rental Properties .....	493
Capital Projects	
Flood Mitigation .....	5,792,218
Street Projects .....	1,596,466
Iowa River Landing .....	655,964
Coral Ridge Avenue.....	556,618
Coral Ridge Mall Area.....	1,015,327
Northridge Trails .....	55,132
12th Avenue Urban Renewal .....	42,617
North End Area Projects .....	76,879
Brownfields .....	48,128
Southeast Commercial Area .....	15,000
Proprietary	
Storm Water .....	783,715

**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 fiscal year 2018 and future years.

**Auditor's Conclusion** - Response accepted.

- 17-IV-J Urban Renewal Annual Report** - The 2017 urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.