

**CITY OF CORALVILLE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Table of Contents

Officials	1	
Independent Auditor's Report	2-3	
Management's Discussion and Analysis (MD&A)	4-13	
Basic Financial Statements		
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.....	22-23	
Notes to the Financial Statements.....	24-52	
Required Supplementary Information		
Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget to Actual (Cash Basis) - All Governmental Funds and Proprietary Funds.....	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 Changes in the City's Total OPEB Liability, Related Ratios and Notes.....	59	
Supplementary Information		
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	
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		75-76
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance		77-78
Schedule of Findings and Questioned Costs	79-82	

Officials

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

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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 20, the City of Coralville adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Our opinions are not modified with respect to this matter.

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 changes in the City's total OPEB liability, related ratios and notes 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, 2018 (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 4, 2019, 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 4, 2019

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, 2018.

FINANCIAL HIGHLIGHTS

- The City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, during fiscal year 2018. Prior to 2018, the City did not report an OPEB liability as the amount was immaterial.
- At the close of the current fiscal year, the City of Coralville's governmental funds reported combined ending fund balances of \$23,729,179, an increase of 35% as compared to the prior fiscal year balance of \$17,515,933.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,266,064, or 21%, of the 2018 total General Fund expenditures. As of June 30, 2017, unassigned General Fund balance was \$5,288,691, or 28%, of the 2017 total General Fund expenditures. At the end of the current fiscal year, unrestricted General Fund cash was \$6,987,005, or 34% of the 2018 total General Fund expenditures.
- Revenue of the City's governmental activities was approximately \$12.7 million higher than the prior year due primarily to higher tax and grant revenue.
- Program expenses of the City's governmental activities increased 3%, to approximately \$44.7 million, from fiscal year 2017 to fiscal year 2018. The increase was attributable to normal increases in wages and operating costs.
- The City of Coralville's total net position as of June 30, 2018 and 2017, was \$202,147,195 and \$178,525,216, respectively. Of this amount, \$7,237,428 and \$7,817,730, respectively, are unrestricted net position which may be used to meet the government's ongoing obligations to citizens and creditors.
- Total governmental long-term debt increased by approximately \$21.3 million during the current fiscal year. The City issued \$31.7 million of new debt and retired \$10.4 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 \$4.0 million and \$3.6 million, respectively. The new debt was issued to finance water and sewer projects.

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 the schedule of changes in the City's total OPEB liability, related ratios and notes.

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, 2018 and 2017 follows.

City of Coralville's Net Position

	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 48,703,582	\$ 15,817,565	\$ 64,521,147	\$ 47,764,617	\$ 14,041,405	\$ 61,806,022
Restricted assets	12,638,537	10,628,014	23,266,551	2,980,178	8,909,680	11,889,858
Capital assets	336,260,418	114,519,268	450,779,686	305,574,161	111,991,809	417,565,970
Other noncurrent assets	<u>7,481,120</u>	<u>—</u>	<u>7,481,120</u>	<u>7,505,731</u>	<u>—</u>	<u>7,505,731</u>
Total Assets	405,083,657	140,964,847	546,048,504	363,824,687	134,942,894	498,767,581
Deferred Outflows of Resources	<u>2,495,701</u>	<u>698,954</u>	<u>3,194,655</u>	<u>2,182,957</u>	<u>606,445</u>	<u>2,789,402</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 407,579,358</u>	<u>\$ 141,663,801</u>	<u>\$ 549,243,159</u>	<u>\$ 366,007,644</u>	<u>\$ 135,549,339</u>	<u>\$ 501,556,983</u>
Current liabilities	\$ 18,675,537	\$ 6,489,605	\$ 25,165,142	\$ 12,818,118	\$ 4,630,279	\$ 17,448,397
Noncurrent liabilities	<u>223,966,009</u>	<u>66,956,642</u>	<u>290,922,651</u>	<u>202,094,171</u>	<u>67,635,314</u>	<u>269,729,485</u>
Total Liabilities	<u>242,641,546</u>	<u>73,446,247</u>	<u>316,087,793</u>	<u>214,912,289</u>	<u>72,265,593</u>	<u>287,177,882</u>
Deferred Inflows of Resources	<u>30,928,213</u>	<u>79,218</u>	<u>31,007,431</u>	<u>35,821,728</u>	<u>32,157</u>	<u>35,853,885</u>
Net Position						
Net investment in capital assets	110,432,739	54,907,532	165,340,271	101,018,393	51,269,819	152,288,212
Restricted	26,146,885	3,423,351	29,570,236	15,116,859	3,302,415	18,419,274
Unrestricted	<u>(2,570,025)</u>	<u>9,807,453</u>	<u>7,237,428</u>	<u>(861,625)</u>	<u>8,679,355</u>	<u>7,817,730</u>
Total Net Position	<u>134,009,599</u>	<u>68,138,336</u>	<u>202,147,935</u>	<u>115,273,627</u>	<u>63,251,589</u>	<u>178,525,216</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 407,579,358</u>	<u>\$ 141,663,801</u>	<u>\$ 549,243,159</u>	<u>\$ 366,007,644</u>	<u>\$ 135,549,339</u>	<u>\$ 501,556,983</u>

\$165 million of the City's net position (82%) represents resources which are invested in capital assets and \$30 million of the City's net position (15%) 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 million (3%) 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, 2018 and 2017 follows:

City of Coralville's Governmental and Business-Type Activities						
	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenue						
Charges for service	\$ 7,488,171	\$ 26,818,691	\$ 34,306,862	\$ 7,797,075	\$ 25,947,052	\$ 33,744,127
Operating grants and contributions	4,576,593	718,414	5,295,007	5,520,312	740,141	6,260,453
Capital grants and contributions	8,411,672	1,350,257	9,761,929	2,293,114	—	2,293,114
Other General Revenue						
Property tax	36,050,156	—	36,050,156	33,303,450	—	33,303,450
Other taxes	3,552,088	—	3,552,088	3,618,724	—	3,618,724
Other	(37,251)	174,917	137,666	422,475	154,805	577,280
Gain (loss) on sale of capital assets	4,618,793	(93,765)	4,525,028	(959,878)	(84,128)	(1,044,006)
Total Revenue	64,660,222	28,968,514	93,628,736	51,995,272	26,757,870	78,753,142
Expenses						
Public safety	5,989,828	—	5,989,828	5,579,458	—	5,579,458
Public works	2,055,680	—	2,055,680	1,681,318	—	1,681,318
Health and social services	137,764	—	137,764	126,870	—	126,870
Culture and recreation	11,836,609	—	11,836,609	11,325,545	—	11,325,545
Community and economic development	12,741,083	—	12,741,083	12,312,342	—	12,312,342
General government	3,244,913	—	3,244,913	3,095,420	—	3,095,420
Depreciation - unallocated	10,960	—	10,960	10,960	—	10,960
Interest on long-term debt	8,727,204	—	8,727,204	9,318,274	—	9,318,274
Hotel and conference center	—	14,426,096	14,426,096	—	14,795,559	14,795,559
Sewer	—	2,682,730	2,682,730	—	2,816,806	2,816,806
Parking facilities and operations	—	2,439,579	2,439,579	—	2,380,027	2,380,027
Water	—	2,090,245	2,090,245	—	1,931,077	1,931,077
Solid waste	—	981,250	981,250	—	988,444	988,444
Transit	—	2,353,537	2,353,537	—	2,133,663	2,133,663
Storm water	—	288,539	288,539	—	433,168	433,168
Total Expenses	44,744,041	25,261,976	70,006,017	43,450,187	25,478,744	68,928,931
Increase Before Transfers	19,916,181	3,706,538	23,622,719	8,545,085	1,279,126	9,824,211
Transfers	(1,180,209)	1,180,209	—	(1,253,461)	1,253,461	—
Increase in Net Position	18,735,972	4,886,747	23,622,719	7,291,624	2,532,587	9,824,211
Beginning Net Position	115,273,627	63,251,589	178,525,216	107,982,003	60,719,002	168,701,005
Ending Net Position	\$ 134,009,599	\$ 68,138,336	\$ 202,147,935	\$ 115,273,627	\$ 63,251,589	\$ 178,525,216

Governmental Activities

Total governmental activities revenue was \$64,660,222 and \$51,995,272 for the years ended June 30, 2018 and 2017, respectively. The largest single revenue source for the City was property and other taxes of \$39,602,244 and \$36,922,174 recorded for the years ended June 30, 2018 and 2017, 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 \$23.7 million. Approximately (\$8.4) 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 \$4.3 million, while total fund balance reached \$10.1 million. Unassigned fund balance represents 42% of total General Fund balance. The General Fund revenue decreased approximately \$265,000, or 1%, over fiscal year 2017, while expenditures increased approximately \$1,177,000, or 6%, over the prior year. Approximately \$2.2 million was transferred in from the Employee Benefit Levy Special Revenue Fund for employee benefit costs which are paid from the General Fund. This property tax levy is required to be deposited to a Special Revenue Fund and then transferred to the General Fund.

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 2018 with a fund balance of \$9.8 million compared to the prior year ending fund balance of \$5.2 million. The increase resulted primarily from the sale of land.

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 2018 with a balance of \$7.4 million, an increase of approximately \$4.2 million from 2017. 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 - Iowa River Landing accounts for projects being carried out in the Iowa River Landing area. Expenditures exceeded revenue by approximately \$7.2 million due to the timing of when the grant funding and bond proceeds will be received.

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

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 2018 with a net position balance totaling \$12.3 million compared to the prior year ending net position balance of \$11.4 million. The increase was the result of a net income of \$879,716 after net transfers in of \$482,952. The net income was after \$1.4 million of noncash depreciation expense.

The Water Fund, which accounts for the operation and maintenance of the City's water supply system, ended 2018 with a net position balance of \$10.2 million compared to the prior year ending net position balance of \$9.8 million.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended 2018 with a net position balance of \$17.9 million compared to the prior year ending net position balance of \$16.4 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 \$11.1 million as of the end of 2018, an increase of approximately \$785,000 due to rental income from the parking ramps and transfers in from other funds totaling \$250,719.

The Transit Fund accounts for the City's public bus transportation system. The net position totaled approximately \$15.5 million as of the end of 2018, an increase of \$873,000 due primarily to a capital grant received to purchase four new busses.

BUDGETARY HIGHLIGHTS

The City had one budget amendment during the fiscal year which did not change budgeted revenue and increased budgeted expenditures by approximately \$27 million for significant capital projects in process.

The following table presented on a budgetary basis (cash basis) demonstrates the statutory compliance with the annual fiscal year 2018 budget. The amounts in the 'Actual' column were taken from the City's annual report to the State of Iowa prepared on the cash basis of accounting.

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Govern-mental Fund Types	Proprietary Funds	Total	
Receipts						
Property tax	\$ 14,555,830	\$ 14,555,830	\$ 14,348,736	\$ —	\$ 14,348,736	\$ (207,094)
Tax increment financing	20,825,555	20,825,555	20,684,550	—	20,684,550	(141,005)
Other city taxes	3,266,592	3,266,592	3,486,273	—	3,486,273	219,681
Licenses and permits	815,000	815,000	885,447	—	885,447	70,447
Use of money and property	2,000	2,000	1,923,945	210,473	2,134,418	2,132,418
Intergovernmental	4,508,052	4,508,052	9,065,086	4,396,338	13,461,424	8,953,372
Charges for service	33,874,441	33,874,441	3,100,362	18,044,553	21,144,915	(12,729,526)
Special assessments	—	—	42,299	—	42,299	42,299
Miscellaneous	117,000	117,000	2,557,993	6,241,068	8,799,061	8,682,061
Total Receipts	77,964,470	77,964,470	56,094,691	28,892,432	84,987,123	7,022,653
Disbursements						
Public safety	6,419,155	6,419,155	6,346,716	—	6,346,716	(72,439)
Public works	2,810,110	2,810,110	2,114,764	—	2,114,764	(695,346)
Health and social services	120,920	120,920	137,764	—	137,764	16,844
Culture and recreation	10,579,604	13,579,604	10,288,165	—	10,288,165	(3,291,439)
Community and economic development	202,075	202,075	5,949,070	—	5,949,070	5,746,995
General government	3,973,418	3,973,418	3,055,955	—	3,055,955	(917,463)
Debt service	23,000,000	25,600,000	19,268,706	—	19,268,706	(6,331,294)
Capital projects	10,000,000	34,400,000	44,451,478	—	44,451,478	10,051,478
Business-type activities	33,597,676	30,597,676	—	27,520,235	27,520,235	(3,077,441)
Total Disbursements	90,702,958	117,702,958	91,612,618	27,520,235	119,132,853	1,429,895
Receipts Over (Under) Disbursements	(12,738,488)	(39,738,488)	(35,517,927)	1,372,197	(34,145,730)	5,592,758
Other Financing Sources (Uses)						
Other financing sources	38,797,973	65,797,973	96,190,466	5,620,645	101,811,111	36,013,138
Other financing uses	(23,797,973)	(23,797,973)	(54,300,463)	(4,375,596)	(58,676,059)	(34,878,086)
Total Other Financing Sources	15,000,000	42,000,000	41,890,003	1,245,049	43,135,052	1,135,052
Receipts and Other Financing Sources Over Disbursements- and Other Financing Uses	2,261,512	2,261,512	6,372,076	2,617,246	8,989,322	\$ 6,727,810
Balance - Beginning of Year	41,143,369	41,143,369	10,953,430	19,812,101	30,765,531	
Balance - End of Year	\$ 43,404,881	\$ 43,404,881	\$ 17,325,506	\$ 22,429,347	\$ 39,754,853	

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	
	2018	2017	2018	2017	2018	2017
Land	\$ 86,416,979	\$ 84,804,050	\$ 3,062,926	\$ 3,068,759	\$ 89,479,905	\$ 87,872,809
Land improvements	80,225,861	71,917,149	—	—	80,225,861	71,917,149
Buildings and improvements	61,509,034	53,687,185	94,840,892	97,091,938	156,349,926	150,779,123
Infrastructure	73,861,215	76,795,287	—	—	73,861,215	76,795,287
Machinery and equipment	8,282,999	7,669,496	8,075,361	6,914,955	16,358,360	14,584,451
Construction-in-progress	25,964,330	10,700,994	8,540,089	4,916,157	34,504,419	15,617,151
Total	\$ 336,260,418	\$ 305,574,161	\$ 114,519,268	\$ 111,991,809	\$ 450,779,686	\$ 417,565,970

Long-Term Debt

The following summarizes maturities of principal and interest on bonded debt outstanding as of June 30, 2018:

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		
2019	\$ 6,060,759	\$ 8,860,121	\$ 289,474	\$ 553,026	\$ 1,609,000	\$ 689,497	\$ 7,959,233	\$ 10,102,644
2020	10,757,670	8,772,513	289,474	538,553	1,652,000	643,633	12,699,144	9,954,699
2021	6,903,051	8,424,320	289,474	524,079	1,696,000	663,907	8,888,525	9,612,306
2022	6,934,258	8,200,986	289,474	495,132	1,541,000	547,985	8,764,732	9,244,103
2023	8,315,336	7,948,503	289,474	480,658	1,588,000	748,839	10,192,810	9,178,000
2024-2028	38,729,769	35,235,234	1,447,370	2,186,184	15,266,140	2,622,759	55,443,279	40,044,177
2029-2033	52,654,652	26,328,754	1,447,370	1,824,341	6,169,000	635,703	60,271,022	28,788,798
2034-2038	82,221,505	11,521,889	868,416	1,520,394	209,000	8,130	83,298,921	13,050,413
2039-2043	—	—	2,500,000	1,372,500	—	—	2,500,000	1,372,500
2044-2048	—	—	4,000,000	450,000	—	—	4,000,000	450,000
	212,577,000	115,292,320	11,710,526	9,944,867	29,730,140	6,560,453	254,017,666	131,797,640
Net unamortized bond discount	(140,366)	—	(149,065)	—	—	—	(289,431)	—
Net	\$212,436,634	\$115,292,320	\$11,561,461	\$9,944,867	\$29,730,140	\$6,560,453	\$253,728,235	\$131,797,640

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 \$128 million.

As of June 30, 2018, the City of Coralville has been assigned a Baa3 rating from Moody's Investor Services and a BBB+ rating from Standard & Poor's for general obligation debt. In December, 2018, Standard & Poor's lowered its rating to BB+.

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 2019 budget. As of June 30, 2018, unemployment in Johnson County stood at 2.2% versus 2.9% a year ago. This compared with the State's unemployment rate of 2.7% and the national rate of 4.0%. The City will experience an increase in General Fund receipts and disbursements from fiscal year 2018 to fiscal year 2019. 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 2019 with a fund balance somewhat larger than that of 2018.

Water, Storm Water Management and Public Transit rates will remain the same for fiscal year 2019 as fiscal year 2018. Sewer and Solid Waste rates will increase in fiscal year 2019 to meet the capital improvement and programming needs of the users of these systems.

The City property tax levy rate for fiscal year 2019 will be \$13.5277 which is the same as 2018.

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

Statement of Net Position

As of June 30, 2018

	Governmental Activities	Business- Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Current Assets			
Cash and pooled investments	\$ 10,016,639	\$ 6,886,304	\$ 16,902,943
Receivables			
Property Tax			
Current year delinquent, net of allowance for uncollectible taxes	199,612	—	199,612
Succeeding year	30,545,219	—	30,545,219
Assets held by property manager	—	661,619	661,619
Customer accounts, net of allowance for uncollectible accounts	—	2,226,854	2,226,854
Internal balances	—	5,579,971	5,579,971
Due from other governments	6,283,168	40,986	6,324,154
Special assessments	4,513	—	4,513
Other	978,414	—	978,414
Inventories and prepaids	676,017	421,831	1,097,848
Total Current Assets	<u>48,703,582</u>	<u>15,817,565</u>	<u>64,521,147</u>
Noncurrent Assets			
Restricted Assets			
Cash and pooled investments	12,638,537	3,423,351	16,061,888
Beneficial interest in a trust	—	7,204,663	7,204,663
Loans, net of allowance for uncollectible amounts	7,345,175	—	7,345,175
Special assessments	135,945	—	135,945
Capital assets, net of accumulated depreciation	336,260,418	114,519,268	450,779,686
Total Noncurrent Assets	<u>356,380,075</u>	<u>125,147,282</u>	<u>481,527,357</u>
Total Assets	<u>405,083,657</u>	<u>140,964,847</u>	<u>546,048,504</u>
Deferred Outflows of Resources			
Pension-related deferred outflows	2,494,367	698,624	3,192,991
OPEB-related deferred outflows	1,334	330	1,664
Total Deferred Outflows	<u>2,495,701</u>	<u>698,954</u>	<u>3,194,655</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 407,579,358</u>	<u>\$ 141,663,801</u>	<u>\$ 549,243,159</u>

See accompanying notes to the financial statements.

	Governmental Activities	Business- Type Activities	Total
Liabilities			
Current Liabilities			
Accounts and retainages payable	\$ 3,539,287	\$ 1,550,309	\$ 5,089,596
Accrued expenses	2,428,728	1,101,353	3,530,081
Internal balances	4,781,028	798,943	5,579,971
General obligation bonds.....	6,060,759	—	6,060,759
Other loans	1,576,261	—	1,576,261
Capital leases	—	1,430,000	1,430,000
Current Liabilities Payable From Restricted Assets			
Tax increment financing revenue bonds ..	289,474	—	289,474
Revenue bonds	—	1,609,000	1,609,000
Total Current Liabilities	18,675,537	6,489,605	25,165,142
Noncurrent Liabilities			
Revenue bonds	—	28,121,140	28,121,140
General obligation bonds.....	206,375,875	—	206,375,875
Tax increment financing revenue bonds.....	11,271,987	—	11,271,987
Other loans	253,323	—	253,323
Capital leases	—	36,695,259	36,695,259
Net pension liability.....	5,784,920	2,071,096	7,856,016
Total OPEB liability.....	279,904	69,147	349,051
Total Noncurrent Liabilities	223,966,009	66,956,642	290,922,651
Total Liabilities	242,641,546	73,446,247	316,087,793
Deferred Inflows of Resources			
Succeeding year property tax.....	30,545,219	—	30,545,219
Special assessments	135,946	—	135,946
Pension-related deferred inflows	164,875	58,918	223,793
OPEB-related deferred inflows	82,173	20,300	102,473
Total Deferred Inflows of Resources	30,928,213	79,218	31,007,431
Net Position			
Net investment in capital assets	110,432,739	54,907,532	165,340,271
Restricted for			
Debt service	22,008,274	3,423,351	25,431,625
Expendable trust	928,934	—	928,934
Road use purposes	1,927,089	—	1,927,089
Employee benefits	8,312	—	8,312
Special assessments	79,000	—	79,000
Economic development.....	1,195,276	—	1,195,276
Unrestricted	(2,570,025)	9,807,453	7,237,428
Total Net Position	134,009,599	68,138,336	202,147,935
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 407,579,358	\$ 141,663,801	\$ 549,243,159

Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue			Net (Expenses), Revenue and Changes in Net Position		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Public safety	\$ 5,989,828	\$ 99,146	\$ 214,220	\$ —	\$ (5,676,462)	\$ —	\$ (5,676,462)
Public works	2,055,680	21,592	2,488,037	—	453,949	—	453,949
Health and social services	137,764	—	—	—	(137,764)	—	(137,764)
Culture and recreation	11,836,609	4,432,964	94,997	—	(7,308,648)	—	(7,308,648)
Community and economic development	12,741,083	1,818,495	748,464	8,411,672	(1,762,452)	—	(1,762,452)
General government	3,244,913	1,115,974	1,030,875	—	(1,098,064)	—	(1,098,064)
Depreciation - unallocated*	10,960	—	—	—	(10,960)	—	(10,960)
Interest on long-term debt	8,727,204	—	—	—	(8,727,204)	—	(8,727,204)
Total Governmental Activities	44,744,041	7,488,171	4,576,593	8,411,672	(24,267,605)	—	(24,267,605)
Business-Type Activities							
Hotel and conference center	14,426,096	14,773,460	—	—	—	347,364	347,364
Water	2,090,245	2,594,559	—	—	—	504,314	504,314
Sewer	2,682,730	4,303,905	—	—	—	1,621,175	1,621,175
Parking facilities and operations	2,439,579	2,923,005	—	—	—	483,426	483,426
Transit	2,353,537	510,456	718,414	1,350,257	—	225,590	225,590
Solid waste	981,250	1,071,762	—	—	—	90,512	90,512
Storm water	288,539	641,544	—	—	—	353,005	353,005
Total Business-Type Activities	25,261,976	26,818,691	718,414	1,350,257	—	3,625,386	3,625,386
Total	\$ 70,006,017	\$ 34,306,862	\$ 5,295,007	\$ 9,761,929	(24,267,605)	3,625,386	(20,642,219)
General Revenue							
Taxes							
Property tax levied for general purposes					11,590,889	—	11,590,889
Property tax levied for debt service					3,761,877	—	3,761,877
Tax increment financing					20,697,390	—	20,697,390
Other taxes and payments in lieu of taxes					3,552,088	—	3,552,088
Investment earnings					126,443	111,644	238,087
Miscellaneous					170,412	63,273	233,685
Cost of debt issuance					(334,106)	—	(334,106)
Gain (loss) on sale of capital assets					4,618,793	(93,765)	4,525,028
Total General Revenue					44,183,786	81,152	44,264,938
Change in Net Position Before Transfers					19,916,181	3,706,538	23,622,719
Transfers					(1,180,209)	1,180,209	—
Change in Net Position					18,735,972	4,886,747	23,622,719
Net Position - Beginning of Year					115,273,627	63,251,589	178,525,216
Net Position - End of Year					\$ 134,009,599	\$ 68,138,336	\$ 202,147,935

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

Balance Sheet - Governmental Funds

As of June 30, 2018

	General Fund	Special Revenue - Mall/Highway 6 TIF Fund	General Obligation Debt Service	Capital Projects - Iowa River Landing	Other Governmental Funds	Total
Assets						
Cash and pooled investments	\$ 6,987,005	\$ —	\$ —	\$ —	\$ 3,029,634	\$ 10,016,639
Receivables						
Property Tax						
Current year delinquent.....	58,170	111,195	21,935	—	8,312	199,612
Succeeding year	12,533,772	6,389,359	3,748,650	—	7,873,438	30,545,219
Loans	—	3,540,485	—	—	3,804,690	7,345,175
Due from other funds	3,000,000	1,456,432	—	—	2,413,701	6,870,133
Due from other governments	16,818	—	—	—	6,266,350	6,283,168
Assets held by property manager	93,856	—	—	—	—	93,856
Other	134,558	750,000	—	—	—	884,558
Special assessments	—	—	—	—	140,458	140,458
Inventories and prepaids	649,610	—	—	—	26,407	676,017
Restricted Assets						
Cash and pooled investments.....	—	3,917,049	7,414,036	—	1,307,452	12,638,537
Total Assets	\$ 23,473,789	\$ 16,164,520	\$ 11,184,621	\$ —	\$ 24,870,442	\$ 75,693,372
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 655,187	\$ —	\$ —	\$ 693,096	\$ 2,191,004	\$ 3,539,287
Accrued liabilities.....	160,185	—	—	—	76	160,261
Due to other funds.....	—	—	—	7,192,962	4,458,199	11,651,161
Total Liabilities	815,372	—	—	7,886,058	6,649,279	15,350,709
Deferred Inflows of Resources						
Succeeding years property tax	12,533,772	6,389,359	3,748,650	—	7,873,438	30,545,219
Special assessments.....	—	—	—	—	135,946	135,946
Other.....	—	—	—	—	5,932,319	5,932,319
Total Deferred Inflows of Resources.....	12,533,772	6,389,359	3,748,650	—	13,941,703	36,613,484
Fund Balances						
Nonspendable	649,610	—	—	—	341,407	991,017
Restricted						
Debt service	—	9,775,161	7,435,971	—	4,797,142	22,008,274
Expendable trust.....	—	—	—	—	928,809	928,809
Road use purposes.....	—	—	—	—	1,907,518	1,907,518
Employee benefits	—	—	—	—	8,312	8,312
Special assessments	—	—	—	—	79,000	79,000
Other	—	—	—	—	873,565	873,565
Committed for capital asset acquisition	5,208,971	—	—	—	93,909	5,302,880
Unassigned.....	4,266,064	—	—	(7,886,058)	(4,750,202)	(8,370,196)
Total Fund Balances	10,124,645	9,775,161	7,435,971	(7,886,058)	4,279,460	23,729,179
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 23,473,789	\$ 16,164,520	\$ 11,184,621	\$ —	\$ 24,870,442	\$ 75,693,372

See accompanying notes to the financial statements.

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

As of June 30, 2018

Total Fund Balances for Governmental Funds (Page 16)..... **\$ 23,729,179**

***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..... 5,932,319

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 336,260,418

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

General obligation bonds payable.....	\$ (212,436,634)	
Tax increment financing bonds payable.....	(11,561,461)	
Other loans payable	(1,829,584)	
Accrued interest payable.....	(1,296,908)	
Compensated absences	(971,559)	
Net pension liability	(5,784,920)	
Total OPEB-related liability	(279,904)	(234,160,970)

Pension and OPEB-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.....	\$ 2,495,701	
Deferred inflows of resources.....	(247,048)	2,248,653

Net Position of Governmental Activities (Page 14) **\$ 134,009,599**

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

Year Ended June 30, 2018

	General Fund	Special Revenue - Mall/Highway 6 TIF Fund	General Obligation Debt Service	Capital Projects - Iowa River Landing	Other Governmental Funds	Total
Revenue						
Property tax	\$ 9,368,867	\$ —	\$ 3,761,876	\$ —	\$ 2,212,870	\$ 15,343,613
TIF and other city taxes	3,561,241	16,925,684	—	—	4,520,170	25,007,095
Special assessments	—	—	—	—	42,299	42,299
Licenses and permits	809,004	—	—	—	—	809,004
Use of money and property	230,456	11,001	21,261	416	1,521,936	1,785,070
Intergovernmental	323,801	—	1,027,212	—	6,178,204	7,529,217
Charges for service	4,477,556	—	—	—	265,558	4,743,114
Miscellaneous	194,669	4,235	—	19,700	751,749	970,353
Total Revenue	18,965,594	16,940,920	4,810,349	20,116	15,492,786	56,229,765
Expenditures						
Operating						
Public safety	6,296,775	—	—	—	41,133	6,337,908
Public works	—	—	—	—	2,094,301	2,094,301
Health and social services	137,764	—	—	—	—	137,764
Culture and recreation	10,212,488	—	—	—	140,682	10,353,170
Community and economic development	722,767	1,553,772	—	—	3,514,548	5,791,087
General government	3,033,360	—	—	—	—	3,033,360
Debt Service						
Principal	—	—	7,756,291	—	—	7,756,291
Interest and other charges	—	—	8,375,035	—	—	8,375,035
Capital projects	—	—	—	27,682,159	12,988,774	40,670,933
Total Expenditures	20,403,154	1,553,772	16,131,326	27,682,159	18,779,438	84,549,849
Revenue Over (Under) Expenditures	(1,437,560)	15,387,148	(11,320,977)	(27,662,043)	(3,286,652)	(28,320,084)
Other Financing Sources (Uses)						
Bond proceeds	—	—	28,835,000	—	—	28,835,000
Refunding bonds issued	—	—	2,890,000	—	—	2,890,000
Refunding bond principal payments	—	—	(2,890,000)	—	—	(2,890,000)
Premium on bonds issued	—	—	248,357	—	—	248,357
Cost of debt issuance	—	—	(404,665)	—	—	(404,665)
Proceeds from sale of assets	318,355	6,716,492	—	—	—	7,034,847
Transfers in	3,048,356	71,376	14,787,919	20,431,949	15,018,344	53,357,944
Transfers out	(1,896,025)	(17,557,219)	(27,899,938)	—	(7,184,971)	(54,538,153)
Total Other Financing Sources (Uses)	1,470,686	(10,769,351)	15,566,673	20,431,949	7,833,373	34,533,330
Net Change in Fund Balances	33,126	4,617,797	4,245,696	(7,230,094)	4,546,721	6,213,246
Fund Balances - Beginning of Year	10,091,519	5,157,364	3,190,275	(655,964)	(267,261)	17,515,933
Fund Balances - End of Year	\$ 10,124,645	\$ 9,775,161	\$ 7,435,971	\$ (7,886,058)	\$ 4,279,460	\$ 23,729,179

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, 2018

Changes in Fund Balances - Total Governmental Funds (Page 18) \$ 6,213,246

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	\$ 41,609,339	
Depreciation expense	(8,475,982)	
Proceeds from sale of capital assets	(7,034,847)	
Gain on disposal of capital assets.....	<u>4,618,793</u>	30,717,303

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	\$ (31,725,000)	
Long-term debt principal repaid	10,468,493	
Issuance premium capitalized.....	(177,798)	
Amortization of discounts and premiums	(15,404)	
Increase in accrued interest.....	<u>(158,967)</u>	(21,608,676)

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..... 4,149,841

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..... 839,071

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	\$ (4,068)	
Compensated absences	(58,494)	
Pension expense.....	(1,151,508)	
OPEB expense.....	<u>(360,743)</u>	<u>(1,574,813)</u>

Change in Net Position of Governmental Activities (Page 15) \$ 18,735,972

Statement of Net Position - Proprietary Funds

As of June 30, 2018

	Hotel and Conference Center	Water	Sewer	Parking Facilities and Operations	Transit	Nonmajor Proprietary Funds	Total
Current Assets							
Assets							
Cash and pooled investments	\$ —	\$ 1,488,727	\$ 1,965,977	\$ 1,417,484	\$ 829,350	\$ 1,184,766	\$ 6,886,304
Receivables							
Assets held by property manager	661,619	—	—	—	—	—	661,619
Customer accounts	543,456	407,649	768,994	257,131	—	249,624	2,226,854
Due from other governments	—	—	—	—	40,986	—	40,986
Due from other funds	—	1,488,726	1,965,976	1,417,483	400,000	307,786	5,579,971
Inventories and prepaids	71,707	210,678	36,050	40,254	40,465	22,677	421,831
Total Current Assets	1,276,782	3,595,780	4,736,997	3,132,352	1,310,801	1,764,853	15,817,565
Noncurrent Assets							
Restricted Assets							
Cash and pooled investments	—	320,800	632,950	2,464,513	—	5,088	3,423,351
Beneficial interest in a trust	7,204,663	—	—	—	—	—	7,204,663
Capital assets (net of accumulated depreciation)	43,659,796	11,950,126	20,552,568	22,869,803	14,754,970	732,005	114,519,268
Total Noncurrent Assets	50,864,459	12,270,926	21,185,518	25,334,316	14,754,970	737,093	125,147,282
Total Assets	52,141,241	15,866,706	25,922,515	28,466,668	16,065,771	2,501,946	140,964,847
Deferred Outflows of Resources							
Pension-related deferred outflows	—	138,995	122,091	85,185	222,519	129,834	698,624
OPEB-related deferred outflows	—	66	58	42	106	58	330
Total Deferred Outflows of Resources	—	139,061	122,149	85,227	222,625	129,892	698,954
Total Assets and Deferred Outflows of Resources	\$ 52,141,241	\$ 16,005,767	\$ 26,044,664	\$ 28,551,895	\$ 16,288,396	\$ 2,631,838	\$ 141,663,801
Liabilities and Net Position							
Current Liabilities							
Accounts payable	\$ 483,517	\$ 352,598	\$ 71,576	\$ 630,916	\$ 4,387	\$ 7,315	\$ 1,550,309
Accrued liabilities and compensated absences	467,903	50,656	60,096	23,289	102,676	50,723	755,343
Due to other funds	798,943	—	—	—	—	—	798,943
Current maturities of long-term debt	1,430,000	—	492,000	1,057,000	—	60,000	3,039,000
Customer deposits	—	346,010	—	—	—	—	346,010
Total Current Liabilities	3,180,363	749,264	623,672	1,711,205	107,063	118,038	6,489,605
Noncurrent Liabilities							
Long-term debt	36,695,259	4,613,140	7,122,000	15,407,000	—	979,000	64,816,399
Net pension liability	—	416,989	362,118	246,927	658,824	386,238	2,071,096
Total OPEB liability	—	13,788	12,252	8,831	22,304	11,972	69,147
Total Noncurrent Liabilities	36,695,259	5,043,917	7,496,370	15,662,758	681,128	1,377,210	66,956,642
Total Liabilities	39,875,622	5,793,181	8,120,042	17,373,963	788,191	1,495,248	73,446,247
Deferred Inflows of Resources							
Pension-related deferred inflows	—	11,860	10,469	6,867	18,816	10,906	58,918
OPEB-related deferred inflows	—	4,048	3,597	2,593	6,548	3,514	20,300
Total Deferred Inflows of Resources	—	15,908	14,066	9,460	25,364	14,420	79,218
Net Position							
Net investment in capital assets	12,739,200	7,336,986	12,938,568	6,405,803	14,754,970	732,005	54,907,532
Restricted for debt service	—	320,800	632,950	2,464,513	—	5,088	3,423,351
Unrestricted	(473,581)	2,538,892	4,339,038	2,298,156	719,871	385,077	9,807,453
Total Net Position	12,265,619	10,196,678	17,910,556	11,168,472	15,474,841	1,122,170	68,138,336
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 52,141,241	\$ 16,005,767	\$ 26,044,664	\$ 28,551,895	\$ 16,288,396	\$ 2,631,838	\$ 141,663,801

See accompanying notes to the financial statements.

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

Year Ended June 30, 2018

	Hotel and Conference Center	Water	Sewer	Parking Facilities and Operations	Transit	Nonmajor Proprietary Funds	Total
Operating Revenue							
Charges for sales and service	<u>\$ 14,773,460</u>	<u>\$ 2,594,559</u>	<u>\$ 4,303,905</u>	<u>\$ 2,923,005</u>	<u>\$ 510,456</u>	<u>\$ 1,713,306</u>	<u>\$ 26,818,691</u>
Operating Expenses							
Salaries and employee benefits	—	700,861	627,341	426,392	1,121,506	642,616	3,518,716
Contractual services	1,418,708	792,813	655,930	220,698	223,789	190,042	3,501,980
Commodities	10,256,242	87,759	284,018	606,362	419,956	299,036	11,953,373
Depreciation	1,419,624	421,621	898,496	669,905	588,286	116,204	4,114,136
Total Operating Expenses	<u>13,094,574</u>	<u>2,003,054</u>	<u>2,465,785</u>	<u>1,923,357</u>	<u>2,353,537</u>	<u>1,247,898</u>	<u>23,088,205</u>
Operating Income (Loss)	<u>1,678,886</u>	<u>591,505</u>	<u>1,838,120</u>	<u>999,648</u>	<u>(1,843,081)</u>	<u>465,408</u>	<u>3,730,486</u>
Nonoperating Revenue (Expenses)							
Rent revenue	—	—	—	—	63,273	—	63,273
Intergovernmental Revenue							
Federal	—	—	—	—	1,790,722	—	1,790,722
State	—	—	—	—	277,949	—	277,949
Gain (loss) on sale of assets	—	—	—	23,708	(7,006)	(110,467)	(93,765)
Interest revenue	49,400	13,561	18,011	30,662	—	10	111,644
Interest expense	(1,331,522)	(87,191)	(216,945)	(516,222)	—	(21,891)	(2,173,771)
Total Nonoperating Revenue (Expenses)	<u>(1,282,122)</u>	<u>(73,630)</u>	<u>(198,934)</u>	<u>(461,852)</u>	<u>2,124,938</u>	<u>(132,348)</u>	<u>(23,948)</u>
Income Before Transfers	396,764	517,875	1,639,186	537,796	281,857	333,060	3,706,538
Transfers in	600,000	—	—	250,719	591,418	81,120	1,523,257
Transfers out	(117,048)	(80,000)	(87,500)	(3,500)	—	(55,000)	(343,048)
Net Income	879,716	437,875	1,551,686	785,015	873,275	359,180	4,886,747
Net Position - Beginning of Year	11,385,903	9,758,803	16,358,870	10,383,457	14,601,566	762,990	63,251,589
Net Position - End of Year	<u>\$ 12,265,619</u>	<u>\$ 10,196,678</u>	<u>\$ 17,910,556</u>	<u>\$ 11,168,472</u>	<u>\$ 15,474,841</u>	<u>\$ 1,122,170</u>	<u>\$ 68,138,336</u>

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2018

	Hotel and Conference Center	Water	Sewer	Parking Facilities and Operations	Transit	Nonmajor Proprietary Funds	Total
Cash Flows From Operating Activities							
Receipts from customers.....	\$ 14,853,870	\$ 2,607,588	\$ 4,158,543	\$ 2,726,872	\$ 508,596	\$ 1,726,149	\$ 26,581,618
Payments to suppliers.....	(11,798,356)	(965,119)	(995,306)	(765,665)	(665,215)	(507,111)	(15,696,772)
Payments to employees.....	—	(667,206)	(597,482)	(404,677)	(1,066,952)	(613,663)	(3,349,980)
Net Cash Provided by (Used in) Operating Activities.....	<u>3,055,514</u>	<u>975,263</u>	<u>2,565,755</u>	<u>1,556,530</u>	<u>(1,223,571)</u>	<u>605,375</u>	<u>7,534,866</u>
Cash Flows From Noncapital Financing Activities							
Noncapital federal and state grants.....	—	—	—	—	718,414	—	718,414
Net transfers.....	482,952	(80,000)	(87,500)	247,219	591,418	26,120	1,180,209
Net Cash Provided by (Used in) Noncapital Financing Activities.....	<u>482,952</u>	<u>(80,000)</u>	<u>(87,500)</u>	<u>247,219</u>	<u>1,309,832</u>	<u>26,120</u>	<u>1,898,623</u>
Cash Flows From Capital and Related Financing Activities							
Increase in due to other funds.....	13,037	—	—	—	—	—	13,037
Proceeds from debt.....	—	3,877,473	155,074	—	—	—	4,032,547
Net paid into trust.....	(1,597,398)	—	—	—	—	—	(1,597,398)
Received from sale of assets.....	—	—	—	49,383	11,301	—	60,684
Purchase of capital assets.....	(585,580)	(4,042,788)	(150,097)	(217,110)	(1,924,938)	—	(6,920,513)
Federal and state capital grants.....	—	—	—	—	1,350,257	—	1,350,257
Repayment of debt.....	—	(1,050,000)	(1,382,000)	(1,027,000)	—	(59,000)	(3,518,000)
Payment of interest.....	(1,417,925)	(82,504)	(220,147)	(514,960)	—	(21,989)	(2,257,525)
Net Cash Used in Capital and Related Financing Activities.....	<u>(3,587,866)</u>	<u>(1,297,819)</u>	<u>(1,597,170)</u>	<u>(1,709,687)</u>	<u>(563,380)</u>	<u>(80,989)</u>	<u>(8,836,911)</u>
Cash Flows From Investing Activities							
(Increase) decrease in due from other funds.....	—	456,274	(765,976)	582,517	200,000	102,214	575,029
Rent revenue.....	—	—	—	—	63,273	—	63,273
Interest received.....	49,400	13,561	18,011	30,662	—	10	111,644
Net Cash Provided by (Used in) Investing Activities.....	<u>49,400</u>	<u>469,835</u>	<u>(747,965)</u>	<u>613,179</u>	<u>263,273</u>	<u>102,224</u>	<u>749,946</u>
Net Increase (Decrease) in Cash.....	<u>—</u>	<u>67,279</u>	<u>133,120</u>	<u>707,241</u>	<u>(213,846)</u>	<u>652,730</u>	<u>1,346,524</u>
Cash and Pooled Investments at Beginning of Year.....	—	1,742,248	2,465,807	3,174,756	1,043,196	537,124	8,963,131
Cash and Pooled Investments at End of Year.....	<u>\$ —</u>	<u>\$ 1,809,527</u>	<u>\$ 2,598,927</u>	<u>\$ 3,881,997</u>	<u>\$ 829,350</u>	<u>\$ 1,189,854</u>	<u>\$ 10,309,655</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2018

	Hotel and Conference Center	Water	Sewer	Parking Facilities and Operations	Transit	Nonmajor Proprietary Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities							
Operating income (loss).....	\$ 1,678,886	\$ 591,505	\$ 1,838,120	\$ 999,648	\$ (1,843,081)	\$ 465,408	\$ 3,730,486
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities							
Depreciation	1,419,624	421,621	898,496	669,905	588,286	116,204	4,114,136
(Increase) decrease in receivables	80,410	(29,051)	(145,362)	(196,133)	—	12,843	(277,293)
(Increase) decrease in inventories and prepaids	(5,859)	(50,651)	(1,317)	(1,331)	(1,388)	4	(60,542)
Increase in due from other funds and other governments	—	—	—	—	(1,860)	—	(1,860)
Increase in deferred outflows	—	(18,185)	(1,821)	(4,571)	(3,155)	(1,323)	(29,055)
Increase (decrease) in accounts payable	(3,756)	(42,833)	(52,212)	64,586	(31,942)	(15,847)	(82,004)
Increase (decrease) in accrued liabilities and compensated absences	(113,791)	8,937	(1,829)	(1,860)	11,860	(2,190)	(98,873)
Increase in customer deposits	—	42,080	—	—	—	—	42,080
Increase in net pension liability	—	28,935	25,626	18,821	47,013	24,642	145,037
Increase in total OPEB liability	—	13,788	12,252	8,831	22,304	11,972	69,147
Increase (decrease) in deferred inflows	—	9,117	(6,198)	(1,366)	(11,608)	(6,338)	(16,393)
Net Cash Provided by (Used in) Operating Activities	\$ 3,055,514	\$ 975,263	\$ 2,565,755	\$ 1,556,530	\$ (1,223,571)	\$ 605,375	\$ 7,534,866
Schedule of Noncash Investing and Financing Activities							
Cash Paid for Capital Assets							
Capital asset additions	\$ 585,580	\$ 3,918,319	\$ 150,097	\$ 217,110	\$ 1,924,938	\$ —	\$ 6,796,044
Net change in accounts payable	—	124,469	—	—	—	—	124,469
Cash Paid for Capital Assets	\$ 585,580	\$ 4,042,788	\$ 150,097	\$ 217,110	\$ 1,924,938	\$ —	\$ 6,920,513
Gain (Loss) on Asset Disposal							
Cash received.....	\$ —	\$ —	\$ —	\$ 49,383	\$ 11,301	\$ —	\$ 60,684
Book value of assets disposed	—	—	—	25,675	18,307	110,467	154,449
Gain (Loss) on Asset Disposal	\$ —	\$ —	\$ —	\$ 23,708	\$ (7,006)	\$ (110,467)	\$ (93,765)

See accompanying notes to the financial statements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City of Coralville, Iowa, (City) is a political subdivision of the State of Iowa located in Johnson County. It was incorporated in 1870 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, public improvements, community and economic development and general administrative services. It also operates a hotel and conference center, a public transit service and provides water, sewer, storm water and sanitation utilities.

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

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Excluded Component Unit

The Coralville Public Library Foundation (an Iowa nonprofit corporation) is a legally separate entity from the City. The Foundation is governed by its own board. The Foundation was formed for the direct benefit of the Coralville Public Library (Library). Economic resources received by the Foundation are used for the direct benefit of the Library and, therefore, the City's constituents. The Foundation has a June fiscal year end and does not prepare financial statements; therefore, audited financial statements are not available. Management has elected to exclude the transactions of the Foundation from the City's financial statements as they are not material.

Basis of Presentation

Government-Wide Financial Statements

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The statement of net position presents the City's nonfiduciary assets and liabilities and deferred outflows and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, plus the beneficial interest in a trust, reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental, enterprise and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City had the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenue and other revenue that is not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating expenses, the fixed charges and capital improvement costs not paid from other funds.

The Mall/Highway 6 Tax Increment Financing Fund is a special revenue fund used to account for property tax generated as a result of increased property values of property located in the City's Mall/Highway 6 area tax increment financing district which will be used to pay obligations incurred for qualifying projects.

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

The Iowa River Landing is a capital project fund used to account for revenue and project expenses in connection with improvements in the Iowa River Landing area.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City had the following major enterprise funds:

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

Water Fund - This fund accounts for the operation and maintenance of the City's water system.

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, 2018.

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, 2018, disbursements exceeded the budgeted amounts in Health and Social Services, Community and Economic Development and Capital Projects functional areas.

Notes to the Financial Statements

(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, 2016 assessed property valuations, is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March, 2017.

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

(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 Prepaids

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

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

Restricted Assets

Certain assets of the governmental funds are classified as restricted assets because their use is restricted by bond covenants, donors, contract or grant agreements or by law.

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

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 acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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

(1) Summary of Significant Accounting Policies

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

Asset Class	Estimated Useful Lives
Land improvements.....	20 - 50 Years
Buildings and improvements.....	10 - 50 Years
Furniture and equipment.....	5 - 20 Years
Vehicles.....	5 - 20 Years
Road network.....	20 - 40 Years
Bridge network.....	50 Years
Parking ramps.....	50 Years

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, 2018. 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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the City of Coralville GAAP City's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) which 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 consist 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 consist 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 unrecognized items not yet charged to pension expense.

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.

Estimates and Assumptions

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

Notes to the Financial Statements

(2) Cash and Pooled Investments

The City's deposits as of June 30, 2018 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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72 which were material to the financial statements.

(3) Loans Receivable

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

The following is a summary of the loans as of June 30, 2018:

Year Entered Into	Balance July 1, 2017	Loans Made	Loans Forgiven	Balance June 30, 2018
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
2017	690,000	—	—	690,000
	<u>\$ 7,283,890</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 7,283,890</u>

No interest income was recognized on these loans during the year ended June 30, 2018.

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 2018, the City Council approved forgiving \$24,965 of principal and \$4,235 of interest. The unpaid balance as of June 30, 2018 was \$61,285.

Notes to the Financial Statements

(4) Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2018 is as follows:

Due From/To	Interfund Receivables	Interfund Payables
General Fund.....	\$ 3,000,000	\$ —
Special Revenue Funds		
Road Use Tax.....	720,006	—
Mall/Highway 6 TIF Fund.....	1,456,432	—
Capital Projects Funds		
First Avenue Projects.....	—	544,443
Transit/Parks Facility.....	237,318	—
Animal Control Facility.....	36,779	—
Recreation Improvements.....	96,652	—
Land Use Project.....	494,152	—
Water Connection Camp Cardinal.....	36,538	—
Flood Mitigation.....	—	2,170,971
Street Projects.....	—	1,370,089
Iowa River Landing.....	—	7,192,962
Intermodal Facility.....	2,000	—
FEMA Edgewater Buyout.....	134	—
North Fire Station.....	17	—
Coral Ridge Avenue.....	789,493	—
Coral Ridge Mall Area.....	306	—
Northridge Trails.....	—	280,073
12th Avenue Urban Renewal.....	306	—
North End Area Projects.....	—	77,623
Southeast Commercial Area.....	—	15,000
Proprietary Funds		
Sewer.....	1,965,976	—
Parking Facilities and Operations.....	1,417,483	—
Transit.....	400,000	—
Water.....	1,488,726	—
Storm Water.....	307,786	—
Hotel and Conference Center.....	—	798,943
	<u>\$ 12,450,104</u>	<u>\$ 12,450,104</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.

Notes to the Financial Statements

(5) Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 84,804,050	\$ 4,022,000	\$ 2,409,071	\$ 86,416,979
Construction in progress	10,700,994	27,186,201	11,922,865	25,964,330
Total Capital Assets Not Being Depreciated	<u>95,505,044</u>	<u>31,208,201</u>	<u>14,331,936</u>	<u>112,381,309</u>
Capital Assets Being Depreciated				
Land improvements	81,402,699	10,130,949	—	91,533,648
Buildings and improvements	70,020,583	9,646,980	—	79,667,563
Furniture and equipment	13,990,196	1,145,604	371,657	14,764,143
Vehicles	3,145,370	334,298	210,557	3,269,111
Road network	115,057,553	1,066,172	—	116,123,725
Bridge network	7,903,035	—	—	7,903,035
Parking ramps	5,522,881	—	—	5,522,881
Total Capital Assets Being Depreciated	<u>297,042,317</u>	<u>22,324,003</u>	<u>582,214</u>	<u>318,784,106</u>
Less Accumulated Depreciation for				
Land improvements	9,485,550	1,822,237	—	11,307,787
Buildings and improvements	16,333,398	1,825,131	—	18,158,529
Furniture and equipment	8,131,890	586,762	336,248	8,382,404
Vehicles	1,334,180	241,608	207,937	1,367,851
Road network	48,724,731	3,731,725	—	52,456,456
Bridge network	1,803,642	158,061	—	1,961,703
Parking ramps	1,159,809	110,458	—	1,270,267
Total Accumulated Depreciation ...	<u>86,973,200</u>	<u>8,475,982</u>	<u>544,185</u>	<u>94,904,997</u>
Net Capital Assets Being Depreciated ..	<u>210,069,117</u>	<u>13,848,021</u>	<u>38,029</u>	<u>223,879,109</u>
Net Governmental Activities				
Capital Assets	<u>\$ 305,574,161</u>	<u>\$ 45,056,222</u>	<u>\$ 14,369,965</u>	<u>\$ 336,260,418</u>
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	\$ 3,068,759	\$ —	\$ 5,833	\$ 3,062,926
Construction in progress	4,916,157	4,068,416	444,484	8,540,089
Total Capital Assets Not Being Depreciated	<u>7,984,916</u>	<u>4,068,416</u>	<u>450,317</u>	<u>11,603,015</u>
Capital Assets Being Depreciated				
Buildings and improvements	133,635,265	1,053,696	243,351	134,445,610
Furniture and equipment	27,794,307	2,023,757	1,019,251	28,798,813
Vehicles	1,041,437	94,659	51,350	1,084,746
Total Capital Assets Being Depreciated	<u>162,471,009</u>	<u>3,172,112</u>	<u>1,313,952</u>	<u>164,329,169</u>
Less Accumulated Depreciation for				
Buildings and improvements	36,543,327	3,200,108	138,717	39,604,718
Furniture and equipment	21,390,373	808,564	1,000,944	21,197,993
Vehicles	530,416	105,464	25,675	610,205
Total Accumulated Depreciation ...	<u>58,464,116</u>	<u>4,114,136</u>	<u>1,165,336</u>	<u>61,412,916</u>
Net Capital Assets Being Depreciated ..	<u>104,006,893</u>	<u>(942,024)</u>	<u>148,616</u>	<u>102,916,253</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 111,991,809</u>	<u>\$ 3,126,392</u>	<u>\$ 598,933</u>	<u>\$ 114,519,268</u>

Notes to the Financial Statements

(5) Capital Assets

Depreciation expense was charged to functions as follows for the year ended June 30, 2018:

Governmental Activities	
Public safety	\$ 454,586
Public works	238,589
Culture and recreation.....	1,308,192
Community and economic development	6,359,092
General government	<u>104,563</u>
	8,465,022
Unallocated depreciation.....	<u>10,960</u>
Total Governmental Activities Depreciation Expense	<u>\$ 8,475,982</u>
Business-Type Activities	
Hotel and conference center	\$ 1,419,624
Sewer	898,496
Parking facilities and operations	669,905
Water.....	421,621
Solid waste.....	116,204
Transit	<u>588,286</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 4,114,136</u>

(6) Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2018:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Amount Due in the Next Year	Range of Interest Rates
Governmental Activities						
General obligation						
bonds	\$ 189,763,952	\$ 31,725,000	\$ 9,052,318	\$ 212,436,634	\$ 6,060,759	2.00%-6.875%
Tax increment financing						
revenue bonds	12,410,415	—	848,954	11,561,461	289,474	4.50%-5.000%
Other long-term debt	2,381,401	—	551,817	1,829,584	1,576,261	2.65%-4.500%
Compensated						
absences.....	913,065	971,559	913,065	971,559	971,559	N/A
Net pension liability ..	5,215,788	569,132	—	5,784,920	—	N/A
Total OPEB liability ..	—	279,904	—	279,904	—	N/A
Totals.....	<u>\$ 210,684,621</u>	<u>\$ 33,545,595</u>	<u>\$ 11,366,154</u>	<u>\$ 232,864,062</u>	<u>\$ 8,898,053</u>	
Business-Type Activities						
Revenue bonds	\$ 29,215,593	\$ 4,032,547	\$ 3,518,000	\$ 29,730,140	\$ 1,609,000	0.00%-5.000%
Capital leases.....	38,211,662	—	86,403	38,125,259	1,430,000	4.000%
Compensated						
absences.....	200,258	217,202	200,258	217,202	217,202	N/A
Net pension liability ..	1,926,059	145,037	—	2,071,096	—	N/A
Total OPEB liability ..	—	69,147	—	69,147	—	N/A
Totals.....	<u>\$ 69,553,572</u>	<u>\$ 4,463,933</u>	<u>\$ 3,804,661</u>	<u>\$ 70,212,844</u>	<u>\$ 3,256,202</u>	

Notes to the Financial Statements

(6) Long-Term Debt

Governmental Activities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for 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.

As of June 30, 2018, there were 29 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, 2018, 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, 2018 totaled \$473,328 and \$66,565, respectively.

As of June 30, 2018, annual maturities of the land purchase contracts are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,576,261	\$ 53,033	\$ 1,629,294
2020	79,764	9,780	89,544
2021	83,428	6,115	89,543
2022	90,131	2,283	92,414
Total.....	<u>\$ 1,829,584</u>	<u>\$ 71,211</u>	<u>\$ 1,900,795</u>

Notes to the Financial Statements

(6) Long-Term Debt

Business-Type Activities

As of June 30, 2018, 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
Water	1	2.00%	June, 2038
Sewer	5	0.00% to 3.90%	June, 2034
Parking Facilities and Operations	1	2.95% to 5.00%	June, 2031
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 2038. 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 \$4,613,140. Principal and interest due in the next year and total customer net revenue (operating income plus depreciation) for 2018 was \$0 and \$1,013,126, 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 2034. 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 \$9,075,677. For the current year, principal and interest paid and total customer net revenue (operating income plus depreciation) was \$1,602,147 and \$2,736,616, 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 \$1,191,147. For the current year, principal and interest paid and total customer net revenue (operating income plus depreciation and certain expenditures) was \$80,989 and \$374,896, 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 was recorded as a gain on the refunding and the premium from the 2017 issuance was 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, 2018, interest paid totaled \$1,412,925.

As of June 30, 2018, future minimum lease payments on the capital lease obligation are as follows:

Year Ending June 30,	
2019	\$ 2,842,925
2020	2,840,725
2021	2,841,325
2022	2,839,525
2023	2,840,325
2024-2028	14,199,825
2029-2033	14,206,425
2034-2036	<u>8,524,725</u>
Total Minimum Lease Payments	51,135,800
Less amount representing interest	(14,565,800)
Plus unamortized original issue premium	<u>1,555,259</u>
Present Value of Net Minimum Lease Payments	<u>\$ 38,125,259</u>

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, 2018 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		
2019	\$ 6,060,759	\$ 8,860,121	\$ 289,474	\$ 553,026	\$ 1,609,000	\$ 689,497	\$ 7,959,233	\$ 10,102,644
2020	10,757,670	8,772,513	289,474	538,553	1,652,000	643,633	12,699,144	9,954,699
2021	6,903,051	8,424,320	289,474	524,079	1,696,000	663,907	8,888,525	9,612,306
2022	6,934,258	8,200,986	289,474	495,132	1,541,000	547,985	8,764,732	9,244,103
2023	8,315,336	7,948,503	289,474	480,658	1,588,000	748,839	10,192,810	9,178,000
2024-2028 ...	38,729,769	35,235,234	1,447,370	2,186,184	15,266,140	2,622,759	55,443,279	40,044,177
2029-2033 ...	52,654,652	26,328,754	1,447,370	1,824,341	6,169,000	635,703	60,271,022	28,788,798
2034-2038 ...	82,221,505	11,521,889	868,416	1,520,394	209,000	8,130	83,298,921	13,050,413
2039-2043 ...	—	—	2,500,000	1,372,500	—	—	2,500,000	1,372,500
2044-2048 ...	—	—	4,000,000	450,000	—	—	4,000,000	450,000
	<u>212,577,000</u>	<u>115,292,320</u>	<u>11,710,526</u>	<u>9,944,867</u>	<u>29,730,140</u>	<u>6,560,453</u>	<u>254,017,666</u>	<u>131,797,640</u>
Net unamor- tized bond discount	(140,366)	—	(149,065)	—	—	—	(289,431)	—
Net	<u>\$212,436,634</u>	<u>\$115,292,320</u>	<u>\$11,561,461</u>	<u>\$ 9,944,867</u>	<u>\$29,730,140</u>	<u>\$6,560,453</u>	<u>\$253,728,235</u>	<u>\$131,797,640</u>

Interest expense and other charges recorded in governmental fund types totaled \$8.4 million for the year ended June 30, 2018. Interest expense recorded in proprietary fund types totaled \$2.2 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, 2018, the City was in compliance with these covenants, in all material respects.

(7) Pension Plan

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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

(7) Pension Plan

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, any time 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 and may retire any time after reaching age 50 with 22 or more years of covered employment. 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) Pension Plan

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 2018, 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, 2018 were \$1,052,899.

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

As of June 30, 2018, the City reported a liability of \$7,856,016 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2017, the City's proportion was 0.117936% which was an increase of 0.004453% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$1,444,955. As of June 30, 2018, 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	\$ 79,676	\$ 102,487
Changes of assumptions	1,724,710	416
Net difference between projected and actual earnings on IPERS' investments	—	112,502
Changes in proportion and differences between City contributions and proportionate share of contributions	335,706	8,388
City contributions subsequent to the measurement date	1,052,899	—
Total	<u>\$ 3,192,991</u>	<u>\$ 223,793</u>

\$1,052,899 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, 2019. 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) Pension Plan

Year Ending June 30,

2019.....	\$ 305,704
2020.....	862,871
2021.....	529,208
2022.....	85,803
2023.....	<u>132,713</u>
Total	<u>\$ 1,916,299</u>

There were no nonemployer contributing entities to IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rate of salary increase (effective June 30, 2017)	3.25% to 16.25%, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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
Domestic Equity	24.0%	6.25%
International Equity	16.0	6.71
Core Plus Fixed Income	27.0	2.25
Public Credit	3.5	3.46
Public Real Assets	7.0	3.27
Cash	1.0	(0.31)
Private Equity	11.0	11.15
Private Real Assets	7.5	4.18
Private Credit	<u>3.0</u>	4.25
Total	<u>100.0%</u>	

Notes to the Financial Statements

(7) Pension Plan

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability.....	\$14,526,139	\$7,856,016	\$2,253,512

Pension 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.

Payables to the Pension Plan

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, 2018.

(8) Other Postemployment Benefits (OPEB)

Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, spouses and their dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. As of June 30, 2018, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by the City of Coralville and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

Retired participants must be age 55 or older at retirement. As of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>162</u>
Total	<u>165</u>

Total OPEB Liability

The City's total OPEB liability of \$349,051 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurements.

Rate of inflation (effective June 30, 2018)	3.00% per annum
Rates of salary increase (effective June 30, 2018)	3.25% per year, including inflation, plus merit/productivity increases
Discount rate (effective June 30, 2018)	3.44% compounded annually
Healthcare cost trend rate (effective June 30, 2018)	5.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.44% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2017 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used for IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experiences studies with dates corresponding to those listed above.

Changes in Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability - Beginning of Year (not recorded)	<u>\$ 449,814</u>
Changes for the Year	
Service cost	22,478
Interest	12,054
Differences between expected and actual experience	(110,236)
Changes of assumptions	1,790
Benefit payments	<u>(26,849)</u>
Net Changes	<u>(100,763)</u>
Total OPEB Liability - End of Year	<u>\$ 349,051</u>

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB Liability.....	\$373,168	\$349,051	\$326,023

Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB Liability.....	\$311,813	\$349,051	\$393,014

OPEB Expense and Deferred (Inflows) and Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$349,051. As of June 30, 2018, the City reported deferred, (inflows) and outflows of resources related to OPEB from the following sources:

	Deferred (Inflows) Outflows of Resources
Differences between expected and actual experience	\$ (102,473)
Changes of assumptions	<u>1,664</u>
Total	<u>\$ (100,809)</u>

The amount reported as deferred (inflows) and outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2019.....	\$ (7,637)
2020.....	(7,637)
2021.....	(7,637)
2022.....	(7,637)
2023.....	(7,637)
Thereafter	<u>(62,624)</u>
Total	<u>\$ (100,809)</u>

Notes to the Financial Statements

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer From	Amount
General	Special Revenue	
	Mall/Highway 6 TIF	\$ 352,274
	Nonmajor Governmental Funds	2,372,582
	Capital Projects	
	Nonmajor Governmental Funds	72,500
	Proprietary	
	Hotel and Conference Center	25,000
	Water	80,000
	Sewer	87,500
	Parking Facilities and Operations	3,500
	Nonmajor Proprietary	55,000
		<u>3,048,356</u>
	Mall/Highway 6 TIF	Special Revenue
Nonmajor Governmental Funds		<u>71,376</u>
General Obligation Debt Service	General	1,142,895
	Special Revenue	
	Mall/Highway 6 TIF	9,492,709
	Nonmajor Governmental Funds	3,609,917
	Capital Projects	
Nonmajor Governmental Funds	450,350	
Proprietary		
Hotel and Conference Center	92,048	
	<u>14,787,919</u>	
Iowa River Landing	Special Revenue	
	Mall/Highway 6 TIF	5,966,492
General Obligation Debt Service	General	14,465,457
		<u>20,431,949</u>
Nonmajor Special Revenue	General	15,000
	General Obligation Debt Service	<u>2,370,827</u>
		<u>2,385,827</u>
Nonmajor Capital Projects	General	124,631
	General Obligation Debt Service	11,085,735
	Special Revenue	
	Nonmajor Governmental Funds	<u>1,422,151</u>
		<u>12,632,517</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>250,719</u>
Transit	General Fund	<u>591,418</u>
Nonmajor Proprietary		
Storm Water	Special Revenue	
	Mall/Highway 6 TIF	81,120
Total		<u>\$ 54,881,201</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources or are for other legal purposes. Further, certain transfers during 2018 were made to resolve funds with negative fund balances and to close some capital projects funds where the project had been completed.

Notes to the Financial Statements

(10) Deficit Balances

Deficit balances result primarily from the timing between construction project payments and grants being received or debt being issued. The deficits will be eliminated as financing under grants or bonds is received and from other revenue sources during future years. The following individual funds had a deficit as of June 30, 2018:

Capital Projects	
Flood Mitigation.....	\$ 2,312,735
Street Projects	1,372,902
Iowa River Landing	7,886,058
First Avenue Projects.....	1,609,600
Northridge Trails	353,695
North End Area Projects	77,623
Southeast Commercial Area	15,000
Proprietary	
Storm Water.....	379,585

(11) Operating Lease

The City is leasing GPS units for use at the golf course under an operating lease requiring annual 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:

Year Ending June 30,	
2019.....	<u>\$ 8,113</u>

(12) Leasing Activities

The City owns retail space in 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 \$615,701 for the year ended June 30, 2018.

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, 2018 was \$674,530.

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 \$204,464 for the year ended June 30, 2018.

Notes to the Financial Statements

(12) Leasing Activities

The following is an analysis of the leased property as of June 30, 2018:

Class of Property	Asset Balance
Iowa River Landing Retail Space	
Buildings and improvements	\$ 24,999,170
Less accumulated depreciation	<u>1,290,330</u>
Total	<u>\$ 23,708,840</u>

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

Year Ending June 30,	
2019.....	\$ 1,131,265
2020.....	1,210,400
2021.....	1,149,143
2022.....	970,108
2023.....	670,797
Later years.....	<u>1,870,698</u>
Total Minimum Rentals	<u>\$ 7,002,411</u>

(13) Commitments

Construction

The City is involved in construction of capital assets, streets and streetscape improvements, recreation trails 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, 2018, the City was committed to approximately \$52 million of construction contracts and agreements to purchase capital assets.

(14) Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions which are not included in the City's financial statements: Johnson County Assessors Conference Board, Johnson County Joint E911 Service Board, Johnson County Council of Governments and the Johnson County Compensation Board.

(15) Risk Management

Iowa Community Assurances Pool

During 2005, the City became a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose approximately 775 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, 2018, the City made payments of approximately \$649,000 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.

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, 2018, no liability has been recorded in the City's financial statements. As of June 30, 2018, settled claims had not exceeded the risk pool or reinsurance coverage since the pool's inception.

(15) Risk Management

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, 2018 were approximately \$177,000.

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

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

(16) Subsequent Events

Management has evaluated subsequent events through January 4, 2019, 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 \$4 million.

Notes to the Financial Statements

(16) Subsequent Events

Debt Rating

Subsequent to June 30, 2018, Moody's Investor Services withdrew the City's Ba2 annual appropriation debt rating. In addition, Standard & Poor's downgraded the City's general obligation bond rating from BBB+ to BB+ as a result of general obligation supported debt and general obligation annual appropriation debt being issued in connection with the construction of the Iowa Arena project.

Iowa Arena Project

Subsequent to June 30, 2018, the City received proceeds from the issuance of \$48.9 million of debt which is being used to finance the construction of the Iowa Arena. The City is using these funds to make a grant of \$22 million and loans of \$20 million to ArenaCo, a nonprofit corporation which will own the Iowa Arena, and to pay other project-related costs. ArenaCo used a portion of the City funds to reimburse the City approximately \$9.2 million for costs that the City had paid prior to obtaining the loans. ArenaCo is also using New Markets Tax Credits to obtain funding for the construction.

The City has also entered into two loan agreements with a local bank to draw up to an additional \$15.6 million to be loaned to ArenaCo for construction costs.

(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.

(19) Tax Abatements

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, 2018, the City abated approximately \$1,100,000 of property tax under the urban renewal and economic development projects.

(20) Accounting Change/Restatement

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. The City had not previously recorded a liability for OPEB benefits as the amount was not material to the financial statements. The City chose to record the liability as computed under GASB Statement No. 75 and recorded the entire amount to expense in the current year.

Required Supplementary Information



Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget to Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Govern- mental Fund Types	Proprietary Funds	Total	
Receipts						
Property tax	\$ 14,555,830	\$ 14,555,830	\$ 14,348,736	\$ —	\$ 14,348,736	\$ (207,094)
Tax increment						
financing	20,825,555	20,825,555	20,684,550	—	20,684,550	(141,005)
Other city taxes	3,266,592	3,266,592	3,486,273	—	3,486,273	219,681
Licenses and permits	815,000	815,000	885,447	—	885,447	70,447
Use of money and						
property	2,000	2,000	1,923,945	210,473	2,134,418	2,132,418
Intergovernmental	4,508,052	4,508,052	9,065,086	4,396,338	13,461,424	8,953,372
Charges for service	33,874,441	33,874,441	3,100,362	18,044,553	21,144,915	(12,729,526)
Special assessments	—	—	42,299	—	42,299	42,299
Miscellaneous	117,000	117,000	2,557,993	6,241,068	8,799,061	8,682,061
Total Receipts	<u>77,964,470</u>	<u>77,964,470</u>	<u>56,094,691</u>	<u>28,892,432</u>	<u>84,987,123</u>	<u>7,022,653</u>
Disbursements						
Public safety	6,419,155	6,419,155	6,346,716	—	6,346,716	(72,439)
Public works	2,810,110	2,810,110	2,114,764	—	2,114,764	(695,346)
Health and social						
services	120,920	120,920	137,764	—	137,764	16,844
Culture and recreation	10,579,604	13,579,604	10,288,165	—	10,288,165	(3,291,439)
Community and						
economic development	202,075	202,075	5,949,070	—	5,949,070	5,746,995
General government	3,973,418	3,973,418	3,055,955	—	3,055,955	(917,463)
Debt service	23,000,000	25,600,000	19,268,706	—	19,268,706	(6,331,294)
Capital projects	10,000,000	34,400,000	44,451,478	—	44,451,478	10,051,478
Business-type activities	33,597,676	30,597,676	—	27,520,235	27,520,235	(3,077,441)
Total Disbursements	<u>90,702,958</u>	<u>117,702,958</u>	<u>91,612,618</u>	<u>27,520,235</u>	<u>119,132,853</u>	<u>1,429,895</u>
Receipts Over (Under)						
Disbursements	<u>(12,738,488)</u>	<u>(39,738,488)</u>	<u>(35,517,927)</u>	<u>1,372,197</u>	<u>(34,145,730)</u>	<u>5,592,758</u>
Other Financing Sources (Uses)						
Other financing sources	38,797,973	65,797,973	96,190,466	5,620,645	101,811,111	36,013,138
Other financing uses	(23,797,973)	(23,797,973)	(54,300,463)	(4,375,596)	(58,676,059)	(34,878,086)
Total Other Financing						
Sources	<u>15,000,000</u>	<u>42,000,000</u>	<u>41,890,003</u>	<u>1,245,049</u>	<u>43,135,052</u>	<u>1,135,052</u>
Receipts and Other Financing Sources Over Disbursements and Other Financing Uses						
Uses	<u>2,261,512</u>	<u>2,261,512</u>	<u>6,372,076</u>	<u>2,617,246</u>	<u>8,989,322</u>	<u>\$ 6,727,810</u>
Balance - Beginning						
of Year	<u>41,143,369</u>	<u>41,143,369</u>	<u>10,953,430</u>	<u>19,812,101</u>	<u>30,765,531</u>	
Balance - End of Year	<u>\$ 43,404,881</u>	<u>\$ 43,404,881</u>	<u>\$ 17,325,506</u>	<u>\$ 22,429,347</u>	<u>\$ 39,754,853</u>	

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, 2018

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue	\$ 56,094,691	\$ 135,074	\$ 56,229,765
Expenditures/expenses	<u>91,612,618</u>	<u>(7,062,769)</u>	<u>84,549,849</u>
Net	(35,517,927)	7,197,843	(28,320,084)
Other financing sources (uses).....	41,890,003	(7,356,673)	34,533,330
Beginning fund balances/net position.....	<u>10,953,430</u>	<u>6,562,503</u>	<u>17,515,933</u>
Ending Fund Balances/Net Position.....	<u>\$ 17,325,506</u>	<u>\$ 6,403,673</u>	<u>\$ 23,729,179</u>

	Proprietary Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue	\$ 28,892,432	\$ 169,847	\$ 29,062,279
Expenditures/expenses	<u>27,520,235</u>	<u>(2,164,494)</u>	<u>25,355,741</u>
Net	1,372,197	2,334,341	3,706,538
Other financing sources (uses).....	1,245,049	(64,840)	1,180,209
Beginning net position	<u>19,812,101</u>	<u>43,439,488</u>	<u>63,251,589</u>
Ending Net Position	<u>\$ 22,429,347</u>	<u>\$ 45,708,989</u>	<u>\$ 68,138,336</u>

Notes to Required Supplementary Information - Budgetary Reporting ---

Year Ended June 30, 2018

The budgetary comparison is presented as required supplementary information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major special revenue fund.

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget, and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$27,000,000. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements in the health and social services, community and economic development and capital projects functions exceeded the amount budgeted.

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

Last Four Years*

	2018	2017	2016	2015
City's proportion of the net pension liability.....	0.117936%	0.113483%	0.103853%	0.0948%
City's proportionate share of the net pension liability.....	\$7,856,016	\$7,141,847	\$5,130,856	\$3,759,774
City's covered-employee payroll.....	\$11,538,408	\$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	68.09%	59.74%	48.75%	37.09%
Plan fiduciary net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

* 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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution.....	\$ 1,052,899	\$ 1,056,567	\$ 972,898	\$ 939,777	\$ 905,293	\$ 851,288	\$ 752,572	\$ 639,649	\$ 578,085	\$ 527,213
Contributions in relation to the statutorily required contributions	<u>(1,052,899)</u>	<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>
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.....	\$ 11,496,210	\$ 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
Contributions as a percentage of covered-employee payroll	9.16%	9.16%	8.14%	8.93%	8.93%	8.67%	8.06%	6.95%	6.65%	6.35%

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2018

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current 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.

Changes of Assumptions

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 Changes in the City's Total OPEB Liability, Related Ratios and Notes

For the Current Year

	2018
Service cost	\$ 22,478
Interest.....	12,054
Differences between expected and actual experience	(110,236)
Changes of assumptions	1,790
Benefit payments.....	<u>(26,849)</u>
Net Change in Total OPEB Liability	(100,763)
Total OPEB Liability - Beginning of Year (not recorded)	<u>449,814</u>
Total OPEB Liability - End of Year	<u>\$ 349,051</u>
Covered-Employee Payroll	\$ 10,001,007
Total OPEB Liability as a Percentage of Covered-Employee Payroll	3.49%

Notes to Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Changes of Benefit Terms

There were no significant changes in benefit terms.

Supplementary Information

Combining Balance Sheet Schedule - Nonmajor Governmental Funds

As of June 30, 2018

	Special Revenue	Capital Projects	Permanent - Cemetery Perpetual Care	Total
Assets				
Cash and pooled investments	\$ 2,935,725	\$ —	\$ 93,909	\$ 3,029,634
Receivables				
Property Tax				
Current year delinquent.....	8,312	—	—	8,312
Succeeding year.....	7,873,438	—	—	7,873,438
Loans	3,804,690	—	—	3,804,690
Due from other funds	720,006	1,693,695	—	2,413,701
Due from other governments	180,312	6,086,038	—	6,266,350
Special assessments	140,458	—	—	140,458
Inventories and prepaids	26,407	—	—	26,407
Restricted Assets				
Cash and pooled investments.....	<u>1,307,452</u>	<u>—</u>	<u>—</u>	<u>1,307,452</u>
Total Assets	<u>\$ 16,996,800</u>	<u>\$ 7,779,733</u>	<u>\$ 93,909</u>	<u>\$ 24,870,442</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 51,587	\$ 2,139,417	\$ —	\$ 2,191,004
Accrued liabilities.....	76	—	—	76
Due to other funds	—	4,458,199	—	4,458,199
Total Liabilities	<u>51,663</u>	<u>6,597,616</u>	<u>—</u>	<u>6,649,279</u>
Deferred Inflows of Resources				
Succeeding years property tax.....	7,873,438	—	—	7,873,438
Special assessments.....	135,946	—	—	135,946
Other.....	—	5,932,319	—	5,932,319
Total Deferred Inflows of Resources	<u>8,009,384</u>	<u>5,932,319</u>	<u>—</u>	<u>13,941,703</u>
Fund Balances				
Nonspendable	341,407	—	—	341,407
Restricted				
Debt service	4,797,142	—	—	4,797,142
Expendable trust.....	928,809	—	—	928,809
Road use purposes.....	1,907,518	—	—	1,907,518
Employee benefits	8,312	—	—	8,312
Special assessments	79,000	—	—	79,000
Other	873,565	—	—	873,565
Committed for capital asset acquisition	—	—	93,909	93,909
Unassigned.....	—	(4,750,202)	—	(4,750,202)
Total Fund Balances	<u>8,935,753</u>	<u>(4,750,202)</u>	<u>93,909</u>	<u>4,279,460</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,996,800</u>	<u>\$ 7,779,733</u>	<u>\$ 93,909</u>	<u>\$ 24,870,442</u>

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

Year Ended June 30, 2018

	Special Revenue	Capital Projects	Permanent - Cemetery Perpetual Care	Total
Revenue				
Property tax	\$ 2,212,870	\$ —	\$ —	\$ 2,212,870
TIF and other city taxes	4,520,170	—	—	4,520,170
Special assessments	42,299	—	—	42,299
Use of money and property	1,491,311	30,625	—	1,521,936
Intergovernmental	2,521,383	3,656,821	—	6,178,204
Charges for service	108,701	156,857	—	265,558
Miscellaneous	<u>207,477</u>	<u>539,797</u>	<u>4,475</u>	<u>751,749</u>
Total Revenue	<u>11,104,211</u>	<u>4,384,100</u>	<u>4,475</u>	<u>15,492,786</u>
Expenditures				
Operating				
Public safety	41,133	—	—	41,133
Public works	2,094,301	—	—	2,094,301
Culture and recreation	140,682	—	—	140,682
Community and economic development	3,514,548	—	—	3,514,548
Capital projects	<u>—</u>	<u>12,988,774</u>	<u>—</u>	<u>12,988,774</u>
Total Expenditures	<u>5,790,664</u>	<u>12,988,774</u>	<u>—</u>	<u>18,779,438</u>
Revenue Over (Under) Expenditures	<u>5,313,547</u>	<u>(8,604,674)</u>	<u>4,475</u>	<u>(3,286,652)</u>
Other Financing Sources (Uses)				
Transfers in	2,385,827	12,632,517	—	15,018,344
Transfers out	<u>(6,662,121)</u>	<u>(522,850)</u>	<u>—</u>	<u>(7,184,971)</u>
Total Other Financing Sources (Uses)	<u>(4,276,294)</u>	<u>12,109,667</u>	<u>—</u>	<u>7,833,373</u>
Net Change in Fund Balances	1,037,253	3,504,993	4,475	4,546,721
Fund Balances - Beginning of Year	<u>7,898,500</u>	<u>(8,255,195)</u>	<u>89,434</u>	<u>(267,261)</u>
Fund Balances - End of Year	<u>\$ 8,935,753</u>	<u>\$ (4,750,202)</u>	<u>\$ 93,909</u>	<u>\$ 4,279,460</u>

Combining Balance Sheet Schedule - Nonmajor Special Revenue Funds

As of June 30, 2018

	12th Avenue TIF	Oakdale Area TIF	Expend-able Trust	Iowa River Landing Operations	Road Use Tax	Employee Benefit Levy	Economic Development	Special Assess-ments	Total
Assets									
Cash and pooled investments	\$ —	\$ —	\$ 933,676	\$ 895,481	\$ 1,032,080	\$ —	\$ —	\$ 74,488	\$ 2,935,725
Receivables									
Property Tax									
Current year delinquent.....	—	—	—	—	—	8,312	—	—	8,312
Succeeding year	2,055,978	2,412,070	—	—	—	3,405,390	—	—	7,873,438
Loans	—	3,489,690	—	—	—	—	315,000	—	3,804,690
Due from other funds	—	—	—	—	720,006	—	—	—	720,006
Due from other governments	—	—	—	—	180,312	—	—	—	180,312
Special assessments	—	—	—	—	—	—	—	140,458	140,458
Inventories and prepaids	—	—	125	6,711	19,571	—	—	—	26,407
Restricted Assets									
Cash and cash equivalents.....	638,981	668,471	—	—	—	—	—	—	1,307,452
Total Assets	\$ 2,694,959	\$ 6,570,231	\$ 933,801	\$ 902,192	\$ 1,951,969	\$ 3,413,702	\$ 315,000	\$ 214,946	\$ 16,996,800
Liabilities, Deferred Inflows of Resources and Fund Balances									
Liabilities									
Accounts payable	\$ —	\$ —	\$ 4,867	\$ 21,916	\$ 24,804	\$ —	\$ —	\$ —	\$ 51,587
Accrued liabilities.....	—	—	—	—	76	—	—	—	76
Total Liabilities	—	—	4,867	21,916	24,880	—	—	—	51,663
Deferred Inflows of Resources									
Unavailable Revenue									
Succeeding year property tax	2,055,978	2,412,070	—	—	—	3,405,390	—	—	7,873,438
Other	—	—	—	—	—	—	—	135,946	135,946
Total Deferred Inflows of Resources.....	2,055,978	2,412,070	—	—	—	3,405,390	—	135,946	8,009,384
Fund Balances									
Nonspendable	—	—	125	6,711	19,571	—	315,000	—	341,407
Restricted	638,981	4,158,161	928,809	873,565	1,907,518	8,312	—	79,000	8,594,346
Total Fund Balances	638,981	4,158,161	928,934	880,276	1,927,089	8,312	315,000	79,000	8,935,753
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,694,959	\$ 6,570,231	\$ 933,801	\$ 902,192	\$ 1,951,969	\$ 3,413,702	\$ 315,000	\$ 214,946	\$ 16,996,800

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

Year Ended June 30, 2018

	12th Avenue TIF	Oakdale Area TIF	Expendable Trust	Iowa River Landing Operations	Police Grants	Road Use Tax	Employee Benefit Levy	Rental Properties	Economic Development	Special Assessments	Total
Revenue											
Property tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,212,870	\$ —	\$ —	\$ —	\$ 2,212,870
TIF and other city taxes	1,913,671	2,606,499	—	—	—	—	—	—	—	—	4,520,170
Special assessments	—	—	—	—	—	—	—	—	—	42,299	42,299
Interest and rent income	16,335	1,985	5,522	1,293,631	—	—	—	173,838	—	—	1,491,311
Intergovernmental	—	—	5,250	—	28,093	2,488,040	—	—	—	—	2,521,383
Charges for service	—	—	108,701	—	—	—	—	—	—	—	108,701
Miscellaneous	5,857	—	173,777	6,129	121	21,593	—	—	—	—	207,477
Total Revenue	1,935,863	2,608,484	293,250	1,299,760	28,214	2,509,633	2,212,870	173,838	—	42,299	11,104,211
Expenditures											
Operating											
Public safety	—	—	—	—	41,133	—	—	—	—	—	41,133
Public works	—	—	—	—	—	2,094,301	—	—	—	—	2,094,301
Culture and recreation	—	—	140,682	—	—	—	—	—	—	—	140,682
Community and economic development	1,777,233	756,300	—	863,490	—	—	—	117,525	—	—	3,514,548
Total Expenditures	1,777,233	756,300	140,682	863,490	41,133	2,094,301	—	117,525	—	—	5,790,664
Revenue Over (Under) Expenditures	158,630	1,852,184	152,568	436,270	(12,919)	415,332	2,212,870	56,313	—	42,299	5,313,547
Other Financing Sources (Uses)											
Transfers in	2,348,746	—	15,000	—	22,081	—	—	—	—	—	2,385,827
Transfers out	(2,306,148)	(1,362,272)	—	(379,299)	—	(350,000)	(2,208,582)	(55,820)	—	—	(6,662,121)
Total Other Financing Sources (Uses)	42,598	(1,362,272)	15,000	(379,299)	22,081	(350,000)	(2,208,582)	(55,820)	—	—	(4,276,294)
Net Change in Fund Balances	201,228	489,912	167,568	56,971	9,162	65,332	4,288	493	—	42,299	1,037,253
Fund Balances - Beginning of Year	437,753	3,668,249	761,366	823,305	(9,162)	1,861,757	4,024	(493)	315,000	36,701	7,898,500
Fund Balances - End of Year	\$ 638,981	\$ 4,158,161	\$ 928,934	\$ 880,276	\$ —	\$ 1,927,089	\$ 8,312	\$ —	\$ 315,000	\$ 79,000	\$ 8,935,753

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

As of June 30, 2018

	Street Projects	Intermodal Facility	Coral Ridge Avenue	Highway 6 Projects	First Avenue Projects	Coral Ridge Mall Area	Transit/ Parks Facility	North Fire Station	Animal Control Facility	Recreation Improvements
Assets										
Receivables										
Due from other funds	\$ —	\$ 2,000	\$ 789,493	\$ —	\$ —	\$ 306	\$ 237,318	\$ 17	\$ 36,779	\$ 96,652
Due from other governments	—	—	1,803,100	1,073,524	1,839,271	—	—	—	—	—
Total Assets	\$ —	\$ 2,000	\$ 2,592,593	\$ 1,073,524	\$ 1,839,271	\$ 306	\$ 237,318	\$ 17	\$ 36,779	\$ 96,652
Liabilities, Deferred Inflows of Resources and Fund Balances										
Liabilities										
Accounts payable	\$ 2,813	\$ —	\$ 702,342	\$ —	\$ 1,218,876	\$ —	\$ —	\$ —	\$ —	\$ —
Due to other funds	1,370,089	—	—	—	544,443	—	—	—	—	—
Total Liabilities	1,372,902	—	702,342	—	1,763,319	—	—	—	—	—
Deferred Inflows of Resources										
Unavailable Revenue										
Other	—	—	1,803,100	1,073,524	1,685,552	—	—	—	—	—
Fund Balances										
Restricted	(1,372,902)	2,000	87,151	—	(1,609,600)	306	237,318	17	36,779	96,652
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ —	\$ 2,000	\$ 2,592,593	\$ 1,073,524	\$ 1,839,271	\$ 306	\$ 237,318	\$ 17	\$ 36,779	\$ 96,652

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

As of June 30, 2018

	Northridge Trails	12th Avenue Urban Renewal	Land Use Project	North End Area Projects	Flood Mitigation	FEMA Edgewater Buyout	Water Connection Camp Cardinal	Southeast Commercial Area	Total
Assets									
Receivables									
Due from other funds	\$ —	\$ 306	\$ 494,152	\$ —	\$ —	\$ 134	\$ 36,538	\$ —	\$ 1,693,695
Due from other governments	295,143	—	—	—	1,075,000	—	—	—	6,086,038
Total Assets	\$ 295,143	\$ 306	\$ 494,152	\$ —	\$ 1,075,000	\$ 134	\$ 36,538	\$ —	\$ 7,779,733
Liabilities, Deferred Inflows of Resources and Fund Balances									
Liabilities									
Accounts payable	\$ 73,622	\$ —	\$ —	\$ —	\$ 141,764	\$ —	\$ —	\$ —	\$ 2,139,417
Due to other funds	280,073	—	—	77,623	2,170,971	—	—	15,000	4,458,199
Total Liabilities	353,695	—	—	77,623	2,312,735	—	—	15,000	6,597,616
Deferred Inflows of Resources									
Unavailable Revenue									
Other	295,143	—	—	—	1,075,000	—	—	—	5,932,319
Fund Balances									
Restricted	(353,695)	306	494,152	(77,623)	(2,312,735)	134	36,538	(15,000)	(4,750,202)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 295,143	\$ 306	\$ 494,152	\$ —	\$ 1,075,000	\$ 134	\$ 36,538	\$ —	\$ 7,779,733

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

Year Ended June 30, 2018

	Street Projects	Brownfields	Intermodal Facility	Coral Ridge Avenue	First Avenue Projects	Oakdale Area	Coral Ridge Mall Area	Transit/ Parks Facility	North Fire Station	Animal Control Facility
Revenue										
Use of money and property	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Intergovernmental.....	—	9,826	—	10,000	153,719	—	—	—	—	—
Charges for service	—	—	—	—	—	—	—	—	—	—
Miscellaneous.....	—	—	—	118,829	420,968	—	—	—	—	—
Total Revenue.....	—	9,826	—	128,829	574,687	—	—	—	—	—
Expenditures										
Capital projects.....	76,436	6,329	(2,000)	3,785,060	4,761,847	3,105	48,991	—	—	—
Revenue Over (Under) Expenditures.....	(76,436)	3,497	2,000	(3,656,231)	(4,187,160)	(3,105)	(48,991)	—	—	—
Other Financing Sources (Uses)										
Transfers in.....	300,000	44,631	—	4,300,000	2,495,596	14,193	1,064,624	—	—	—
Transfers out	—	—	—	—	(72,500)	—	—	—	—	—
Total Other Financing Sources (Uses).....	300,000	44,631	—	4,300,000	2,423,096	14,193	1,064,624	—	—	—
Net Change in Fund Balances.....	223,564	48,128	2,000	643,769	(1,764,064)	11,088	1,015,633	—	—	—
Fund Balances - Beginning of Year.....	(1,596,466)	(48,128)	—	(556,618)	154,464	(11,088)	(1,015,327)	237,318	17	36,779
Fund Balances - End of Year.....	\$ (1,372,902)	\$ —	\$ 2,000	\$ 87,151	\$ (1,609,600)	\$ —	\$ 306	\$ 237,318	\$ 17	\$ 36,779

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

Year Ended June 30, 2018

	Recreation Improve- ments	Northridge Trails	12th Avenue Urban Renewal	Land Use Project	North End Area Projects	Flood Mitigation	FEMA Edgewater Buyout	Water Connection Camp Cardinal	Southeast Commercial Area	Total
Revenue										
Use of money and property	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 30,625	\$ —	\$ —	\$ —	\$ 30,625
Intergovernmental.....	—	244,185	—	—	—	3,239,091	—	—	—	3,656,821
Charges for service	—	—	—	156,857	—	—	—	—	—	156,857
Miscellaneous.....	—	—	—	—	—	—	—	—	—	539,797
Total Revenue.....	—	244,185	—	156,857	—	3,269,716	—	—	—	4,384,100
Expenditures										
Capital projects.....	50,554	622,748	411	4,527	744	3,630,022	—	—	—	12,988,774
Revenue Over (Under) Expenditures.....	(50,554)	(378,563)	(411)	152,330	(744)	(360,306)	—	—	—	(8,604,674)
Other Financing Sources (Uses)										
Transfers in.....	—	80,000	43,334	—	—	4,290,139	—	—	—	12,632,517
Transfers out	—	—	—	—	—	(450,350)	—	—	—	(522,850)
Total Other Financing Sources (Uses).....	—	80,000	43,334	—	—	3,839,789	—	—	—	12,109,667
Net Change in Fund Balances.....	(50,554)	(298,563)	42,923	152,330	(744)	3,479,483	—	—	—	3,504,993
Fund Balances - Beginning of Year.....	147,206	(55,132)	(42,617)	341,822	(76,879)	(5,792,218)	134	36,538	(15,000)	(8,255,195)
Fund Balances - End of Year.....	\$ 96,652	\$ (353,695)	\$ 306	\$ 494,152	\$ (77,623)	\$ (2,312,735)	\$ 134	\$ 36,538	\$ (15,000)	\$ (4,750,202)

Combining Schedule of Net Position - Nonmajor Proprietary Funds

As of June 30, 2018

	Solid Waste	Storm Water	Total
Assets			
Current Assets			
Cash and pooled investments	\$ 876,981	\$ 307,785	\$ 1,184,766
Receivables			
Customer accounts	170,878	78,746	249,624
Due from other funds	—	307,786	307,786
Inventories and prepaids	8,766	13,911	22,677
Total Current Assets	<u>1,056,625</u>	<u>708,228</u>	<u>1,764,853</u>
Noncurrent Assets			
Restricted Assets			
Cash and pooled investments	—	5,088	5,088
Capital assets (net of accumulated depreciation)	<u>732,005</u>	<u>—</u>	<u>732,005</u>
Total Noncurrent Assets	<u>732,005</u>	<u>5,088</u>	<u>737,093</u>
Total Assets	<u>1,788,630</u>	<u>713,316</u>	<u>2,501,946</u>
Deferred Outflows of Resources			
Pension-related deferred outflows	105,558	24,276	129,834
OPEB-related deferred outflows	46	12	58
Total Deferred Outflows of Resources	<u>105,604</u>	<u>24,288</u>	<u>129,892</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,894,234</u>	<u>\$ 737,604</u>	<u>\$ 2,631,838</u>
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ 7,034	\$ 281	\$ 7,315
Accrued liabilities and compensated absences	48,457	2,266	50,723
Current maturities of long-term debt	—	60,000	60,000
Total Current Liabilities	<u>55,491</u>	<u>62,547</u>	<u>118,038</u>
Noncurrent Liabilities			
Long-term debt	—	979,000	979,000
Net pension liability	315,331	70,907	386,238
Total OPEB liability	<u>9,739</u>	<u>2,233</u>	<u>11,972</u>
Total Noncurrent Liabilities	<u>325,070</u>	<u>1,052,140</u>	<u>1,377,210</u>
Total Liabilities	<u>380,561</u>	<u>1,114,687</u>	<u>1,495,248</u>
Deferred Inflows of Resources			
Pension-related deferred inflows	9,059	1,847	10,906
OPEB-related deferred inflows	<u>2,859</u>	<u>655</u>	<u>3,514</u>
Total Deferred Inflows of Resources	<u>11,918</u>	<u>2,502</u>	<u>14,420</u>
Net Position			
Net investment in capital assets	732,005	—	732,005
Restricted for debt service	—	5,088	5,088
Unrestricted	<u>769,750</u>	<u>(384,673)</u>	<u>385,077</u>
Total Net Position	<u>1,501,755</u>	<u>(379,585)</u>	<u>1,122,170</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,894,234</u>	<u>\$ 737,604</u>	<u>\$ 2,631,838</u>

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

Year Ended June 30, 2018

	Solid Waste	Storm Water	Total
Operating Revenue			
Charges for sales and service	<u>\$ 1,071,762</u>	<u>\$ 641,544</u>	<u>\$ 1,713,306</u>
Operating Expenses			
Salaries and employee benefits	527,529	115,087	642,616
Contractual services	93,270	96,772	190,042
Commodities	244,247	54,789	299,036
Depreciation	116,204	—	116,204
Total Operating Expenses	<u>981,250</u>	<u>266,648</u>	<u>1,247,898</u>
Operating Income	<u>90,512</u>	<u>374,896</u>	<u>465,408</u>
Nonoperating Revenue (Expenses)			
Loss on sale of assets	(110,467)	—	(110,467)
Interest revenue	5	5	10
Interest expense	—	(21,891)	(21,891)
Total Nonoperating Revenue (Expenses)	<u>(110,462)</u>	<u>(21,886)</u>	<u>(132,348)</u>
Income (Loss) Before Transfers	<u>(19,950)</u>	<u>353,010</u>	<u>333,060</u>
Transfers in	—	81,120	81,120
Transfers out	<u>(25,000)</u>	<u>(30,000)</u>	<u>(55,000)</u>
Net Income (Loss)	<u>(44,950)</u>	<u>404,130</u>	<u>359,180</u>
Net Position - Beginning of Year	<u>1,546,705</u>	<u>(783,715)</u>	<u>762,990</u>
Net Position - End of Year	<u>\$ 1,501,755</u>	<u>\$ (379,585)</u>	<u>\$ 1,122,170</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2018

	Solid Waste	Storm Water	Total
Cash Flows From Operating Activities			
Receipts from customers.....	\$ 1,081,913	\$ 644,236	\$ 1,726,149
Payments to suppliers	(349,585)	(157,526)	(507,111)
Payments to employees	<u>(503,509)</u>	<u>(110,154)</u>	<u>(613,663)</u>
Net Cash Provided by Operating Activities	<u>228,819</u>	<u>376,556</u>	<u>605,375</u>
Cash Flows From Noncapital Financing Activities			
Net transfers	<u>(25,000)</u>	<u>51,120</u>	<u>26,120</u>
Cash Flows From Capital and Related Financing Activities			
Repayment of debt.....	—	(59,000)	(59,000)
Payment of interest	<u>—</u>	<u>(21,989)</u>	<u>(21,989)</u>
Net Cash Used in Capital and Related Financing Activities	<u>—</u>	<u>(80,989)</u>	<u>(80,989)</u>
Cash Flows From Investing Activities			
Increase (decrease) in due from other funds.....	300,000	(197,786)	102,214
Interest received	<u>5</u>	<u>5</u>	<u>10</u>
Net Cash Provided by (Used in) Investing Activities	<u>300,005</u>	<u>(197,781)</u>	<u>102,224</u>
Net Increase in Cash	503,824	148,906	652,730
Cash and Pooled Investments at Beginning of Year	<u>373,157</u>	<u>163,967</u>	<u>537,124</u>
Cash and Pooled Investments at End of Year	<u>\$ 876,981</u>	<u>\$ 312,873</u>	<u>\$ 1,189,854</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2018

	Solid Waste	Storm Water	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income.....	\$ 90,512	\$ 374,896	\$ 465,408
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities			
Depreciation	116,204	—	116,204
Decrease in receivables	10,151	2,692	12,843
(Increase) decrease in inventories and prepaids	512	(508)	4
(Increase) decrease in deferred outflows ..	39	(1,362)	(1,323)
Decrease in accounts payable	(11,212)	(4,635)	(15,847)
Decrease in accrued liabilities and compensated absences	(1,368)	(822)	(2,190)
Increase in net pension liability	20,892	3,750	24,642
Increase in total OPEB liability	9,739	2,233	11,972
Increase (decrease) in deferred inflows	<u>(6,650)</u>	<u>312</u>	<u>(6,338)</u>
Net Cash Provided by Operating Activities	<u>\$ 228,819</u>	<u>\$ 376,556</u>	<u>\$ 605,375</u>

Schedule of Noncash Investing and Financing Activities

Cash Paid for Capital Assets

Capital asset additions	\$ —	\$ —	\$ —
Net change in accounts payable	<u>—</u>	<u>—</u>	<u>—</u>
Cash Paid for Capital Assets.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Loss on Asset Disposal

Cash received.....	\$ —	\$ —	\$ —
Book value of assets disposed	<u>110,467</u>	<u>—</u>	<u>110,467</u>
Loss on Asset Disposal	<u>\$ (110,467)</u>	<u>\$ —</u>	<u>\$ (110,467)</u>

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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenue										
Property tax	\$ 15,343,613	\$ 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
TIF and other city taxes	25,007,095	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
Special assessments	42,299	32,188	300,830	19,383	55,906	71,790	280,101	227,302	123,848	431,610
Licenses and permits	809,004	1,033,867	702,810	669,766	592,207	549,717	674,089	576,401	412,577	451,523
Use of money and property	1,785,070	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
Intergovernmental	7,529,217	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
Charges for service	4,743,114	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
Miscellaneous	970,353	493,129	798,367	572,670	441,687	737,070	1,391,780	498,273	827,165	1,269,316
Total Revenue	\$ 56,229,765	\$ 52,513,665	\$ 52,397,046	\$ 58,769,682	\$ 51,342,520	\$ 52,485,071	\$ 49,607,648	\$ 61,537,774	\$ 40,678,700	\$ 37,129,545
Expenditures										
Operating										
Public safety	\$ 6,337,908	\$ 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
Public works	2,094,301	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
Health and social services	137,764	126,870	124,370	130,320	115,732	85,599	94,420	92,004	91,520	156,322
Culture and recreation	10,353,170	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
Community and economic development ..	5,791,087	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
General government	3,033,360	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
Debt service	16,131,326	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
Capital projects	40,670,933	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
Total Expenditures	\$ 84,549,849	\$ 97,319,750	\$ 56,104,825	\$ 79,316,617	\$ 61,922,140	\$ 85,612,204	\$ 84,923,637	\$ 68,877,397	\$ 53,593,623	\$ 48,617,590

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Education				
Indirect				
Pass-Through Iowa Department of Agriculture Summer Food Service Program for Children	10.559	None	\$ —	<u>\$ 12,153</u>
U.S. Department of Housing and Urban Development				
Indirect				
Pass-Through Iowa Economic Development Authority Community Development Block Grants/Entitlement Grants	14.218	13-NDRI-010	—	<u>1,871,496</u>
U.S. Department of Justice				
Direct				
Bulletproof Vest Partnership Program	16.607	None	—	<u>3,517</u>
U.S. Department of Transportation				
Direct				
Federal Transit - Formula Grants	20.507*	N/A	—	<u>409,131</u>
Indirect				
Pass-Through Iowa Department of Transportation	20.205	TAP-U-1557(644)--8I-52	—	523,040
		STP-U-1557(639)--70-52	—	1,234,082
		IM-80-6(253)242--13-52	—	153,719
		NHS-380-6(339)2--11-52	—	<u>1,700,000</u>
Total CFDA Number 20.205			—	<u>3,610,841</u>
Federal Transit Capital Investment Grants	20.500*	None	—	<u>1,350,257</u>
Enhanced Mobility for Seniors for Individuals With Disabilities	20.513	None	—	<u>31,334</u>
Total Indirect			—	<u>4,992,432</u>
Total U.S. Department of Transportation			<u>—</u>	<u>5,401,563</u>
Total			<u>\$ —</u>	<u>\$ 7,288,729</u>

* Denotes Federal Transit Cluster - Total Expenditures \$1,759,388.

Schedule of Expenditures of Federal Awards ---

Year Ended June 30, 2018

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, 2018. 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

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, 2018, 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 4, 2019.

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 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 a deficiency in internal control that we consider to be a material weakness. We consider the deficiency in internal control described in Part II of the accompanying schedule of findings and questioned costs as item 18-II-R-1 to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 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 4, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Coralville'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 programs for the year ended June 30, 2018. The City of Coralville's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Coralville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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 Each Major Federal Program

In our opinion, the City of Coralville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

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 programs to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major programs 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 4, 2019

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

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 weakness? 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 200.515 of the Uniform Guidance? yes no

Identification of major programs:

CFDA Numbers or Cluster

Name of Federal Program

14.218

Community Development Block Grants/
Entitlement Grants

20.500 and 20.507

Federal Transit Cluster

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

Year Ended June 30, 2018

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

18-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 - 17-II-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.

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

There were no matters reported.

Schedule of Findings and Questioned Costs ---

Year Ended June 30, 2018

Part IV: Findings Related to Statutory Reporting:

18-IV-A Certified Budget - Disbursements in the Health and Social Services, Community and Economic Development and Capital Projects 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.

18-IV-B Questionable Disbursements - We noted no material expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

18-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.

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

18-IV-G 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.

18-IV-H 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.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

18-IV-I Financial Condition - The funds listed below had deficit balances as of June 30, 2018 as noted:

Capital Projects	
Flood Mitigation	\$ 2,312,735
Street Projects	1,372,902
Iowa River Landing	7,886,058
First Avenue Projects	1,609,600
Northridge Trails	353,695
North End Area Projects	77,623
Southeast Commercial Area	15,000
Proprietary	
Storm Water	379,585

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 2019 and future years.

Auditor's Conclusion - Response accepted.

18-IV-J Urban Renewal Annual Report - The 2018 urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.