

**CITY OF CORALVILLE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

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Officials

Elected Officials

Name	Title	Term Expires
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

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, 2016, 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, 2016, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 4 through 13 and 54 through 60 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, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included on pages 61 through 73 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 73, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016 on our consideration of the City of Coralville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Coralville's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Waterloo, Iowa
December 8, 2016

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, 2016.

FINANCIAL HIGHLIGHTS

- At the close of the current fiscal year, the City of Coralville's governmental funds reported combined ending fund balances of \$22,508,550, an increase of 11% as compared to the prior fiscal year balance of \$20,257,299.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,734,776, or 25%, of the 2016 total General Fund expenditures. As of June 30, 2015, unassigned General Fund balance was \$4,780,180, or 25%, of the 2015 total General Fund expenditures.
- Revenue of the City's governmental activities decreased 13%, or approximately \$8 million, from fiscal year 2015 to fiscal year 2016. The decrease was attributable to less capital grant revenue. This has been a trend in the City over the past several years, as very significant capital projects partially financed with grants have been finalized.
- Program expenses of the City's governmental activities increased 6%, or approximately \$2 million, from fiscal year 2015 to fiscal year 2016. The increase was attributable to higher interest expense and other normal increases in expenses.
- The City of Coralville's net position as of June 30, 2016 and 2015, was \$168,701,005 and \$158,439,645, respectively. Of this amount, \$14,498,793 and \$4,186,156, 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 \$1.7 million during the current fiscal year. The City issued \$38.7 million of new debt and retired \$37.0 million of existing debt. The new debt was issued to fund various projects within the City.

Total business-type activity debt issued and retired was approximately \$1.3 million and \$3.4 million, respectively.

USING THIS ANNUAL REPORT

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

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

Government-wide financial statements consist of a statement of net position and a statement of activities. These provide information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

Required supplementary information further explains and supports the financial statements with a comparison of the City's budget for the year, the City's share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary information provides detailed information about the nonmajor governmental funds.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statement

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

The statement of net position presents all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as "net position". Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

The statement of net position and the statement of activities report two kinds of activities:

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Position

A condensed version of the statement of net position as of June 30, 2016 and 2015 follows.

City of Coralville's Net Position

	2016			2015 (See Notes 19 and 20)		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 49,891,966	\$ 14,415,188	\$ 64,307,154	\$ 45,234,661	\$ 11,651,690	\$ 56,886,351
Restricted assets	4,413,519	8,787,719	13,201,238	5,659,313	8,749,267	14,408,580
Capital assets	300,858,918	111,993,909	412,852,827	307,429,729	100,948,791	408,378,520
Other noncurrent assets	<u>6,850,444</u>	<u>—</u>	<u>6,850,444</u>	<u>6,875,102</u>	<u>—</u>	<u>6,875,102</u>
Total Assets	362,014,847	135,196,816	497,211,663	365,198,805	121,349,748	486,548,553
Deferred Outflows of Resources	<u>920,775</u>	<u>448,376</u>	<u>1,369,151</u>	<u>1,020,270</u>	<u>472,221</u>	<u>1,492,491</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 362,935,622</u>	<u>\$ 135,645,192</u>	<u>\$ 498,580,814</u>	<u>\$ 366,219,075</u>	<u>\$ 121,821,969</u>	<u>\$ 488,041,044</u>
Current liabilities	\$ 22,374,161	\$ 5,769,106	\$ 28,143,267	\$ 21,589,519	\$ 6,035,651	\$ 27,625,170
Noncurrent liabilities	<u>198,027,694</u>	<u>68,882,857</u>	<u>266,910,551</u>	<u>195,654,445</u>	<u>71,048,593</u>	<u>266,703,038</u>
Total Liabilities	<u>220,401,855</u>	<u>74,651,963</u>	<u>295,053,818</u>	<u>217,243,964</u>	<u>77,084,244</u>	<u>294,328,208</u>
Deferred Inflows of Resources	<u>34,551,764</u>	<u>274,227</u>	<u>34,825,991</u>	<u>34,761,921</u>	<u>653,224</u>	<u>35,415,145</u>
Net Position						
Invested in capital assets	89,007,772	48,176,614	137,184,386	98,073,956	35,466,403	133,540,359
Restricted	13,805,294	3,212,532	17,017,826	17,377,135	3,194,041	20,571,176
Unrestricted	<u>5,168,937</u>	<u>9,329,856</u>	<u>14,498,793</u>	<u>(1,237,901)</u>	<u>5,424,057</u>	<u>4,186,156</u>
Total Net Position	<u>107,982,003</u>	<u>60,719,002</u>	<u>168,701,005</u>	<u>114,213,190</u>	<u>44,084,501</u>	<u>158,297,691</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 362,935,622</u>	<u>\$ 135,645,192</u>	<u>\$ 498,580,814</u>	<u>\$ 366,219,075</u>	<u>\$ 121,821,969</u>	<u>\$ 488,041,044</u>

\$137 million of the City's net position (81%) represents resources which are invested in capital assets and \$17 million of the City's net position (10%) 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 \$15 million (9%) 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, 2016 and 2015 follows:

City of Coralville's Governmental and Business-Type Activities

	2016			2015 (See Notes 19 and 20)		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenue						
Charges for service	\$ 7,841,824	\$ 24,906,668	\$ 32,748,492	\$ 7,235,336	\$ 24,268,245	\$ 31,503,581
Operating grants and contributions	5,157,021	1,171,434	6,328,455	2,371,785	734,654	3,106,439
Capital grants and contributions	3,530,456	—	3,530,456	12,190,791	—	12,190,791
Other General Revenue						
Property tax	31,504,088	—	31,504,088	33,203,993	—	33,203,993
Other taxes	3,523,277	—	3,523,277	4,430,178	—	4,430,178
Other	626,698	64,502	691,200	376,350	17,100	393,450
Gain (loss) on sale of capital assets	(177,220)	4,992	(172,228)	194,179	(19,922)	174,257
Total Revenue	52,006,144	26,147,596	78,153,740	60,002,612	25,000,077	85,002,689
Expenses						
Public safety	5,058,963	—	5,058,963	4,924,766	—	4,924,766
Public works	1,778,380	—	1,778,380	1,508,226	—	1,508,226
Health and social services	124,370	—	124,370	130,320	—	130,320
Culture and recreation	11,395,062	—	11,395,062	10,098,348	—	10,098,348
Community and economic development	11,226,919	—	11,226,919	11,305,589	—	11,305,589
General government	2,915,472	—	2,915,472	2,925,949	—	2,925,949
Depreciation - unallocated	10,959	—	10,959	10,960	—	10,960
Interest on long-term debt	10,293,356	—	10,293,356	9,505,805	—	9,505,805
Hotel and conference center	—	15,639,043	15,639,043	—	15,956,593	15,956,593
Sewer	—	2,502,623	2,502,623	—	2,373,021	2,373,021
Iowa River Landing parking	—	1,770,278	1,770,278	—	1,959,626	1,959,626
Water	—	1,886,340	1,886,340	—	1,859,342	1,859,342
Solid waste	—	965,003	965,003	—	896,575	896,575
Transit	—	1,931,835	1,931,835	—	1,896,994	1,896,994
Storm water	—	393,777	393,777	—	431,085	431,085
Total Expenses	42,803,481	25,088,899	67,892,380	40,409,963	25,373,236	65,783,199
Increase Before Contributed Capital and Transfers	9,202,663	1,058,697	10,261,360	19,592,649	(373,159)	19,219,490
Contributed capital	(13,657,980)	13,657,980	—	—	—	—
Transfers	(1,917,824)	1,917,824	—	(1,483,237)	1,483,237	—
Increase (Decrease) in Net Assets	(6,373,141)	16,634,501	10,261,360	18,109,412	1,110,078	19,219,490
Beginning Net Position - Restated (Notes 19 and 20)	114,355,144	44,084,501	158,439,645	96,103,778	42,974,423	139,078,201
Ending Net Position	\$ 107,982,003	\$ 60,719,002	\$ 168,701,005	\$ 114,213,190	\$ 44,084,501	\$ 158,297,691

Governmental Activities

Total governmental activities revenue was \$52,006,144 and \$60,002,612 for the years ended June 30, 2016 and 2015, respectively. The largest single revenue source for the City was property and other taxes of \$35,027,365 and \$37,634,171 recorded for the years ended June 30, 2016 and 2015, 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 \$22.5 million. Approximately \$5.1 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 \$4.7 million, while total fund balance reached \$8.9 million. Unassigned fund balance represents 53% of total General Fund balance. The General Fund revenue increased approximately \$920,000, or 5%, over fiscal year 2015, while expenditures increased approximately \$500,000, or 3%, over the prior year. Key factors in the increase in revenue were higher property taxes.

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 2016 with a fund balance of \$4.3 million compared to the prior year ending fund balance of \$3.6 million. The increase resulted from taxes in excess of current requirements.

The General Obligation Debt Service Fund accounts for general obligation debt issued and the subsequent principal and interest payments. Property tax and transfers in from other funds are the primary sources of cash for this fund. The fund ended 2016 with a balance of \$2.7 million, a decrease of approximately \$1.4 million from 2015. The primary reason for this decrease was due to debt issuance costs, higher interest expenditures and the appropriate transfer of certain restricted assets from the General Obligation Debt Service Fund to the Special Revenue - Mall/Highway 6 TIF Fund.

The Capital Projects - Iowa River Landing Fund accounts for improvements being made to the area near the City-owned Marriott Hotel and Conference Center.

Proprietary Fund Highlights

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its hotel and conference center, sewer, Iowa River Landing parking, water, solid waste, transit and storm water activities.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Hotel and Conference Center Fund, Sewer Fund, Parking Facilities and Operations Fund and Transit Fund, as these are considered major funds of the City. Data from the other three enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

The Hotel and Conference Center Fund accounts for the operation and maintenance of the Marriott hotel located on East 9th Street in Coralville. The fund ended 2016 with a net position balance totaling \$10.8 million compared to the prior year ending net position balance of \$10.0 million. The increase was the result of a net income of \$742,874 after net transfers in of \$1,378,305. The net income was after \$1.4 million of noncash depreciation expense.

The Sewer Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended 2016 with a net position balance of \$15.6 million compared to the prior year ending net position balance of \$14.9 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 \$9.5 million as of the end of 2016, an increase of approximately \$4.8 million due to rental income from the parking ramps and the capital contributions of the Intermodal Facility from the governmental funds.

The Transit Fund accounts for the City's public bus transportation system. The net position totaled approximately \$14.8 million as of the end of 2016, an increase of \$9.5 million due primarily to the capital contributions of the Intermodal Facility from the governmental funds.

BUDGETARY HIGHLIGHTS

The City had one budget amendment during the fiscal year which increased budgeted revenue by approximately \$2.8 million and budgeted expenditures by approximately \$104.7 million.

The following table presented on a budgetary basis (cash basis) demonstrates the statutory compliance with the annual fiscal year 2016 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
			Governmental Fund Types	Proprietary Funds	Total	
Receipts						
Property tax	\$ 13,026,109	\$ 13,026,109	\$ 12,572,138	\$ —	\$ 12,572,138	\$ (453,971)
Tax increment financing	19,591,419	19,591,419	18,013,229	—	18,013,229	(1,578,190)
Other city taxes	2,928,615	2,928,615	3,436,756	—	3,436,756	508,141
Licenses and permits	709,402	709,402	838,344	—	838,344	128,942
Use of money and property	1,343,423	1,343,423	1,819,757	8,625,062	10,444,819	9,101,396
Intergovernmental	2,914,566	5,696,566	9,727,121	2,615,749	12,342,870	6,646,304
Charges for service	28,772,246	28,772,246	3,138,005	8,034,338	11,172,343	(17,599,903)
Special assessments	—	—	309,814	—	309,814	309,814
Miscellaneous	—	—	2,752,423	6,254,828	9,007,251	9,007,251
Total Receipts	69,285,780	72,067,780	52,607,587	25,529,977	78,137,564	6,069,784
Disbursements						
Public safety	5,584,808	5,584,808	5,104,876	—	5,104,876	(479,932)
Public works	1,880,506	2,030,506	1,861,169	—	1,861,169	(169,337)
Health and social services	127,820	128,820	128,370	—	128,370	(450)
Culture and recreation	7,561,988	7,596,988	10,299,190	—	10,299,190	2,702,202 ⁽¹⁾
Community and economic development	804,871	2,154,871	3,240,017	—	3,240,017	1,085,146
General government	5,530,447	5,540,447	2,972,815	—	2,972,815	(2,567,632)
Debt service	24,220,218	100,420,218	46,224,769	—	46,224,769	(54,195,449) ⁽²⁾
Capital projects	—	19,198,000	18,530,678	—	18,530,678	(667,322)
Business-type activities	25,136,682	32,936,682	—	25,055,828	25,055,828	(7,880,854) ⁽³⁾
Total Disbursements	70,847,340	175,591,340	88,361,884	25,055,828	113,417,712	(62,173,628)
Receipts Over (Under) Disbursements	(1,561,560)	(103,523,560)	(35,754,297)	474,149	(35,280,148)	68,243,412
Other Financing Sources (Uses)						
Other financing sources	28,552,129	147,556,129	71,235,211	4,075,007	75,310,218	(72,245,911)
Other financing uses	(21,552,129)	(38,594,129)	(33,469,293)	(1,744,752)	(35,214,045)	3,380,084
Total Other Financing Sources	7,000,000	108,962,000	37,765,918	2,330,255	40,096,173	(68,865,827)
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses						
	5,438,440	5,438,440	2,011,621	2,804,404	4,816,025	\$ (622,415)
Balance - Beginning of Year	28,044,331	28,044,331	15,007,173	16,545,945	31,553,118	
Balance - End of Year	\$ 33,482,771	\$ 33,482,771	\$ 17,018,794	\$ 19,350,349	\$ 36,369,143	

- (1) Resulting from a reclassification of the operations of Brown Deer Golf Club from an enterprise fund to the General Fund.
- (2) Budgeted debt service expenditures included a large refinancing that did not occur in fiscal year 2016, but rather in fiscal year 2017.
- (3) Partially resulting from a reclassification of the operations of Brown Deer Golf Club from an enterprise fund to the General Fund.

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. The 2015 amounts below have been restated for the effects of moving the Brown Deer Golf Course from the business-type activities to governmental-type activities. See Note 19.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 79,743,403	\$ 78,382,982	\$ 3,068,759	\$ 3,068,759	\$ 82,812,162	\$ 81,451,741
Land improvements	72,912,660	74,564,500	—	—	72,912,660	74,564,500
Buildings and improvements	57,015,162	53,502,853	99,907,128	89,248,601	156,922,290	142,751,454
Infrastructure	80,768,877	69,881,083	—	—	80,768,877	69,881,083
Machinery and equipment	8,812,284	8,717,258	7,309,483	7,933,878	16,121,767	16,651,136
Construction-in-progress	<u>1,606,532</u>	<u>22,381,055</u>	<u>1,708,539</u>	<u>697,551</u>	<u>3,315,071</u>	<u>23,078,606</u>
Total	<u>\$ 300,858,918</u>	<u>\$ 307,429,731</u>	<u>\$ 111,993,909</u>	<u>\$ 100,948,789</u>	<u>\$ 412,852,827</u>	<u>\$ 408,378,520</u>

Long-Term Debt

The following summarizes maturities of principal and interest on bonded debt outstanding as of June 30, 2016:

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		
2017	\$ 12,880,000	\$ 6,979,244	\$ 3,960,000	\$ 1,942,294	\$ 1,884,000	\$ 860,914	\$ 18,724,000	\$ 9,782,452
2018	15,367,874	6,481,435	4,399,474	1,742,044	2,904,501	808,829	22,671,849	9,032,308
2019	7,450,000	5,962,590	684,474	1,520,582	2,278,681	754,907	10,413,155	8,238,079
2020	8,825,000	5,930,864	389,474	1,485,622	2,037,000	698,568	11,251,474	8,115,054
2021	9,600,000	5,617,179	389,474	1,466,148	1,966,000	707,317	11,955,474	7,790,644
2022-2026	35,512,000	23,341,918	4,780,370	6,739,991	9,131,000	3,218,301	49,423,370	33,300,210
2027-2031	36,585,000	16,131,919	3,738,215	5,545,434	9,533,000	1,420,919	49,856,215	23,098,272
2032-2036	42,890,000	5,760,000	5,373,564	4,479,427	761,000	51,708	49,024,564	10,291,135
2037-2041	—	—	5,600,000	3,072,000	—	—	5,600,000	3,072,000
2042-2046	—	—	7,160,000	1,487,000	—	—	7,160,000	1,487,000
2047-2051	—	—	1,655,000	82,750	—	—	1,655,000	82,750
	<u>169,109,874</u>	<u>76,205,149</u>	<u>38,130,045</u>	<u>29,563,292</u>	<u>30,495,182</u>	<u>8,521,463</u>	<u>237,735,101</u>	<u>114,289,904</u>
Net unamortized bond premium (discount)	<u>1,048,669</u>	<u>—</u>	<u>580,181</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,628,850</u>	<u>—</u>
Net	<u>\$170,158,543</u>	<u>\$76,205,149</u>	<u>\$38,710,226</u>	<u>\$29,563,292</u>	<u>\$30,495,182</u>	<u>\$8,521,463</u>	<u>\$239,363,951</u>	<u>\$114,289,904</u>

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 \$111.8 million.

The City of Coralville has been assigned a Baa3 rating from Moody's Investor Services and a BBB+ rating from Standard & Poors for general obligation debt.

For more information on the City's debt and amortization terms, please refer to page 34 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 2016 budget. Unemployment in Johnson County now stands at 2.6% versus 2.7% two years ago. This compares with the State's unemployment rate of 4.1% and the national rate of 4.9%. The City will experience an increase in General Fund receipts and disbursements from fiscal year 2016 to fiscal year 2017. 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 2017 with a fund balance approximately equal to that of 2016.

Water, Storm Water Management and Public Transit rates will remain the same for fiscal year 2017 as fiscal year 2016. Sewer and Solid Waste rates will increase in fiscal year 2017 to meet the capital improvement and programming needs of the users of these systems.

The City property tax levy rate for fiscal year 2017 will be \$13.5227 which is the same as 2016.

Property tax will provide about 45% of General Fund revenue. Over the past five years, City-wide assessed values have increased an average of 6.5%, while taxable values have had an average annual growth rate of 4.5%.

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, 2016

	Governmental Activities	Business- Type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Current Assets			
Cash and pooled investments	\$ 13,655,060	\$ 9,981,036	\$ 23,636,096
Receivables			
Property Tax			
Current year delinquent, net of allowance for uncollectible taxes	160,300	—	160,300
Succeeding year	34,003,539	—	34,003,539
Assets held by property manager.....	—	994,523	994,523
Customer accounts, net of allowance for uncollectible accounts	—	1,649,176	1,649,176
Internal balances.....	(979,190)	979,190	—
Due from other governments.....	2,157,002	451,307	2,608,309
Special assessments	4,513	—	4,513
Other.....	235,145	—	235,145
Inventories and prepaids	655,597	359,956	1,015,553
Total Current Assets	<u>49,891,966</u>	<u>14,415,188</u>	<u>64,307,154</u>
Noncurrent Assets			
Restricted Assets			
Cash and pooled investments	4,413,519	3,212,532	7,626,051
Beneficial interest in a trust	—	5,575,187	5,575,187
Loans, net of allowance for uncollectible amounts	6,703,779	—	6,703,779
Special assessments.....	146,665	—	146,665
Capital assets, net of accumulated depreciation	300,858,918	111,993,909	412,852,827
Total Noncurrent Assets	<u>312,122,881</u>	<u>120,781,628</u>	<u>432,904,509</u>
Total Assets	<u>362,014,847</u>	<u>135,196,816</u>	<u>497,211,663</u>
Deferred Outflows of Resources			
Pension-related deferred outflows	<u>920,775</u>	<u>448,376</u>	<u>1,369,151</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 362,935,622</u>	<u>\$ 135,645,192</u>	<u>\$ 498,580,814</u>

See accompanying notes to the financial statements.

	Governmental Activities	Business- Type Activities	Total
Liabilities			
Current Liabilities			
Accounts and retainages payable	\$ 2,508,585	\$ 1,492,193	\$ 4,000,778
Accrued expenses	2,424,643	1,097,913	3,522,556
General obligation bonds payable	12,880,000	—	12,880,000
Other loans payable	600,933	—	600,933
Capital leases	—	1,295,000	1,295,000
Current Liabilities Payable From Restricted Assets			
Tax increment financing bonds payable ..	3,960,000	—	3,960,000
Revenue bonds payable	—	1,884,000	1,884,000
Total Current Liabilities	<u>22,374,161</u>	<u>5,769,106</u>	<u>28,143,267</u>
Noncurrent Liabilities			
Revenue bonds payable	—	28,611,182	28,611,182
General obligation bonds payable	157,278,543	—	157,278,543
Tax increment financing bonds payable	34,750,226	—	34,750,226
Other loans payable	2,381,444	—	2,381,444
Capital leases	—	38,758,300	38,758,300
Net pension liability	3,617,481	1,513,375	5,130,856
Total Noncurrent Liabilities	<u>198,027,694</u>	<u>68,882,857</u>	<u>266,910,551</u>
Total Liabilities	<u>220,401,855</u>	<u>74,651,963</u>	<u>295,053,818</u>
Deferred Inflows of Resources			
Succeeding year property tax	34,003,539	—	34,003,539
Special assessments	146,665	—	146,665
Pension-related deferred inflows	401,560	274,227	675,787
Total Deferred Inflows of Resources	<u>34,551,764</u>	<u>274,227</u>	<u>34,825,991</u>
Net Position			
Invested in capital assets	89,007,772	48,176,614	137,184,386
Restricted for			
Debt service	10,850,489	3,212,532	14,063,021
Expendable trust	712,400	—	712,400
Road use purposes	1,378,150	—	1,378,150
Employee benefits	6,337	—	6,337
Special assessments	4,513	—	4,513
Other	853,405	—	853,405
Unrestricted	5,168,937	9,329,856	14,498,793
Total Net Position	<u>107,982,003</u>	<u>60,719,002</u>	<u>168,701,005</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 362,935,622</u>	<u>\$ 135,645,192</u>	<u>\$ 498,580,814</u>

Statement of Activities

Year Ended June 30, 2016

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	\$ 5,058,963	\$ 71,178	\$ 192,244	\$ —	\$ (4,795,541)	\$ —	\$ (4,795,541)
Public works	1,778,380	15,087	2,318,064	—	554,771	—	554,771
Health and social services	124,370	—	—	—	(124,370)	—	(124,370)
Culture and recreation	11,395,062	4,785,476	117,378	—	(6,492,208)	—	(6,492,208)
Community and economic development	11,226,919	1,906,997	—	3,530,456	(5,789,466)	—	(5,789,466)
General government	2,915,472	1,063,086	2,529,335	—	676,949	—	676,949
Depreciation - unallocated*	10,959	—	—	—	(10,959)	—	(10,959)
Interest on long-term debt	10,293,356	—	—	—	(10,293,356)	—	(10,293,356)
Total Governmental Activities	42,803,481	7,841,824	5,157,021	3,530,456	(26,274,180)	—	(26,274,180)
Business-Type Activities							
Hotel and conference center	15,639,043	14,990,256	—	—	—	(648,787)	(648,787)
Sewer	2,502,623	3,266,205	—	—	—	763,582	763,582
Parking facilities and operations	1,770,278	2,252,477	—	—	—	482,199	482,199
Transit	1,931,835	552,725	689,951	—	—	(689,159)	(689,159)
Water	1,886,340	2,395,224	—	—	—	508,884	508,884
Solid waste	965,003	997,643	—	—	—	32,640	32,640
Storm water	393,777	452,138	481,483	—	—	539,844	539,844
Total Business-Type Activities	25,088,899	24,906,668	1,171,434	—	—	989,203	989,203
Total	\$ 67,892,380	\$ 32,748,492	\$ 6,328,455	\$ 3,530,456	(26,274,180)	989,203	(25,284,977)
General Revenue							
Taxes							
Property tax levied for general purposes					9,512,653	—	9,512,653
Property tax levied for debt service					3,159,206	—	3,159,206
Tax increment financing					18,832,229	—	18,832,229
Other taxes and payments in lieu of taxes					3,523,277	—	3,523,277
Investment earnings					70,084	19,289	89,373
Miscellaneous					556,614	45,213	601,827
Gain (loss) on sale of capital assets					(177,220)	4,992	(172,228)
Total General Revenue					35,476,843	69,494	35,546,337
Change in Net Position Before Other Financing Sources (Uses)					9,202,663	1,058,697	10,261,360
Other Financing Sources (Uses)							
Contributed capital					(13,657,980)	13,657,980	—
Transfers					(1,917,824)	1,917,824	—
Change in Net Position					(6,373,141)	16,634,501	10,261,360
Net Position - Beginning of Year					112,227,625	46,070,066	158,297,691
Prior period adjustments (Notes 19 and 20)					2,127,519	(1,985,565)	141,954
Prior Net Position - Beginning of Year, as Restated					114,355,144	44,084,501	158,439,645
Net Position - End of Year					\$ 107,982,003	\$ 60,719,002	\$ 168,701,005

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

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2016

	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	\$ 9,187,687	\$ —	\$ 196,064	\$ 665,027	\$ 3,606,282	\$ 13,655,060
Receivables						
Property Tax						
Current year delinquent.....	33,303	106,073	14,587	—	6,337	160,300
Succeeding year	8,905,046	15,800,000	3,501,323	—	5,797,170	34,003,539
Loans.....	—	3,589,089	—	—	3,114,690	6,703,779
Due from other funds	—	—	—	—	589,393	589,393
Due from other governments.....	46,251	—	—	—	2,110,751	2,157,002
Assets held by property manager.....	75,904	—	—	—	—	75,904
Other.....	146,715	—	—	—	12,526	159,241
Special assessments	—	—	—	—	151,178	151,178
Inventories and prepaids	637,643	—	—	—	17,954	655,597
Restricted Assets						
Cash and pooled investments	—	817,213	2,547,848	—	1,048,458	4,413,519
Total Assets	\$ 19,032,549	\$ 20,312,375	\$ 6,259,822	\$ 665,027	\$ 16,454,739	\$ 62,724,512
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 678,801	\$ 164,171	\$ —	\$ 348,216	\$ 1,317,397	\$ 2,508,585
Accrued liabilities.....	499,899	—	—	—	18,063	517,962
Due to other funds.....	—	—	—	—	1,568,583	1,568,583
Total Liabilities	1,178,700	164,171	—	348,216	2,904,043	4,595,130
Deferred Inflows of Resources						
Succeeding years property tax	8,905,046	15,800,000	3,501,323	—	5,797,170	34,003,539
Special assessments.....	—	—	—	—	146,665	146,665
Other	—	—	—	—	1,471,128	1,471,128
Total Deferred Inflows of Resources	8,905,046	15,800,000	3,501,323	—	7,414,963	35,621,332
Fund Balances						
Nonspendable	637,643	—	—	—	315,000	952,643
Restricted						
Debt service.....	—	4,348,204	2,758,499	—	3,743,786	10,850,489
Expendable trust.....	—	—	—	—	712,400	712,400
Road use purposes.....	—	—	—	—	1,378,150	1,378,150
Employee benefits	—	—	—	—	6,337	6,337
Special assessments	—	—	—	—	4,513	4,513
Other.....	—	—	—	—	853,405	853,405
Committed for capital asset acquisition.....	3,576,384	—	—	—	103,976	3,680,360
Unassigned	4,734,776	—	—	316,811	(981,834)	4,069,753
Total Fund Balances	8,948,803	4,348,204	2,758,499	316,811	6,135,733	22,508,050
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 19,032,549	\$ 20,312,375	\$ 6,259,822	\$ 665,027	\$ 16,454,739	\$ 62,724,512

See accompanying notes to the financial statements.

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

As of June 30, 2016

Total Fund Balances for Governmental Funds (Page 16)....		\$ 22,508,050
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Certain receivables are not available financial resources and, therefore, are reported as deferred inflows of resources in governmental funds.		1,471,128
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		300,858,918
Long-term liabilities, accrued interest, compensated absences and pensions are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds payable	\$ (170,158,543)	
Tax increment financing bonds payable	(38,710,226)	
Other loans payable	(2,982,377)	
Accrued interest payable	(982,121)	
Compensated absences.....	(924,560)	
Net pension liability	<u>(3,617,481)</u>	(217,375,308)
Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 920,775	
Deferred inflows of resources	<u>(401,560)</u>	<u>519,215</u>
 Net Position of Governmental Activities (Page 14)		 <u>\$ 107,982,003</u>

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

Year Ended June 30, 2016

	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.....	\$ 9,281,637	\$ —	\$ 3,159,206	\$ —	\$ 1,714,239	\$ 14,155,082
TIF and other city taxes.....	3,531,350	14,989,349	—	—	3,842,880	22,363,579
Special assessments.....	—	—	—	—	300,830	300,830
Licenses and permits.....	702,810	—	—	—	—	702,810
Use of money and property.....	225,994	—	22,470	—	1,454,297	1,702,761
Intergovernmental.....	320,844	—	1,025,398	2	5,800,331	7,146,575
Charges for service.....	4,728,604	—	—	—	498,438	5,227,042
Miscellaneous.....	226,948	6,819	—	—	564,600	798,367
Total Revenue.....	19,018,187	14,996,168	4,207,074	2	14,175,615	52,397,046
Expenditures						
Operating						
Public safety.....	5,087,910	—	—	—	26,385	5,114,295
Public works.....	—	—	—	—	1,854,533	1,854,533
Health and social services.....	124,370	—	—	—	—	124,370
Culture and recreation.....	10,299,120	—	—	—	275,999	10,575,119
Community and economic development.....	751,234	2,329,049	—	—	1,078,850	4,159,133
General government.....	2,995,245	—	—	—	—	2,995,245
Debt Service						
Principal.....	—	—	7,042,103	—	—	7,042,103
Interest and other charges.....	—	—	9,018,827	—	—	9,018,827
Capital projects.....	—	—	—	6,525,938	8,695,262	15,221,200
Total Expenditures.....	19,257,879	2,329,049	16,060,930	6,525,938	11,931,029	56,104,825
Revenue Over (Under) Expenditures.....	(239,692)	12,667,119	(11,853,856)	(6,525,936)	2,244,586	(3,707,779)
Other Financing Sources (Uses)						
Bond proceeds.....	—	—	9,240,000	—	—	9,240,000
Refunding bonds issued.....	—	—	29,830,000	—	—	29,830,000
Refunding bond principal payments.....	—	—	(29,830,000)	—	—	(29,830,000)
Discount on bonds issued.....	—	—	(438,152)	—	—	(438,152)
Cost of debt issuance.....	—	—	(1,128,939)	—	—	(1,128,939)
Proceeds from sale of assets.....	—	—	—	—	203,445	203,445
Transfers in.....	3,380,179	6,211,481	13,838,922	10,263,521	6,291,744	39,985,847
Transfers out.....	(1,602,132)	(18,157,259)	(11,066,611)	(339,750)	(10,737,919)	(41,903,671)
Total Other Financing Sources (Uses).....	1,778,047	(11,945,778)	10,445,220	9,923,771	(4,242,730)	5,958,530
Net Change in Fund Balances.....	1,538,355	721,341	(1,408,636)	3,397,835	(1,998,144)	2,250,751
Fund Balances - Beginning of Year, as previously reported.....	7,565,877	3,626,863	4,167,135	(3,081,024)	8,133,877	20,412,728
Prior period adjustment (Note 20).....	(155,429)	—	—	—	—	(155,429)
Fund Balances - Beginning of Year, as Restated.....	7,410,448	3,626,863	4,167,135	(3,081,024)	8,133,877	20,257,299
Fund Balances - End of Year.....	\$ 8,948,803	\$ 4,348,204	\$ 2,758,499	\$ 316,811	\$ 6,135,733	\$ 22,508,050

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, 2016

Changes in Fund Balances - Total Governmental Funds (Page 18) \$ 2,250,751

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.....	\$ 15,150,525	
Capital assets contributed to enterprise funds.....	(13,657,980)	
Depreciation expense.....	(7,710,798)	
Proceeds from sale of capital assets.....	(203,448)	
Loss on disposal of capital assets.....	<u>(177,220)</u>	(6,598,921)

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.....	\$ (39,070,000)	
Long-term debt principal repaid.....	36,749,915	
Issuance discounts capitalized.....	332,159	
Amortization of discounts and premiums.....	202,938	
Increase in accrued interest.....	<u>(120,347)</u>	(1,905,335)

Certain receivables are reported in the statement of net position net of the estimated amount that will be uncollectible, but are not available financial resources and, therefore, are not reported as revenue in the governmental funds..... (213,682)

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. 46,317

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:

Compensated absences.....	\$ (44,772)	
Pension expense.....	<u>92,501</u>	<u>47,729</u>

Change in Net Position of Governmental Activities (Page 15) \$ (6,373,141)

Statement of Net Position - Proprietary Funds

As of June 30, 2016

	Hotel and Conference Center	Sewer	Parking Facilities and Operations	Transit	Nonmajor Proprietary Funds	Total
Current Assets						
Cash and pooled investments	\$ —	\$ 3,296,605	\$ 2,397,663	\$ 969,815	\$ 3,316,953	\$ 9,981,036
Receivables						
Assets held by property manager.....	994,523	—	—	—	—	994,523
Customer accounts.....	414,886	578,430	34,506	—	621,354	1,649,176
Due from other governments.....	—	—	—	451,307	—	451,307
Due from other funds.....	—	—	—	—	979,190	979,190
Inventories and prepaids ...	61,850	35,645	39,546	40,038	182,877	359,956
Total Current Assets	1,471,259	3,910,680	2,471,715	1,461,160	5,100,374	14,415,188
Noncurrent Assets						
Restricted Assets						
Cash and pooled investments.....	—	592,788	2,256,944	—	362,800	3,212,532
Beneficial interest in a trust.....	5,575,187	—	—	—	—	5,575,187
Capital assets (net of accumulated depreciation)	45,111,362	20,116,652	23,970,531	13,925,149	8,870,215	111,993,909
Total Noncurrent Assets	50,686,549	20,709,440	26,227,475	13,925,149	9,233,015	120,781,628
Total Assets	52,157,808	24,620,120	28,699,190	15,386,309	14,333,389	135,196,816
Deferred Outflows of Resources						
Pension-related deferred outflows	—	78,257	52,356	142,087	175,676	448,376
Total Assets and Deferred Outflows of Resources	\$ 52,157,808	\$ 24,698,377	\$ 28,751,546	\$ 15,528,396	\$ 14,509,065	\$ 135,645,192
Liabilities and Net Position						
Current Liabilities						
Accounts payable	\$ 577,058	\$ 67,345	\$ 515,823	\$ 15,819	\$ 30,383	\$ 1,206,428
Accrued liabilities and compensated absences...	739,865	83,428	35,397	115,736	123,487	1,097,913
Current maturities of long-term debt	1,295,000	613,000	998,000	—	273,000	3,179,000
Customer deposits	—	—	—	—	285,765	285,765
Total Current Liabilities	2,611,923	763,773	1,549,220	131,555	712,635	5,769,106
Noncurrent Liabilities						
Long-term debt	38,758,300	7,997,501	17,491,000	—	3,122,681	67,369,482
Net pension liability	—	265,386	176,867	481,085	590,037	1,513,375
Total Noncurrent Liabilities	38,758,300	8,262,887	17,667,867	481,085	3,712,718	68,882,857
Total Liabilities	41,370,223	9,026,660	19,217,087	612,640	4,425,353	74,651,963
Deferred Inflows of Resources						
Pension-related deferred inflows.....	—	47,311	32,332	86,658	107,926	274,227
Net Position						
Invested in capital assets, net of related debt.....	10,633,249	11,506,151	5,481,531	13,925,149	6,630,534	48,176,614
Restricted for debt service	—	592,788	2,256,944	—	362,800	3,212,532
Unrestricted	154,336	3,525,467	1,763,652	903,949	2,982,452	9,329,856
Total Net Position	10,787,585	15,624,406	9,502,127	14,829,098	9,975,786	60,719,002
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 52,157,808	\$ 24,698,377	\$ 28,751,546	\$ 15,528,396	\$ 14,509,065	\$ 135,645,192

See accompanying notes to the financial statements.

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

Year Ended June 30, 2016

	Hotel and Conference Center	Sewer	Parking Facilities and Operations	Transit	Brown Deer Golf Club	Nonmajor Proprietary Funds	Total
Operating Revenue							
Charges for Sales and Service	<u>\$ 14,990,256</u>	<u>\$ 3,266,205</u>	<u>\$ 2,252,477</u>	<u>\$ 552,725</u>	<u>\$ —</u>	<u>\$ 3,845,005</u>	<u>\$ 24,906,668</u>
Operating Expenses							
Salaries and employee benefits	—	563,000	339,094	974,553	—	1,253,504	3,130,151
Contractual services	1,399,075	639,038	229,926	260,071	—	855,976	3,384,086
Commodities	10,777,442	160,409	34,176	397,488	—	492,134	11,861,649
Depreciation	1,396,215	912,441	592,762	299,722	—	583,180	3,784,320
Total Operating Expenses	<u>13,572,732</u>	<u>2,274,888</u>	<u>1,195,958</u>	<u>1,931,834</u>	<u>—</u>	<u>3,184,794</u>	<u>22,160,206</u>
Operating Income (Loss)	<u>1,417,524</u>	<u>991,317</u>	<u>1,056,519</u>	<u>(1,379,109)</u>	<u>—</u>	<u>660,211</u>	<u>2,746,462</u>
Nonoperating Revenue (Expenses)							
Rent revenue	—	—	—	45,213	—	—	45,213
Intergovernmental Revenue							
Federal	—	—	—	420,904	—	—	420,904
State	—	—	—	269,047	—	481,483	750,530
Gain on sale of assets	—	—	—	4,480	—	512	4,992
Interest revenue	13,356	1,118	4,787	—	—	28	19,289
Interest expense	(2,066,311)	(227,735)	(574,320)	—	—	(60,327)	(2,928,693)
Total Nonoperating Revenue (Expenses) ..	<u>(2,052,955)</u>	<u>(226,617)</u>	<u>(569,533)</u>	<u>739,644</u>	<u>—</u>	<u>421,696</u>	<u>(1,687,765)</u>
Income (Loss) Before Transfers	<u>(635,431)</u>	<u>764,700</u>	<u>486,986</u>	<u>(639,465)</u>	<u>—</u>	<u>1,081,907</u>	<u>1,058,697</u>
Contributed capital	—	—	4,224,021	9,433,959	—	—	13,657,980
Transfers in	1,403,305	—	46,000	676,129	—	93,390	2,218,824
Transfers out	(25,000)	(72,500)	(3,500)	—	—	(200,000)	(301,000)
Net Income	<u>742,874</u>	<u>692,200</u>	<u>4,753,507</u>	<u>9,470,623</u>	<u>—</u>	<u>975,297</u>	<u>16,634,501</u>
Net Position - Beginning of Year, as previously reported	10,044,711	14,932,206	4,748,620	5,358,475	1,985,565	9,000,489	46,070,066
Prior period adjustment (Note 19)	—	—	—	—	(1,985,565)	—	(1,985,565)
Net Position - Beginning of Year, as Restated	<u>10,044,711</u>	<u>14,932,206</u>	<u>4,748,620</u>	<u>5,358,475</u>	<u>—</u>	<u>9,000,489</u>	<u>44,084,501</u>
Net Position - End of Year	<u>\$ 10,787,585</u>	<u>\$ 15,624,406</u>	<u>\$ 9,502,127</u>	<u>\$ 14,829,098</u>	<u>\$ —</u>	<u>\$ 9,975,786</u>	<u>\$ 60,719,002</u>

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2016

	Hotel and Conference Center	Sewer	Parking Facilities and Operations	Transit	Nonmajor Proprietary Funds	Total
Cash Flows From Operating Activities						
Receipts from customers	\$ 14,865,428	\$ 3,176,416	\$ 2,308,077	\$ 552,725	\$ 3,859,419	\$ 24,762,065
Payments to suppliers	(12,357,059)	(807,197)	(145,345)	(669,198)	(1,361,738)	(15,340,537)
Payments to employees	—	(576,488)	(347,967)	(998,876)	(1,284,096)	(3,207,427)
Net Cash Provided by (Used in) Operating Activities.....	<u>2,508,369</u>	<u>1,792,731</u>	<u>1,814,765</u>	<u>(1,115,349)</u>	<u>1,213,585</u>	<u>6,214,101</u>
Cash Flows From Noncapital Financing Activities						
Noncapital federal and state grants	—	—	—	238,644	481,483	720,127
Net transfers.....	1,378,305	(72,500)	42,500	676,129	(106,610)	1,917,824
Net Cash Provided by (Used in) Noncapital Financing Activities.....	<u>1,378,305</u>	<u>(72,500)</u>	<u>42,500</u>	<u>914,773</u>	<u>374,873</u>	<u>2,637,951</u>
Cash Flows From Capital and Related Financing Activities						
Decrease in due to other funds.....	(426,761)	—	—	—	—	(426,761)
Proceeds from debt.....	—	966,501	—	—	289,681	1,256,182
Net received from trust	(11,605)	—	—	—	—	(11,605)
Received from sale of assets.....	—	—	—	4,480	512	4,992
Purchase of capital assets.....	(161,608)	(914,750)	—	—	(95,100)	(1,171,458)
Repayment of debt.....	(1,160,000)	(497,000)	(969,000)	—	(753,480)	(3,379,480)
Payment of interest	(2,131,700)	(228,605)	(575,511)	—	(60,960)	(2,996,776)
Net Cash Provided by (Used in) Capital and Related Financing Activities.....	<u>(3,891,674)</u>	<u>(673,854)</u>	<u>(1,544,511)</u>	<u>4,480</u>	<u>(619,347)</u>	<u>(6,724,906)</u>
Cash Flows From Investing Activities						
Increase in due from other funds	—	—	—	—	(979,190)	(979,190)
Rent revenue.....	—	—	—	45,213	—	45,213
Interest received.....	5,000	1,118	4,787	—	28	10,933
Net Cash Provided by (Used in) Investing Activities.....	<u>5,000</u>	<u>1,118</u>	<u>4,787</u>	<u>45,213</u>	<u>(979,162)</u>	<u>(923,044)</u>
Net Increase (Decrease) in Cash	<u>—</u>	<u>1,047,495</u>	<u>317,541</u>	<u>(150,883)</u>	<u>(10,051)</u>	<u>1,204,102</u>
Cash and Pooled Investments at Beginning of Year.....	—	2,841,898	4,337,066	1,120,698	3,689,804	11,989,466
Cash and Pooled Investments at End of Year.....	<u>\$ —</u>	<u>\$ 3,889,393</u>	<u>\$ 4,654,607</u>	<u>\$ 969,815</u>	<u>\$ 3,679,753</u>	<u>\$ 13,193,568</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating income (loss)	\$ 1,417,524	\$ 991,317	\$ 1,056,519	\$ (1,379,109)	\$ 660,211	\$ 2,746,462
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities						
Depreciation	1,396,215	912,441	592,762	299,722	583,180	3,784,320
(Increase) decrease in receivables	(124,828)	(89,789)	55,600	—	(9,296)	(168,313)
(Increase) decrease in inventories and prepaids	420	(222)	20,039	(8,742)	9,428	20,923
Decrease in pension-related deferred outflows	—	4,394	2,890	7,922	8,639	23,845
Increase (decrease) in accounts and retainages payable.....	(258,260)	(23,710)	86,047	(34,450)	(57,880)	(288,253)
Increase in accrued liabilities and compensated absences.....	77,298	16,182	12,671	31,553	34,824	172,528
Increase in customer deposits	—	—	—	—	23,710	23,710
Increase in net pension liability.....	—	49,139	32,326	88,606	107,805	277,876
Decrease in pension-related deferred inflows	—	(67,021)	(44,089)	(120,851)	(147,036)	(378,997)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,508,369</u>	<u>\$ 1,792,731</u>	<u>\$ 1,814,765</u>	<u>\$ (1,115,349)</u>	<u>\$ 1,213,585</u>	<u>\$ 6,214,101</u>
Schedule of Noncash Investing and Financing Activities						
Cash Paid for Capital Assets						
Capital asset additions	\$ 161,608	\$ 914,750	\$ —	\$ —	\$ 95,100	\$ 1,171,458
Contributed capital from governmental funds	—	—	4,224,021	9,433,959	—	13,657,980
Cash Paid for Capital Assets	<u>\$ 161,608</u>	<u>\$ 914,750</u>	<u>\$ 4,224,021</u>	<u>\$ 9,433,959</u>	<u>\$ 95,100</u>	<u>\$ 14,829,438</u>
Loss on Asset Disposal						
Cash received	\$ —	\$ —	\$ —	\$ 4,480	\$ 512	\$ 4,992
Book value of assets disposed	—	—	—	—	—	—
Gain on Asset Disposal	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,480</u>	<u>\$ 512</u>	<u>\$ 4,992</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

The City had the following major enterprise funds:

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

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

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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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.

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, 2016.

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

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

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

(1) Summary of Significant Accounting Policies

State law mandates that the control of the level of classification at which expenditures may not legally exceed appropriations is based upon ten major classes of disbursements, known as functions, not by fund or fund type. It is permissible, therefore, to overspend the budget within a particular fund so long as the expenditures within a function are not exceeded. The ten functions are Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, Business-Type Activities and Nonprogram. As of June 30, 2016, disbursements exceeded the budgeted amounts in Culture and Recreation and Community and Economic Development functional areas.

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.

(1) Summary of Significant Accounting Policies

Property tax revenue became due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2014 assessed property valuations, is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March, 2015.

Special assessments are levied against certain property owners and become liens against the property benefited by the improvement. Special assessments receivable consist of current assessments which are due within one year, delinquent assessments remaining unpaid after the due date, and deferred, uncollected assessments which have been levied, but are not due within one year.

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

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared.

Loans consist of amounts advanced to private individuals, companies or organizations through special revenue funds.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds," and result from cash deficiencies in certain funds.

Due from other governments represents amounts due from the State of Iowa, various shared revenue and grants and reimbursements from other governments.

Inventories and Prepaids

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

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

Restricted Assets

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position and in the proprietary funds statement of net position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset useful lives are not capitalized. Capital assets are defined by the City as assets with an initial, individual cost in excess of \$5,000 and estimated useful lives in excess of one year.

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

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

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, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column in the statement of net position and the proprietary fund type statement of net position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(1) Summary of Significant Accounting Policies

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.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within 60 days after year end.

Deferred inflows of resources in the statement of net position consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Balance

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates and Assumptions

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

(2) Cash and Pooled Investments

The City's deposits as of June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure that there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and pooled investments as of June 30, 2016 were as follows:

Cash accounts.....	\$ 30,857,922
Pooled cash investments - Iowa Public Agency Investment Trust.....	1,223
Certificates of deposit.....	<u>403,002</u>
Total	<u>\$ 31,262,147</u>

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

In addition, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which were valued at an amortized cost of \$1,223 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in IPAIT is unrated.

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

Notes 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, 2016:

Year Entered Into	Balance July 1, 2015	Loans Made	Loans Forgiven	Balance June 30, 2016
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
	<u>\$ 6,593,890</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,593,890</u>

No interest income was recognized on these loans during the year ended June 30, 2016.

In addition, during the year ended June 30, 2005, the City made a \$300,000 economic development loan to the Iowa City/Coralville Convention and Visitors Bureau. The loan includes interest at 5.5% with quarterly payments due through June 30, 2020. Payments made on the loan during 2016 included \$22,381 of principal and \$6,819 of interest. The unpaid balance as of June 30, 2016 was \$109,889.

(4) Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2016 is as follows:

Due From/To	Interfund Receivables	Interfund Payables
Capital Projects Funds		
Street Projects	\$ —	\$ 790,154
Transit/Parks Facility.....	237,318	—
Animal Control Facility	36,779	—
Recreation Improvements	—	469,598
Northridge Trails	4,289	—
Land Use Project	274,469	—
North End Area Projects	—	71,955
Flood Mitigation.....	—	236,876
Water Connection Camp Cardinal.....	36,538	—
Enterprise Funds		
Water	979,190	—
	<u>\$ 1,568,583</u>	<u>\$ 1,568,583</u>

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

Notes to the Financial Statements

(5) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance - Beginning of Year (Restated - Note 19)	Increases	Decreases	Capital Transfer	Balance - End of Year
Governmental Activities					
Capital Assets Not Being Depreciated					
Land	\$ 78,382,982	\$ 1,360,421	\$ —	\$ —	\$ 79,743,403
Construction in progress.....	22,381,055	7,715,335	14,863,983	(13,625,875)	1,606,532
Total Capital Assets Not Being Depreciated.....	100,764,037	9,075,756	14,863,983	(13,625,875)	81,349,935
Capital Assets Being Depreciated					
Land improvements	80,711,826	—	—	—	80,711,826
Buildings and improvements.....	66,829,404	5,110,372	—	—	71,939,776
Furniture and equipment.....	16,205,882	742,097	977,872	—	15,970,107
Vehicles	2,948,954	218,301	71,825	—	3,095,430
Road network	100,193,571	14,863,982	—	—	115,057,553
Bridge network.....	8,401,965	—	498,930	—	7,903,035
Parking ramps	5,522,881	—	—	—	5,522,881
Total Capital Assets Being Depreciated	280,814,483	20,934,752	1,548,627	—	300,200,608
Less Accumulated Depreciation for					
Land improvements	6,147,326	1,651,840	—	—	7,799,166
Buildings and improvements.....	13,326,551	1,598,063	—	—	14,924,614
Furniture and equipment.....	8,967,501	642,430	971,403	—	8,638,528
Vehicles	1,470,077	216,474	71,826	—	1,614,725
Road network	41,686,188	3,333,472	—	—	45,019,660
Bridge network.....	1,612,253	158,061	124,733	—	1,645,581
Parking ramps	938,893	110,458	—	—	1,049,351
Total Accumulated Depreciation	74,148,789	7,710,798	1,167,962	—	80,691,625
Net Capital Assets Being Depreciated	206,665,694	13,223,954	380,665	—	219,508,983
Net Governmental Activities					
Capital Assets	\$ 307,429,731	\$ 22,299,710	\$ 15,244,648	\$ (13,625,875)	\$ 300,858,918
Business-Type Activities					
Capital Assets Not Being Depreciated					
Land	\$ 3,068,759	\$ —	\$ —	\$ —	\$ 3,068,759
Construction in progress.....	697,551	1,010,988	—	—	1,708,539
Total Capital Assets Not Being Depreciated.....	3,766,310	1,010,988	—	—	4,777,298
Capital Assets Being Depreciated					
Buildings and improvements.....	119,823,545	—	—	13,625,875	133,449,420
Furniture and equipment.....	27,986,377	201,642	397,746	—	27,790,273
Vehicles	998,470	—	—	—	998,470
Total Capital Assets Being Depreciated	148,808,392	201,642	397,746	13,625,875	162,238,163
Less Accumulated Depreciation for					
Buildings and improvements.....	30,574,944	2,967,348	—	—	33,542,292
Furniture and equipment.....	20,719,937	716,447	388,681	—	21,047,703
Vehicles	331,032	100,525	—	—	431,557
Total Accumulated Depreciation	51,625,913	3,784,320	388,681	—	55,021,552
Net Capital Assets Being Depreciated	97,182,479	(3,582,678)	9,065	13,625,875	107,216,611
Net Business-Type Activities					
Capital Assets	\$ 100,948,789	\$ (2,571,690)	\$ 9,065	\$ 13,625,875	\$ 111,993,909

Notes to the Financial Statements

(5) Capital Assets

Depreciation expense was charged to functions as follows for the year ended June 30, 2016:

Governmental Activities	
Public safety.....	\$ 425,403
Public works.....	165,687
Culture and recreation.....	1,331,339
Community and economic development.....	5,654,370
General government	<u>123,040</u>
	7,699,839
Unallocated depreciation.....	10,959
Total Governmental Activities Depreciation Expense	<u>\$ 7,710,798</u>
Business-Type Activities	
Hotel and conference center	\$ 1,396,215
Sewer.....	912,441
Parking facilities and operation.....	592,762
Water	467,346
Solid waste.....	115,834
Transit.....	<u>299,722</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 3,784,320</u>

(6) Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended June 30, 2016:

	Balance - Beginning of Year (Restated - Note 19)	Additions	Reductions	Balance - End of Year	Amount Due in the Next Year	Range of Interest Rates
Governmental Activities						
General obligation bonds	\$ 162,133,169	\$ 33,237,841	\$ 25,212,467	\$ 170,158,543	\$ 12,880,000	1.00%-8.00%
Tax increment revenue bonds	36,525,697	5,500,000	3,315,471	38,710,226	3,960,000	1.25%-5.25%
Capital leases	7,497,727	—	7,497,727	—	—	N/A
Other long-term debt	3,909,566	—	927,189	2,982,377	600,933	0.00%-6.50%
Compensated absences.....	864,682	924,560	864,682	924,560	924,560	N/A
Net pension liability ..	2,385,140	1,232,341	—	3,617,481	—	N/A
Totals.....	<u>\$ 213,315,981</u>	<u>\$ 40,894,742</u>	<u>\$ 37,817,536</u>	<u>\$ 216,393,187</u>	<u>\$ 18,365,493</u>	
Business-Type Activities						
Revenue bonds	\$ 31,458,480	\$ 1,256,182	\$ 2,219,480	\$ 30,495,182	\$ 1,884,000	0.00%-5.00%
Capital leases.....	41,273,614	—	1,220,314	40,053,300	1,295,000	5.25%
Compensated absences.....	174,952	209,064	174,952	209,064	209,064	N/A
Net pension liability ..	1,374,634	138,741	—	1,513,375	—	N/A
Totals.....	<u>\$ 74,281,680</u>	<u>\$ 1,603,987</u>	<u>\$ 3,614,746</u>	<u>\$ 72,270,921</u>	<u>\$ 3,388,064</u>	

(6) Long-Term Debt

Governmental Activities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government 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, 2016, there were 35 outstanding general obligation bonds/notes outstanding with interest rates ranging from 1% to 8%, with annual principal and interest payments due through June, 2036.

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, 2016, there were four outstanding tax increment revenue bonds/notes outstanding with interest rates ranging from 5.00% to 5.25%, 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 0% to 6.5%. Total principal and interest paid during the year ended June 30, 2016 totaled \$927,189 and \$113,045, respectively.

Notes to the Financial Statements

(6) Long-Term Debt

As of June 30, 2016, annual maturities of the land purchase contracts are as follows:

Year Ending June 30,	Principal	Interest	Total
2017.....	\$ 600,933	\$ 88,950	\$ 689,883
2018.....	484,135	69,955	554,090
2019.....	1,587,942	55,548	1,643,490
2020.....	91,921	11,819	103,740
2021.....	186,477	9,942	196,419
Later Years	30,969	1,562	32,531
Total	<u>\$ 2,982,377</u>	<u>\$ 237,776</u>	<u>\$ 3,220,153</u>

Business-Type Activities

As of June 30, 2016, there were the following outstanding enterprise fund revenue bonds/notes and certifications of participation capital lease obligations outstanding:

Fund	Number of Bonds/Notes Outstanding	Interest Rates	Principal and Interest Payments Due Through
Hotel and Conference Center	1	5.25%	June, 2026
Sewer	5	0.00% to 3.89%	June, 2034
Iowa River Landing Parking	1	2.95% to 5.00%	June, 2031
Water	2	0.00% to 3.50%	June, 2030
Storm Water	1	1.75%	June, 2033

Revenue Bonds

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

The City has pledged future water customer revenue, net of specified operating expenses, to repay certain water revenue notes. Proceeds from the notes provided financing for the construction of improvements to the water plant. The notes are payable solely from water customer net revenue and are payable through 2030. Net revenue is required to be at least 125% of the debt service coming due in the next year. The total principal and interest remaining to be paid on the notes is \$2,588,419. Principal and interest due in the next year and total customer net revenue (operating income plus depreciation) for 2016 was \$275,460 and \$1,012,391, respectively.

The City has pledged future sewer customer revenue, net of specified operating expenses, to repay sewer revenue notes. Proceeds from the notes provided financing for the construction of improvements to the sewer plant. The notes are payable solely from sewer customer net revenue and are payable through 2031. Net revenue is required to be at least 110% of the current year debt service. The total principal and interest remaining to be paid on the notes is \$10,583,595. For the current year, principal and interest paid and total customer net revenue (operating income plus depreciation) was \$742,248 and \$1,903,758, respectively.

(6) Long-Term Debt

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 \$1,347,592. For the current year, principal and interest paid and total customer net revenue (operating income plus depreciation and certain expenditures) was \$111,480 and \$157,748, respectively.

Capital Lease Obligations

Golf Course Expansion Leasing and Financing Transactions - The City expanded Brown Deer Golf Course from 9 to 18 holes and built a clubhouse, other buildings and a driving range. To finance this expansion, the City entered into a capital lease requiring payments in amounts necessary to repay Certificates of Participation in the lease to investors. Once the Certificates of Participation are repaid, title to all of the land, buildings and improvements transfers to the City.

During the year ended June 30, 2016, the Certificates of Participation became callable and the City chose to issue general obligation debt to retire the Certificates of Participation. Because the new debt being issued was general obligation debt, which is not secured by the revenue of the Golf Course, and for other administrative and reporting purposes, the City decided to eliminate the Brown Deer Golf Course business-type activity fund and to move those operations and balances into the General Fund and government-wide financial statements effective July 1, 2015. See Note 19 for details of the restatement of the financial statements for this change.

Hotel and Conference Center - The City entered into various agreements to construct an upscale hotel and conference center. The hotel is being operated under a qualified management agreement by the Marriott hotel chain. To finance the construction, the City entered into an agreement to lease land it owns to Bankers Trust Company, NA (Bankers) as trustee, and in turn lease that land back from Bankers for approximately 99 years for the total lease payment of \$1. The City and Bankers further entered into a lease purchase agreement being accounted for as a capital lease by the City. The capital lease agreement requires payments in amounts necessary to pay Bankers for the total proceeds of \$45,500,000 that Bankers obtained by selling Certificates of Participation in the lease to investors. Once the Certificates of Participation are repaid, title to the land transfers to the City. The Certificates of Participation were issued during the year ended June 30, 2007 at a premium of \$1,206,283. These additional proceeds were used for the project.

During the year ended June 30, 2016, principal and interest paid totaled \$1,160,000 and \$2,126,700, respectively. Refer to Note 16 - Subsequent Events for a discussion of the refinancing of these Certificates of Participation during fiscal year 2017.

Notes to the Financial Statements

(6) Long-Term Debt

As of June 30, 2016, future minimum lease payments on the capital lease obligation are as follows:

Year Ending June 30,	
2017.....	\$ 3,360,800
2018.....	3,432,813
2019.....	3,507,475
2020.....	3,589,263
2021.....	3,667,388
2022-2026.....	<u>37,032,999</u>
Total Minimum Lease Payments	54,590,738
Less amount representing interest	(15,170,738)
Plus unamortized original issue premium	<u>633,300</u>
Present Value of Net Minimum Lease Payments	<u>\$ 40,053,300</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%.

During the year ended June 30, 2015, the City issued two bonds which are being repaid with TIF revenue and rent income generated from the properties purchased with the debt. The first agreement contains an adjustable interest rate initially set at 5.00% which will reset on June 1, 2019, 2024 and 2029 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%. The second agreement contains an adjustable interest rate initially set at 5.25% which will reset on June 1, 2019, 2024 and 2029 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 3.50%.

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

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%.

Notes to the Financial Statements

(6) Long-Term Debt

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, 2016 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
2017	\$ 12,880,000	\$ 6,979,244	\$ 3,960,000	\$ 1,942,294	\$ 1,884,000	\$ 860,914	\$ 18,724,000	\$ 9,782,452
2018	15,367,874	6,481,435	4,399,474	1,742,044	2,904,501	808,829	22,671,849	9,032,308
2019	7,450,000	5,962,590	684,474	1,520,582	2,278,681	754,907	10,413,155	8,238,079
2020	8,825,000	5,930,864	389,474	1,485,622	2,037,000	698,568	11,251,474	8,115,054
2021	9,600,000	5,617,179	389,474	1,466,148	1,966,000	707,317	11,955,474	7,790,644
2022-2026 ...	35,512,000	23,341,918	4,780,370	6,739,991	9,131,000	3,218,301	49,423,370	33,300,210
2027-2031 ...	36,585,000	16,131,919	3,738,215	5,545,434	9,533,000	1,420,919	49,856,215	23,098,272
2032-2036 ...	42,890,000	5,760,000	5,373,564	4,479,427	761,000	51,708	49,024,564	10,291,135
2037-2041 ...	—	—	5,600,000	3,072,000	—	—	5,600,000	3,072,000
2042-2046 ...	—	—	7,160,000	1,487,000	—	—	7,160,000	1,487,000
2047-2051 ...	—	—	1,655,000	82,750	—	—	1,655,000	82,750
	169,109,874	76,205,149	38,130,045	29,563,292	30,495,182	8,521,463	237,735,101	114,289,904
Net unamor- tized bond premium (discount)	1,048,669	—	580,181	—	—	—	1,628,850	—
Net	<u>\$170,158,543</u>	<u>\$76,205,149</u>	<u>\$38,710,226</u>	<u>\$29,563,292</u>	<u>\$30,495,182</u>	<u>\$8,521,463</u>	<u>\$239,363,951</u>	<u>\$114,289,904</u>

Interest expense and other charges recorded in governmental fund types totaled \$9 million for the year ended June 30, 2016. Interest expense recorded in proprietary fund types totaled \$3 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, 2016, the City was in compliance with these covenants, in all material respects.

(7) Retirement System

Plan Description

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

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.

(7) Retirement System

Pension Benefits

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

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

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

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

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

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

Disability and Death Benefits

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

Notes to the Financial Statements

(7) Retirement System

Contributions

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

In fiscal year 2016, 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, 2016 were \$972,898.

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

As of June 30, 2016, the City reported a liability of \$5,130,856 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. As of June 30, 2015, the City's proportion was 0.1038533% which was an increase of 0.009051% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$596,553. As of June 30, 2016, 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	\$ 83,696	\$ 65,797
Changes of assumptions	150,695	1,010
Net difference between projected and actual earnings on IPERS' investments	—	608,505
Changes in proportion and differences between City contributions and proportionate share of contributions	161,862	475
City contributions subsequent to the measurement date	972,898	—
Total	<u>\$ 1,369,151</u>	<u>\$ 675,787</u>

Notes to the Financial Statements

(7) Retirement System

\$972,898 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2017	\$ (202,986)
2018	(202,986)
2019	(202,986)
2020	322,325
2021	6,100
Total	<u>\$ (280,533)</u>

There were no nonemployer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Notes to the Financial Statements

(7) Retirement System

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	<u><u>100%</u></u>	

Discount Rate

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 10,573,760	\$ 5,130,856	\$ 538,676

IPERS' Plan Fiduciary Net Position

Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS

As of June 30, 2016, the City reported no payables to the defined benefit pension plan.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

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

Plan Description

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 150 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the City's net OPEB obligation based upon the January 1, 2015 actuarial report:

Annual required contribution	\$ 47,223
Interest on net OPEB obligation.....	8,834
Adjustment to annual required contribution.....	<u>(12,052)</u>
Annual OPEB Cost	44,005
Contributions made	<u>25,075</u>
Increase in Net OPEB Obligation	18,930
Net OPEB Obligation - Beginning of Year.....	<u>196,311</u>
Net OPEB Obligation - End of Year	<u><u>\$ 215,241</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015, the date of the most recent valuation report.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 43,656	44.6%	\$ 173,283
2015	44,383	48.1	196,311
2016	44,383	56.5	215,241

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$405,037 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$405,037. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8.5 million and the ratio of the UAAL to covered payroll was 4.7%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions

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

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

As of the January 1, 2015 actuarial valuation date, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 5%. The general inflation rate is projected to be 3%.

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

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

Notes to the Financial Statements

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer From	Amount
General	Special Revenue	
	Mall/Highway 6 TIF	\$ 307,274
	Nonmajor Governmental Funds	2,821,905
	Proprietary	
	Hotel and Conference Center	25,000
	Sewer	72,500
	Parking Facilities and Operation	3,500
	Nonmajor Proprietary	<u>150,000</u>
		<u>3,380,179</u>
	Mall/Highway 6 TIF	Special Revenue
Nonmajor Governmental Funds		907,237
General Obligation Debt Service		
Nonmajor Governmental Funds		4,447,484
Capital Projects		
Nonmajor Governmental Funds		883,512
Interfund Adjustment	<u>(26,752)</u>	
	<u>6,211,481</u>	
General Obligation Debt Service	General	550,064
	Special Revenue	
	Mall/Highway 6 TIF	9,114,663
	Nonmajor Governmental Funds	3,362,895
	Capital Projects	
	Iowa River Landing	339,750
	Nonmajor Governmental Funds	<u>471,550</u>
	<u>13,838,922</u>	
Iowa River Landing	Special Revenue	
	Mall/Highway 6 TIF	2,779,049
	Nonmajor Governmental Funds	864,676
	General Obligation Debt Service	<u>6,619,796</u>
	<u>10,263,521</u>	
Nonmajor Special Revenue	General	113,503
	Mall/Highway 6 TIF	2,039
	General Obligation Debt Service	(669)
	Nonmajor Governmental Funds	
	Special Revenue	39,686
	Capital projects	247,861
	Proprietary	
	Nonmajor Proprietary Fund	<u>50,000</u>
		<u>452,420</u>

Notes to the Financial Statements

(9) Interfund Transfers

Nonmajor Capital Projects	General	\$ 262,436
	Mall/Highway 6 TIF	4,484,291
	Nonmajor Governmental Funds	
	Special Revenue	879,384
	Capital Projects	<u>213,213</u>
		<u>5,839,324</u>
Hotel and Conference Center	Special Revenue	
	Mall/Highway 6 TIF	<u>1,403,305</u>
Parking Facilities and Operation	Special Revenue	
	Nonmajor Governmental Funds	<u>46,000</u>
Transit	General Fund	<u>676,129</u>
Nonmajor Proprietary		
Storm Water	Special Revenue	
	Mall/Highway 6 TIF	<u>93,390</u>
Total		<u>\$ 42,204,671</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 2016 were made to resolve funds with negative fund balances and to close some capital projects funds where the project had been completed.

(10) Deficit Balances

Deficit balances result primarily from the timing between construction project payments and grants being received or debt being issued. The deficits will be eliminated as financing under grants or bonds is received and from other revenue sources during future years. The following individual funds had a deficit as of June 30, 2016:

Special Revenue		
Rental Properties	\$	3,234
Capital Projects		
Street Projects		1,048,919
Coral Ridge Avenue		104,950
Coral Ridge Mall Area		530
Recreation Improvements		469,598
12th Avenue Urban Renewal		450
North End Area Projects		71,955
Proprietary		
Storm Water		872,791

Notes to the Financial Statements

(11) Operating Lease

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

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

Year Ending June 30,	
2017	\$ 57,211
2018	57,211
2019	<u>8,113</u>
	<u>\$ 122,535</u>

(12) Leasing Activities

The City owns a building which is outfitted to operate as a brewery. The building and equipment are being leased under an operating lease to a local business which is operating a brewery. The lease requires monthly rental payments of \$37,333 through September, 2022. At that time the business has an option to purchase the building and equipment or to renew the lease for another ten years. During 2016, the lease was amended to reduce the monthly rental payment in exchange for the lessee agreeing to purchase the property before January 31, 2017. Rent income recognized during the year ended June 30, 2016 totaled \$112,079 plus the City received \$120,354 in common area maintenance fees and payments in lieu of taxes. Refer to Note 16 - Subsequent Events for a discussion of the tenant's exercise of its option to purchase the building, equipment and fixtures during fiscal year 2017.

The City owns retail space in four buildings located in the Iowa River Landing area. 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 \$306,409 for the year ended June 30, 2016.

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, 2016 was \$344,325.

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 \$574,366 for the year ended June 30, 2016.

Notes to the Financial Statements

(12) Leasing Activities

The following is an analysis of the leased property as of June 30, 2016:

Class of Property	<u>Asset Balance</u>	
Brewery		
Building.....	\$ 3,457,844	
Brewery equipment.....	1,942,000	
Less accumulated depreciation	<u>(609,608)</u>	
Brewery Subtotal.....		\$ 4,790,236
Iowa River Landing Retail Space		
Buildings.....	\$ 14,224,433	
Less accumulated depreciation	<u>(386,875)</u>	
Iowa River Landing Retail Space Subtotal		<u>13,837,558</u>
Total		<u>\$ 18,627,794</u>

The following is a schedule by years of future minimum rentals to be received under the operating leases and excludes Backpacket Brewery since it is being sold during the next year.

Year Ending June 30,	
2017	\$ 480,798
2018	430,886
2019	255,993
2020	<u>21,375</u>
Total Minimum Rentals	<u>\$ 1,189,052</u>

(13) Commitments

Construction

The City is involved in construction of capital assets, including flood mitigation, streets and streetscape improvements, recreation facilities and water and sewer plant improvements. Some construction is funded through grants from the state and federal government. The remainder is generally funded through the proceeds of debt issues. As of June 30, 2016, the City was committed to approximately \$5 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 727 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, 2016, the City made payments of approximately \$627,000 to the risk pool.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$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, 2016, no liability has been recorded in the City's financial statements. As of June 30, 2016, 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, 2016 were approximately \$175,000.

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

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

(16) Subsequent Events

Management has evaluated subsequent events through December 8, 2016, the date which the financial statements were available to be issued.

Subsequent events included the following:

Debt

The City took action to issue up to \$4,420,000 of water revenue bonds for water facility improvements.

The City also refinanced the Marriott Hotel and Conference Center debt by issuing \$36.8 million of new Certificates of Participation to retire the existing debt. The new debt agreement reduces the interest rates on the Certificates of Participation and extends the repayment term. The City expects to save approximately \$3.8 million of interest over the life of the debt.

(16) Subsequent Events

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 \$12 million.

The City also entered into an agreement to purchase land and buildings for \$1,250,000, tear down the buildings and then to sell the land to a developer for \$1,300,000.

The tenant which occupies the brewery has exercised its right to purchase the building, equipment and fixtures for \$3.8 million. Closing of the sale is expected to occur in the first quarter of 2017.

(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) Change in Reporting Entity

During 2016, the City issued general obligation bonds to refund Brown Deer Golf Course Certificates of Participation which were issued in connection with a capital lease agreement entered into in a prior year that provided funding to expand the golf course to 18 holes and to construct a clubhouse. The Golf Enterprise Fund was used to account for the operations of the golf course. Now that the Certificates of Participation, which were secured by the net revenue of the Golf Enterprise Fund, have been replaced with general obligation debt, the City decided to eliminate the Golf Enterprise Fund and move its account balances and operations into the General Fund as a part of the Culture and Recreation function. This change in reporting entity was done effective July 1, 2015.

A change in reporting entity requires that all prior year financial statements and schedules be restated to present the changed reporting entity. The City has restated the comparative financial statement information in the management's discussion and analysis, restated beginning fund balances and net assets and the beginning balances in Notes 5 and 6. However, the City has not restated the schedule of revenue by source and expenditures by function - all governmental funds.

Notes to the Financial Statements

(19) Change in Reporting Entity

The effects of the restatements on the financial statements in the management's discussion and analysis were as follows:

	Governmental Funds	Enterprise Funds
Change in Beginning Fund Balances.....	<u>\$ (155,429)</u>	<u>\$ (1,985,565)</u>
	Governmental Activities	Business-Type Activities
Change to beginning net assets - July 1, 2014	\$ 1,946,512	\$ (1,946,512)
Change in net assets for 2015.....	39,053	(39,053)
Change to Net Assets - July 1, 2015.....	<u>\$ 1,985,565</u>	<u>\$ (1,985,565)</u>

(20) Prior Period Adjustment

During the year ended June 30, 2016, management determined that there was an error in the computation of the components of pension expense as computed under GASB Statement No. 68 which was first implemented in 2015. To correct this computational error, beginning governmental net assets in the statement of activities has been increased by \$141,954. The error had no effect on the change in net assets for the year ended June 30, 2016.

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, 2016

	Original Budget	Amended Budget	Actual			Over (Under) Budget
			Govern- mental Fund Types	Proprietary Funds	Total	
Receipts						
Property tax	\$ 13,026,109	\$ 13,026,109	\$ 12,572,138	\$ —	\$ 12,572,138	\$ (453,971)
Tax increment financing	19,591,419	19,591,419	18,013,229	—	18,013,229	(1,578,190)
Other city taxes	2,928,615	2,928,615	3,436,756	—	3,436,756	508,141
Licenses and permits	709,402	709,402	838,344	—	838,344	128,942
Use of money and property	1,343,423	1,343,423	1,819,757	8,625,062	10,444,819	9,101,396
Intergovernmental	2,914,566	5,696,566	9,727,121	2,615,749	12,342,870	6,646,304
Charges for service	28,772,246	28,772,246	3,138,005	8,034,338	11,172,343	(17,599,903)
Special assessments	—	—	309,814	—	309,814	309,814
Miscellaneous	—	—	2,752,423	6,254,828	9,007,251	9,007,251
Total Receipts	69,285,780	72,067,780	52,607,587	25,529,977	78,137,564	6,069,784
Disbursements						
Public safety	5,584,808	5,584,808	5,104,876	—	5,104,876	(479,932)
Public works	1,880,506	2,030,506	1,861,169	—	1,861,169	(169,337)
Health and social services	127,820	128,820	128,370	—	128,370	(450)
Culture and recreation	7,561,988	7,596,988	10,299,190	—	10,299,190	2,702,202
Community and economic development	804,871	2,154,871	3,240,017	—	3,240,017	1,085,146
General government	5,530,447	5,540,447	2,972,815	—	2,972,815	(2,567,632)
Debt service	24,220,218	100,420,218	46,224,769	—	46,224,769	(54,195,449)
Capital projects	—	19,198,000	18,530,678	—	18,530,678	(667,322)
Business-type activities	25,136,682	32,936,682	—	25,055,828	25,055,828	(7,880,854)
Total Disbursements	70,847,340	175,591,340	88,361,884	25,055,828	113,417,712	(62,173,628)
Receipts Over (Under) Disbursements	(1,561,560)	(103,523,560)	(35,754,297)	474,149	(35,280,148)	68,243,412
Other Financing Sources (Uses)						
Other financing sources	28,552,129	147,556,129	71,235,211	4,075,007	75,310,218	(72,245,911)
Other financing uses	(21,552,129)	(38,594,129)	(33,469,293)	(1,744,752)	(35,214,045)	3,380,084
Total Other Financing Sources (Uses)	7,000,000	108,962,000	37,765,918	2,330,255	40,096,173	(68,865,827)
Receipts and Other Financing Sources Over (Under) Disburse- ments and Other Financing Uses						
Balance - Beginning of Year	28,044,331	28,044,331	15,007,173	16,545,945	31,553,118	
Balance - End of Year	\$ 33,482,771	\$ 33,482,771	\$ 17,018,794	\$ 19,350,349	\$ 36,369,143	\$ (622,415)

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, 2016

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 52,607,587	\$ (210,541)	\$ 52,397,046
Expenditures	<u>88,361,884</u>	<u>(32,257,059)</u>	<u>56,104,825</u>
Net.....	(35,754,297)	32,046,518	(3,707,779)
Other financing sources (uses).....	37,765,918	(31,807,388)	5,958,530
Beginning fund balances	<u>15,007,173</u>	<u>5,250,126</u>	<u>20,257,299</u>
Ending Fund Balances.....	<u>\$ 17,018,794</u>	<u>\$ 5,489,256</u>	<u>\$ 22,508,050</u>

	Proprietary Fund Types		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 25,529,977	\$ 617,619	\$ 26,147,596
Expenditures	<u>25,055,828</u>	<u>33,071</u>	<u>25,088,899</u>
Net.....	474,149	584,548	1,058,697
Other financing sources (uses).....	2,330,255	13,245,549	15,575,804
Beginning fund balances	<u>16,545,945</u>	<u>27,538,556</u>	<u>44,084,501</u>
Ending Fund Balances.....	<u>\$ 19,350,349</u>	<u>\$ 41,368,653</u>	<u>\$ 60,719,002</u>

Notes to Required Supplementary Information - Budgetary Reporting

Year Ended June 30, 2016

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, Business-Type and Nonprogram. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, the City amended the budget once.

During the year ended June 30, 2016, disbursements in Culture and Recreation and Community and Economic Development functional areas exceeded the budgeted amount.

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

Last Two Years*

	2016	2015
City's proportion of the net pension liability.....	0.1038533%	0.0948%
City's proportionate share of the net pension liability	\$5,130,856	\$3,759,774
City's covered-employee payroll.....	\$10,523,819	\$10,137,660
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	48.75%	37.09%
Plan fiduciary net position as a percentage of the total pension liability.....	85.19%	87.61%

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

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 972,898	\$ 939,777	\$ 905,293	\$ 851,288	\$ 752,572	\$ 639,649	\$ 578,085	\$ 527,213	\$ 474,589	\$ 439,192
Contributions in relation to the statutorily required contributions.....	<u>(972,898)</u>	<u>(939,777)</u>	<u>(905,293)</u>	<u>(851,288)</u>	<u>(752,572)</u>	<u>(639,649)</u>	<u>(578,085)</u>	<u>(527,213)</u>	<u>(474,589)</u>	<u>(439,192)</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	\$ 11,954,000	\$ 10,523,819	\$ 10,137,660	\$ 9,818,777	\$ 9,337,122	\$ 9,203,583	\$ 8,693,008	\$ 8,302,567	\$ 7,844,446	\$ 7,638,122
Contributions as a percentage of covered-employee payroll	8.14%	8.93%	8.93%	8.67%	8.06%	6.95%	6.65%	6.35%	6.05%	5.75%

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2016

Changes of Benefit Terms

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

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

Changes of Assumptions

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the 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.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-09	\$ —	\$ 319,122	\$ 319,122	—%	\$ 6,845,174	4.7%
2010	7-1-09	—	319,122	319,122	—	7,000,000 (est)	4.6
2011	7-1-09	—	319,122	319,122	—	8,000,000 (est)	4.0
2012	7-1-11	—	364,635	364,635	—	7,700,000	4.8
2013	7-1-11	—	364,635	364,635	—	7,700,000 (est)	4.8
2014	7-1-11	—	364,635	364,635	—	7,700,000 (est)	4.8
2015	7-1-14	—	405,037	405,037	—	8,500,000	4.7
2016	7-1-14	—	405,037	405,037	—	8,500,000 (est)	4.7

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

Supplementary Information

Combining Balance Sheet Schedule - Nonmajor Governmental Funds

As of June 30, 2016

	Special Revenue	Capital Projects	Permanent - Cemetery Perpetual Care	Total
Assets				
Cash and pooled investments	\$ 2,813,991	\$ 792,291	\$ —	\$ 3,606,282
Receivables				
Property Tax				
Current year delinquent	6,337	—	—	6,337
Succeeding year	5,797,170	—	—	5,797,170
Loans	3,114,690	—	—	3,114,690
Due from other funds	—	589,393	—	589,393
Due from other governments	175,960	1,934,791	—	2,110,751
Other	12,526	—	—	12,526
Special assessments	151,178	—	—	151,178
Inventories and prepaids	17,954	—	—	17,954
Restricted Assets				
Cash and pooled investments	944,482	—	103,976	1,048,458
Total Assets	<u>\$ 13,034,288</u>	<u>\$ 3,316,475</u>	<u>\$ 103,976</u>	<u>\$ 16,454,739</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 58,799	\$ 1,258,598	\$ —	\$ 1,317,397
Accrued liabilities	18,063	—	—	18,063
Due to other funds	—	1,568,583	—	1,568,583
Total Liabilities	<u>76,862</u>	<u>2,827,181</u>	<u>—</u>	<u>2,904,043</u>
Deferred Inflows of Resources				
Succeed years property tax	5,797,170	—	—	5,797,170
Special assessments	146,665	—	—	146,665
Other	—	1,471,128	—	1,471,128
Total Deferred Inflows of Resources	<u>5,943,835</u>	<u>1,471,128</u>	<u>—</u>	<u>7,414,963</u>
Fund Balances				
Nonspendable	315,000	—	—	315,000
Restricted				
Debt service	3,743,786	—	—	3,743,786
Expendable trust	712,400	—	—	712,400
Road use purposes	1,378,150	—	—	1,378,150
Employee benefits	6,337	—	—	6,337
Special assessments	4,513	—	—	4,513
Capital projects	—	(981,834)	—	(981,834)
Other	853,405	—	—	853,405
Committed for capital asset acquisition	—	—	103,976	103,976
Total Fund Balances	<u>7,013,591</u>	<u>(981,834)</u>	<u>103,976</u>	<u>6,135,733</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,034,288</u>	<u>\$ 3,316,475</u>	<u>\$ 103,976</u>	<u>\$ 16,454,739</u>

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

Year Ended June 30, 2016

	Special Revenue	Capital Projects	Permanent - Cemetery Perpetual Care	Total
Revenue				
Property tax.....	\$ 1,714,239	\$ —	\$ —	\$ 1,714,239
TIF and other city taxes	3,842,880	—	—	3,842,880
Special assessments.....	300,830	—	—	300,830
Use of money and property	1,419,297	35,000	—	1,454,297
Intergovernmental	2,337,494	3,462,837	—	5,800,331
Charges for service	151,338	347,100	—	498,438
Miscellaneous.....	<u>206,039</u>	<u>354,886</u>	<u>3,675</u>	<u>564,600</u>
Total Revenue	<u>9,972,117</u>	<u>4,199,823</u>	<u>3,675</u>	<u>14,175,615</u>
Expenditures				
Operating				
Public safety	26,385	—	—	26,385
Public works.....	1,854,533	—	—	1,854,533
Culture and recreation.....	275,999	—	—	275,999
Community and economic development.....	1,078,850	—	—	1,078,850
Capital projects.....	<u>—</u>	<u>8,695,262</u>	<u>—</u>	<u>8,695,262</u>
Total Expenditures	<u>3,235,767</u>	<u>8,695,262</u>	<u>—</u>	<u>11,931,029</u>
Revenue Over (Under) Expenditures	<u>6,736,350</u>	<u>(4,495,439)</u>	<u>3,675</u>	<u>2,244,586</u>
Other Financing Sources (Uses)				
Proceeds from sale of assets	203,445	—	—	203,445
Transfers in	452,420	5,839,324	—	6,291,744
Transfers out	<u>(8,921,783)</u>	<u>(1,816,136)</u>	<u>—</u>	<u>(10,737,919)</u>
Total Other Financing Sources (Uses)	<u>(8,265,918)</u>	<u>4,023,188</u>	<u>—</u>	<u>(4,242,730)</u>
Net Change in Fund Balances	(1,529,568)	(472,251)	3,675	(1,998,144)
Fund Balances - Beginning of Year ..	<u>8,543,159</u>	<u>(509,583)</u>	<u>100,301</u>	<u>8,133,877</u>
Fund Balances - End of Year	<u>\$ 7,013,591</u>	<u>\$ (981,834)</u>	<u>\$ 103,976</u>	<u>\$ 6,135,733</u>

Combining Balance Sheet Schedule - Nonmajor Special Revenue Funds

As of June 30, 2016

	12th Avenue TIF	Oakdale Area TIF	Expendable Trust	Iowa River Landing Operations	Road Use Tax	Employee Benefit Levy	Rental Properties	Economic Development	Special Assessments	Total
Assets										
Cash and pooled investments	\$ —	\$ —	\$ 722,101	\$ 863,346	\$ 1,228,544	\$ —	\$ —	\$ —	\$ —	\$ 2,813,991
Receivables										
Property Tax										
Current year delinquent.....	—	—	—	—	—	6,337	—	—	—	6,337
Succeeding year	2,723,573	1,287,530	—	—	—	1,786,067	—	—	—	5,797,170
Other	—	—	—	12,526	—	—	—	—	—	12,526
Loans	—	2,799,690	—	—	—	—	—	315,000	—	3,114,690
Special assessments	—	—	—	—	—	—	—	—	151,178	151,178
Due from other governments.....	—	—	—	—	175,960	—	—	—	—	175,960
Inventories and prepaids	—	—	—	—	17,954	—	—	—	—	17,954
Restricted Assets										
Cash and cash equivalents	572,174	372,308	—	—	—	—	—	—	—	944,482
Total Assets	\$ 3,295,747	\$ 4,459,528	\$ 722,101	\$ 875,872	\$ 1,422,458	\$ 1,792,404	\$ —	\$ 315,000	\$ 151,178	\$ 13,034,288
Liabilities, Deferred Inflows of Resources and Fund Balances										
Liabilities										
Accounts payable	\$ 191	\$ 195	\$ 9,701	\$ 19,233	\$ 26,245	\$ —	\$ 3,234	\$ —	\$ —	\$ 58,799
Accrued liabilities.....	—	—	—	—	18,063	—	—	—	—	18,063
Total Liabilities	191	195	9,701	19,233	44,308	—	3,234	—	—	76,862
Deferred Inflows of Resources										
Unavailable Revenue										
Succeeding year property tax.....	2,723,573	1,287,530	—	—	—	1,786,067	—	—	—	5,797,170
Other.....	—	—	—	—	—	—	—	—	146,665	146,665
Total Deferred Inflows of Resources	2,723,573	1,287,530	—	—	—	1,786,067	—	—	146,665	5,943,835
Fund Balances										
Nonspendable	—	—	—	—	—	—	—	315,000	—	315,000
Restricted	571,983	3,171,803	712,400	856,639	1,378,150	6,337	(3,234)	—	4,513	6,698,591
Total Fund Balances	571,983	3,171,803	712,400	856,639	1,378,150	6,337	(3,234)	315,000	4,513	7,013,591
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,295,747	\$ 4,459,528	\$ 722,101	\$ 875,872	\$ 1,422,458	\$ 1,792,404	\$ —	\$ 315,000	\$ 151,178	\$ 13,034,288

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

Year Ended June 30, 2016

	12th Avenue TIF	Oakdale Area TIF	Expendable Trust	Iowa River Landing Operations	Police Grants	Road Use Tax	Employee Benefit Levy	Rental Properties	Economic Development	Special Assessments	Total
Revenue											
Property tax.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,714,239	\$ —	\$ —	\$ —	\$ 1,714,239
TIF and other city taxes.....	2,470,711	1,372,169	—	—	—	—	—	—	—	—	3,842,880
Special assessments.....	—	—	—	—	—	—	—	—	—	300,830	300,830
Interest and rent income.....	—	566	3,988	875,375	—	—	—	539,366	—	2	1,419,297
Intergovernmental.....	—	—	—	—	19,430	2,318,064	—	—	—	—	2,337,494
Charges for service.....	—	—	151,338	—	—	—	—	—	—	—	151,338
Miscellaneous.....	230	—	190,722	—	—	15,087	—	—	—	—	206,039
Total Revenue.....	2,470,941	1,372,735	346,048	875,375	19,430	2,333,151	1,714,239	539,366	—	300,832	9,972,117
Expenditures											
Operating											
Public safety.....	—	—	—	—	26,385	—	—	—	—	—	26,385
Public works.....	—	—	—	—	—	1,854,533	—	—	—	—	1,854,533
Culture and recreation.....	—	—	275,999	—	—	—	—	—	—	—	275,999
Community and economic development.....	321,714	31,433	—	530,220	—	—	—	195,483	—	—	1,078,850
Total Expenditures.....	321,714	31,433	275,999	530,220	26,385	1,854,533	—	195,483	—	—	3,235,767
Revenue Over (Under) Expenditures.....	2,149,227	1,341,302	70,049	345,155	(6,955)	478,618	1,714,239	343,883	—	300,832	6,736,350
Other Financing Sources (Uses)											
Proceeds from sale of assets.....	203,445	—	—	—	—	—	—	—	—	—	203,445
Transfers in.....	286,878	—	38,555	—	38,403	50,000	36,545	2,039	—	—	452,420
Transfers out.....	(3,576,111)	(687,335)	(2,047)	(868,361)	—	(750,000)	(1,750,998)	(347,079)	(15,992)	(923,860)	(8,921,783)
Total Other Financing Sources (Uses).....	(3,085,788)	(687,335)	36,508	(868,361)	38,403	(700,000)	(1,714,453)	(345,040)	(15,992)	(923,860)	(8,265,918)
Net Change in Fund Balances.....	(936,561)	653,967	106,557	(523,206)	31,448	(221,382)	(214)	(1,157)	(15,992)	(623,028)	(1,529,568)
Fund Balances - Beginning of Year.....	1,508,544	2,517,836	605,843	1,379,845	(31,448)	1,599,532	6,551	(2,077)	330,992	627,541	8,543,159
Fund Balances - End of Year.....	\$ 571,983	\$ 3,171,803	\$ 712,400	\$ 856,639	\$ —	\$ 1,378,150	\$ 6,337	\$ (3,234)	\$ 315,000	\$ 4,513	\$ 7,013,591

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

As of June 30, 2016

	Street Projects	Brown- fields	Intermodal Facility	Coral Ridge Avenue	Highway 6 Projects	1st Avenue Recon- struction	Coral Ridge Mall Area	Transit/ Parks Facility
Assets								
Cash and pooled investments	\$ —	\$ —	\$ 792,291	\$ —	\$ —	\$ —	\$ —	\$ —
Receivables								
Due from other funds	—	—	—	—	—	—	—	237,318
Due from other governments.....	—	47,237	—	167,658	1,073,524	123,700	—	—
Total Assets	\$ —	\$ 47,237	\$ 792,291	\$ 167,658	\$ 1,073,524	\$ 123,700	\$ —	\$ 237,318
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities								
Accounts payable	\$ 258,765	\$ 37,461	\$ 792,291	\$ 119,508	\$ —	\$ —	\$ 530	\$ —
Due to other funds	790,154	—	—	—	—	—	—	—
Total Liabilities	1,048,919	37,461	792,291	119,508	—	—	530	—
Deferred Inflows of Resources								
Unavailable Revenue								
Other.....	—	—	—	153,100	1,073,524	123,700	—	—
Fund Balances	(1,048,919)	9,776	—	(104,950)	—	—	(530)	237,318
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ —	\$ 47,237	\$ 792,291	\$ 167,658	\$ 1,073,524	\$ 123,700	\$ —	\$ 237,318

Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

As of June 30, 2016

	Animal Control Facility	Recreation Improve- ments	Northridge Trails	12th Avenue Urban Renewal	Land Use Project	North End Area Projects	Flood Mitigation	Water Connection Camp Cardinal	Total
Assets									
Cash and pooled investments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 792,291
Receivables									
Due from other funds	36,779	—	4,289	—	274,469	—	—	36,538	589,393
Due from other governments.....	—	120,804	—	—	—	—	401,868	—	1,934,791
Total Assets	\$ 36,779	\$ 120,804	\$ 4,289	\$ —	\$ 274,469	\$ —	\$ 401,868	\$ 36,538	\$ 3,316,475
Liabilities, Deferred Inflows of Resources and Fund Balances									
Liabilities									
Accounts payable	\$ —	\$ —	\$ —	\$ 450	\$ —	\$ —	\$ 49,593	\$ —	\$ 1,258,598
Due to other funds	—	469,598	—	—	—	71,955	236,876	—	1,568,583
Total Liabilities	—	469,598	—	450	—	71,955	286,469	—	2,827,181
Deferred Inflows of Resources									
Unavailable Revenue									
Other.....	—	120,804	—	—	—	—	—	—	1,471,128
Fund Balances	36,779	(469,598)	4,289	(450)	274,469	(71,955)	115,399	36,538	(981,834)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 36,779	\$ 120,804	\$ 4,289	\$ —	\$ 274,469	\$ —	\$ 401,868	\$ 36,538	\$ 3,316,475

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

Year Ended June 30, 2016

	Street Projects	Brown-fields	Intermodal Facility	Coral Ridge Avenue	Highway 6 Projects	Oakdale Boulevard Area	Cardinal Road Project	1st Avenue Recon-struction	Oakdale Area	Coral Ridge Mall Area
Revenue										
Use of money and property	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Intergovernmental	9,026	160,655	42,641	922,226	—	—	—	—	113,086	—
Charges for service	—	—	—	—	—	—	—	—	—	—
Miscellaneous.....	—	—	54,399	76,606	—	—	—	—	179,069	—
Total Revenue	9,026	160,655	97,040	998,832	—	—	—	—	292,155	—
Expenditures										
Capital projects.....	2,322,673	209,844	484,869	1,382,345	—	—	—	196,928	(23,120)	535,513
Revenue Over (Under) Expenditures	(2,313,647)	(49,189)	(387,829)	(383,513)	—	—	—	(196,928)	315,275	(535,513)
Other Financing Sources (Uses)										
Transfers in	700,000	182,436	—	39,063	782,952	—	—	1,556,972	415,162	970,652
Transfers out	(39,063)	—	(883,512)	(158,234)	—	(16,339)	(15,916)	—	(231,522)	—
Total Other Financing Sources (Uses)	660,937	182,436	(883,512)	(119,171)	782,952	(16,339)	(15,916)	1,556,972	183,640	970,652
Net Change in Fund Balances	(1,652,710)	133,247	(1,271,341)	(502,684)	782,952	(16,339)	(15,916)	1,360,044	498,915	435,139
Fund Balances - Beginning of Year	603,791	(123,471)	1,271,341	397,734	(782,952)	16,339	15,916	(1,360,044)	(498,915)	(435,669)
Fund Balances - End of Year	\$ (1,048,919)	\$ 9,776	\$ —	\$ (104,950)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (530)

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

Year Ended June 30, 2016

	Transit/ Parks Facility	North Fire Station	Animal Control Facility	Recreation Improve- ments	Northridge Trails	12th Avenue Urban Renewal	Land Use Project	North End Area Projects	Flood Mitigation	Water Connection Camp Cardinal	Total
Revenue											
Use of money and property	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 35,000	\$ —	\$ 35,000
Intergovernmental	—	—	—	—	105,467	—	—	—	2,109,736	—	3,462,837
Charges for service	—	—	—	—	—	—	347,100	—	—	—	347,100
Miscellaneous.....	—	—	—	—	—	—	—	—	44,812	—	354,886
Total Revenue	—	—	—	—	105,467	—	347,100	—	2,189,548	—	4,199,823
Expenditures											
Capital projects.....	—	—	78,221	468,678	9,804	279,721	281,246	7,692	2,460,848	—	8,695,262
Revenue Over (Under) Expenditures	—	—	(78,221)	(468,678)	95,663	(279,721)	65,854	(7,692)	(271,300)	—	(4,495,439)
Other Financing Sources (Uses)											
Transfers in	—	324,955	—	—	80,000	787,132	—	—	—	—	5,839,324
Transfers out	—	—	—	—	—	—	—	—	(471,550)	—	(1,816,136)
Total Other Financing Sources (Uses)	—	324,955	—	—	80,000	787,132	—	—	(471,550)	—	4,023,188
Net Change in Fund Balances	—	324,955	(78,221)	(468,678)	175,663	507,411	65,854	(7,692)	(742,850)	—	(472,251)
Fund Balances - Beginning of Year	237,318	(324,955)	115,000	(920)	(171,374)	(507,861)	208,615	(64,263)	858,249	36,538	(509,583)
Fund Balances - End of Year	\$ 237,318	\$ —	\$ 36,779	\$ (469,598)	\$ 4,289	\$ (450)	\$ 274,469	\$ (71,955)	\$ 115,399	\$ 36,538	\$ (981,834)

Combining Schedule of Net Position - Nonmajor Proprietary Funds

As of June 30, 2016

	Water	Solid Waste	Storm Water	Total
Assets				
Current Assets				
Cash and pooled investments	\$ 2,552,381	\$ 523,495	\$ 241,077	\$ 3,316,953
Receivables				
Customer accounts	385,123	161,829	74,402	621,354
Due from other funds	979,190	—	—	979,190
Inventories and prepaids	159,601	9,521	13,755	182,877
Total Current Assets	<u>4,076,295</u>	<u>694,845</u>	<u>329,234</u>	<u>5,100,374</u>
Noncurrent Assets				
Restricted Assets				
Cash and pooled investments	350,800	—	12,000	362,800
Capital assets (net of accumulated depreciation)	7,804,794	1,065,421	—	8,870,215
Total Noncurrent Assets	<u>8,155,594</u>	<u>1,065,421</u>	<u>12,000</u>	<u>9,233,015</u>
Total Assets	<u>12,231,889</u>	<u>1,760,266</u>	<u>341,234</u>	<u>14,333,389</u>
Deferred Outflows of Resources				
Pension-related deferred outflows	<u>91,682</u>	<u>68,635</u>	<u>15,359</u>	<u>175,676</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,323,571</u>	<u>\$ 1,828,901</u>	<u>\$ 356,593</u>	<u>\$ 14,509,065</u>
Liabilities and Net Position				
Current Liabilities				
Accounts payable	\$ 13,838	\$ 10,709	\$ 5,836	\$ 30,383
Accrued liabilities and compensated absences	54,837	62,466	6,184	123,487
Current maturities of long-term debt.....	215,000	—	58,000	273,000
Customer deposits.....	285,765	—	—	285,765
Total Current Liabilities.....	<u>569,440</u>	<u>73,175</u>	<u>70,020</u>	<u>712,635</u>
Noncurrent Liabilities				
Long-term debt	2,024,681	—	1,098,000	3,122,681
Net pension liability.....	305,817	231,920	52,300	590,037
Total Noncurrent Liabilities	<u>2,330,498</u>	<u>231,920</u>	<u>1,150,300</u>	<u>3,712,718</u>
Total Liabilities	<u>2,899,938</u>	<u>305,095</u>	<u>1,220,320</u>	<u>4,425,353</u>
Deferred Inflows of Resources				
Pension-related deferred inflows ...	<u>56,532</u>	<u>42,330</u>	<u>9,064</u>	<u>107,926</u>
Net Position				
Invested in capital assets, net of related debt	5,565,113	1,065,421	—	6,630,534
Restricted for debt service	350,800	—	12,000	362,800
Unrestricted	3,451,188	416,055	(884,791)	2,982,452
Total Net Position	<u>9,367,101</u>	<u>1,481,476</u>	<u>(872,791)</u>	<u>9,975,786</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 12,323,571</u>	<u>\$ 1,828,901</u>	<u>\$ 356,593</u>	<u>\$ 14,509,065</u>

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

Year Ended June 30, 2016

	Water	Solid Waste	Storm Water	Total
Operating Revenue				
Charges for sales and service	<u>\$ 2,395,224</u>	<u>\$ 997,643</u>	<u>\$ 452,138</u>	<u>\$ 3,845,005</u>
Operating Expenses				
Salaries and employee benefits.....	611,917	515,175	126,412	1,253,504
Contractual services	650,640	77,949	127,387	855,976
Commodities	120,276	256,045	115,813	492,134
Depreciation	467,346	115,834	—	583,180
Total Operating Expenses	<u>1,850,179</u>	<u>965,003</u>	<u>369,612</u>	<u>3,184,794</u>
Operating Income	<u>545,045</u>	<u>32,640</u>	<u>82,526</u>	<u>660,211</u>
Nonoperating Revenue (Expenses)				
Intergovernmental Revenue				
State	—	—	481,483	481,483
Gain on sale of assets	—	512	—	512
Interest revenue	18	5	5	28
Interest expense	(36,162)	—	(24,165)	(60,327)
Total Nonoperating Revenue (Expenses)	<u>(36,144)</u>	<u>517</u>	<u>457,323</u>	<u>421,696</u>
Income Before Transfers	<u>508,901</u>	<u>33,157</u>	<u>539,849</u>	<u>1,081,907</u>
Transfers in	—	—	93,390	93,390
Transfers out	(65,000)	(25,000)	(110,000)	(200,000)
Net Income	<u>443,901</u>	<u>8,157</u>	<u>523,239</u>	<u>975,297</u>
Net Position - Beginning of Year.....	<u>8,923,200</u>	<u>1,473,319</u>	<u>(1,396,030)</u>	<u>9,000,489</u>
Net Position - End of Year	<u>\$ 9,367,101</u>	<u>\$ 1,481,476</u>	<u>\$ (872,791)</u>	<u>\$ 9,975,786</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2016

	Water	Solid Waste	Storm Water	Total
Operating Revenue				
Cash Flows From Operating Activities				
Receipts from customers.....	\$ 2,425,085	\$ 1,001,990	\$ 432,344	\$ 3,859,419
Payments to suppliers	(797,616)	(321,107)	(243,015)	(1,361,738)
Payments to employees	<u>(628,168)</u>	<u>(526,820)</u>	<u>(129,108)</u>	<u>(1,284,096)</u>
Net Cash Provided by Operating Activities.....	<u>999,301</u>	<u>154,063</u>	<u>60,221</u>	<u>1,213,585</u>
Cash Flows From Noncapital Financing Activities				
Noncapital federal and state grants	—	—	481,483	481,483
Net transfers	<u>(65,000)</u>	<u>(25,000)</u>	<u>(16,610)</u>	<u>(106,610)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities ..	<u>(65,000)</u>	<u>(25,000)</u>	<u>464,873</u>	<u>374,873</u>
Cash Flows From Capital and Related Financing Activities				
Proceeds from debt.....	289,681	—	—	289,681
Received from sale of assets	—	512	—	512
Purchase of capital assets	(95,100)	—	—	(95,100)
Repayment of debt.....	(215,000)	—	(538,480)	(753,480)
Payment of interest.....	<u>(36,700)</u>	<u>—</u>	<u>(24,260)</u>	<u>(60,960)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities.....	<u>(57,119)</u>	<u>512</u>	<u>(562,740)</u>	<u>(619,347)</u>
Cash Flows From Investing Activities				
Increase in due from other funds	(979,190)	—	—	(979,190)
Interest received.....	<u>18</u>	<u>5</u>	<u>5</u>	<u>28</u>
Net Cash Provided by (Used in) Investing Activities	<u>(979,172)</u>	<u>5</u>	<u>5</u>	<u>(979,162)</u>
Net Increase (Decrease) in Cash	(101,990)	129,580	(37,641)	(10,051)
Cash and Pooled Investments at Beginning of Year	<u>3,005,171</u>	<u>393,915</u>	<u>290,718</u>	<u>3,689,804</u>
Cash and Pooled Investments at End of Year	<u>\$ 2,903,181</u>	<u>\$ 523,495</u>	<u>\$ 253,077</u>	<u>\$ 3,679,753</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2016

	Water	Solid Waste	Storm Water	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income.....	\$ 545,045	\$ 32,640	\$ 82,526	\$ 660,211
Adjustments to Reconcile Income From Operations to Net Cash Provided by Operating Activities				
Depreciation	467,346	115,834	—	583,180
(Increase) decrease in receivables	6,151	4,347	(19,794)	(9,296)
(Increase) decrease in inventories and prepaids	9,573	(59)	(86)	9,428
Decrease in pension-related deferred outflows.....	3,968	3,793	878	8,639
Decrease in accounts payable	(52,333)	(1,561)	(3,986)	(57,880)
Increase in accrued liabilities and compensated absences	16,060	14,507	4,257	34,824
Increase in customer deposits	23,710	—	—	23,710
Increase in net pension liability	55,562	42,422	9,821	107,805
Decrease in pension-related deferred inflows	<u>(75,781)</u>	<u>(57,860)</u>	<u>(13,395)</u>	<u>(147,036)</u>
Net Cash Provided by Operating Activities.....	<u>\$ 999,301</u>	<u>\$ 154,063</u>	<u>\$ 60,221</u>	<u>\$ 1,213,585</u>

Schedule of Noncash Investing and Financing Activities

Cash Paid for Capital Assets

Capital asset additions	<u>\$ 95,100</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 95,100</u>
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Gain on Asset Disposal

Cash received	\$ —	\$ 512	\$ —	\$ 512
Book value of assets disposed	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Gain on Asset Disposal.....	<u>\$ —</u>	<u>\$ 512</u>	<u>\$ —</u>	<u>\$ 512</u>
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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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue										
Property tax.....	\$ 14,155,082	\$ 13,477,889	\$ 12,470,651	\$ 12,122,228	\$ 11,666,499	\$ 11,281,558	\$ 10,811,220	\$ 10,371,050	\$ 9,777,725	\$ 9,155,120
TIF and other city taxes.....	22,363,579	23,139,723	20,058,183	19,052,501	18,747,034	18,863,375	17,161,601	16,642,895	15,030,854	13,786,896
Special assessments.....	300,830	19,383	55,906	71,790	280,101	227,302	123,848	431,610	1,239,963	1,126,217
Licenses and permits.....	702,810	669,766	592,207	549,717	674,089	576,401	412,577	451,523	474,595	604,110
Use of money and property.....	1,702,761	1,615,505	2,685,995	762,405	1,091,475	1,276,051	1,116,480	815,258	946,203	1,347,299
Intergovernmental.....	7,146,575	16,718,042	12,584,964	16,179,608	13,799,733	26,866,111	8,346,001	5,356,316	5,351,026	5,384,289
Charges for service.....	5,227,042	2,556,704	2,452,927	3,009,752	1,956,937	1,948,703	1,879,808	1,791,577	1,680,722	1,599,894
Miscellaneous.....	798,367	572,670	441,687	737,070	1,391,780	498,273	827,165	1,269,316	1,537,664	4,871,096
Total Revenue.....	\$ 52,397,046	\$ 58,769,682	\$ 51,342,520	\$ 52,485,071	\$ 49,607,648	\$ 61,537,774	\$ 40,678,700	\$ 37,129,545	\$ 36,038,752	\$ 37,874,921
Expenditures										
Operating										
Public safety.....	\$ 5,114,295	\$ 5,088,714	\$ 5,178,097	\$ 4,761,114	\$ 5,070,890	\$ 4,322,466	\$ 4,030,223	\$ 4,446,950	\$ 4,201,185	\$ 3,946,226
Public works.....	1,854,533	1,446,340	1,693,000	1,729,154	1,412,413	1,255,807	1,682,532	1,826,042	1,635,688	1,430,685
Health and social services.....	124,370	130,320	115,732	85,599	94,420	92,004	91,520	156,322	86,859	114,444
Culture and recreation.....	10,575,119	7,392,376	7,376,349	7,200,849	6,543,383	5,645,219	5,598,284	5,226,438	4,925,136	4,748,913
Community and economic development..	4,159,133	4,136,884	4,118,053	2,965,705	2,117,826	2,187,438	2,749,405	9,218,894	1,824,297	427,164
General government.....	2,995,245	2,856,759	3,178,173	2,756,732	2,570,471	2,599,830	2,662,316	2,129,519	1,852,344	1,852,670
Debt service.....	16,060,930	24,849,838	22,070,482	26,709,034	19,794,431	18,737,642	17,635,000	15,877,962	21,420,881	65,482,393
Capital projects.....	15,221,200	33,415,386	18,192,254	39,404,017	47,319,803	34,036,991	19,144,343	9,735,463	13,730,878	37,500,330
Total Expenditures.....	\$ 56,104,825	\$ 79,316,617	\$ 61,922,140	\$ 85,612,204	\$ 84,923,637	\$ 68,877,397	\$ 53,593,623	\$ 48,617,590	\$ 49,677,268	\$ 115,502,825

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Coralville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 16-II-R-1, 16-II-R-2 and 16-II-R-3 to be material weaknesses.

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. We consider the deficiency described in Part I of the accompanying schedule of findings and questioned costs as item 16-I-R-4 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 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
December 8, 2016

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

16-I-R-1 Financial Statement Preparation

Prior Year Finding and Recommendation - The City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many entities of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures. The potential effect of this material weakness is financial statements and related disclosures may not be prepared in accordance with generally accepted accounting principles. We recommend that management consider ways in which to add their knowledge of the requirements of generally accepted accounting principles through reading professional literature or attending education courses.

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

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

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

Auditor's Conclusion - Response accepted.

16-I-R-2 Old Outstanding Checks

Prior Year Finding and Recommendation - During our testing of the bank reconciliation, we noted several checks which have not cleared the bank, some that are dated as far back as 2010. City staff should investigate these old outstanding checks to determine whether the check did clear the bank (and that may be part of the reconciliation errors); void the check and reissue a new one to the vendor; or submit the check to the Iowa Treasurer in compliance with the state escheat law. Timely follow up on checks that do not clear the bank within a month or two will lead to less errors in the reconciling process and compliance with state laws.

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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

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

Auditor's Recommendation - We reiterate our prior year recommendation

City's Response - The City will implement procedures during the next year to comply with the escheat law.

Auditor's Conclusion - Response accepted.

16-I-R-3 Construction Contract Over Budget

Finding - During our testing of construction contracts, we noted a street improvement contract which had gone significantly over budget. There were several line items in the detailed budget which were over budget by a total of \$211,528, or 130%, of the original bid for those line items. The \$211,528 over budget was approximately 13% of the original contract total. None of these line items which had gone over budget were approved with a change order. The potential effect of this material weakness is that cost overruns could occur without City management being aware of the situation so that it could proactively address the situation in a timely manner.

Auditor's Recommendation - The City should ensure that procedures are in place to adequately monitor construction projects so that those which do go over budget are addressed with change orders approved by the City Council.

City's Response - The reason these line items went over budget was due to changes in the scope of the project once the work began. We will review our procedures for monitoring contract overruns and make changes where necessary to ensure that the City Council is aware of these situations if they do occur in the future.

Auditor's Conclusion - Response accepted.

16-I-R-4 Proper Supporting Documentation

Finding - During our testing of credit card transactions, we found one instance of a charge being made at a local restaurant for \$73.03 which was not supported with a receipt detailing what was purchased or who was present during the meal. Lacking this type of documentation, we were unable to determine whether the expenditure met a proper public purpose. The potential effect of this significant deficiency is that charges which have some sort of documentation may be approved for payment but that documentation may not be sufficient to demonstrate a proper use of public funds.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Auditor's Recommendation - The City has issued credits cards (also referred to as "P cards") to over 90 individuals or departments within the City. While the City has implemented good controls over the use of these cards and the process to reconcile charges to proper supporting documentation, it nonetheless needs to remain vigilant in the review of those supporting documents to ensure that all charges can clearly demonstrate a proper use of public funds.

City's Response - The City will review its procedures to ensure that proper documentation is being required from City staff when they use a credit card for meals.

Auditor's Conclusion - Response accepted.

Part II: Findings Related to Statutory Reporting:

16-II-A Certified Budget - Disbursements in the Culture and Recreation and Community and Economic Development functional areas exceeded amounts budgeted during the year. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Auditor's Conclusion - Response accepted.

16-II-B Questionable Disbursements - Except for the matter discussed in 16-I-R-4 above, we noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Amy Barney, spouse of a City employee, owner of Barney's Duty Supply	Police supplies and flags	\$ 5,673

Chapter 362.5(3)(j) of the Code of Iowa requires that transactions with related parties greater than \$1,500 be competitively bid. The amount above is the total payments made to this business during the year ended June 30, 2016. Two of the nine invoices were for goods or services over \$1,500 in total.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

- 16-II-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.
- 16-II-F Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.
- 16-II-G Revenue Bonds** - The City has complied with the provisions of the revenue bond indentures and with the provisions of the tax increment revenue bond issues.
- 16-II-H Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- 16-II-I Financial Condition** - The funds listed below had deficit balances as of June 30, 2016 as noted:

Special Revenue	
Rental Properties	\$ 3,234
Capital Projects	
Street Projects	1,048,919
Coral Ridge Avenue.....	104,950
Coral Ridge Mall Area.....	530
Recreation Improvements.....	469,598
12th Avenue Urban Renewal	450
North End Area Projects	71,955
Proprietary	
Storm Water.....	872,791

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 2017 and future years.

Auditor's Conclusion - Response accepted.

- 16-II-J Urban Renewal Annual Report** - The 2015 urban renewal annual report was not properly approved and certified to the Iowa Department of Management on or before December 1.

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

City's Response - We filed the report in a timely manner for the 2016 fiscal year.

Auditor's Conclusion - Response accepted.