

**\$1,050,000 \***  
**Coralville, Iowa**  
**Water Revenue Bonds**  
**Series 2013C**

(Bank-Qualified)  
(Book Entry Only)  
(Parity Bidding Available)

DATE: Tuesday, July 9, 2013  
TIME: 11:00 AM  
PLACE: Office of the City Treasurer  
1512 7th Street  
Coralville, Iowa 52241  
Telephone: (319)248-1703  
Fax: (319)248-1894

Moody's Rating: "Baa2"

\* Preliminary, subject to change

**PiperJaffray®**

3900 Ingersoll Ave., Suite 110  
Des Moines, IA 50312  
515/247-2355  
515/280-7567 - fax

**OFFICIAL BID FORM**

TO: City Council of Coralville, Iowa (the "Issuer")

Re: \$1,050,000 Water Revenue Bonds, Series 2013C, dated Date of Delivery, of the Issuer (the "Bonds")

For all or none of the above Bonds, in accordance with the terms of offering, we will pay you \$ \_\_\_\_\_ for Bonds bearing interest rates and maturing on June 1 in each of the stated years as follows:

<u>Coupon</u>	<u>Yield</u>	<u>Due June 1st</u>	<u>Coupon</u>	<u>Yield</u>	<u>Due June 1st</u>
_____	_____	2021	_____	_____	2025
_____	_____	2022	_____	_____	2026
_____	_____	2023	_____	_____	2027
_____	_____	2024	_____	_____	2028

\_\_\_\_\_ We hereby elect to have the following issued as term bonds:

<u>Principal Amount</u>	<u>Years (Inclusive)</u>	<u>Maturity due June 1</u>
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____
\$ _____	_____ to _____	_____

Subject to mandatory redemption requirement in the amounts and at the times shown above

\_\_\_\_\_ We will not elect to have any bonds issued as term bonds

This bid is for prompt acceptance and for delivery of said Bonds to us in compliance with the Official Terms of Offering of Water Revenue Bonds, which is made a part of this proposal, by reference. Award will be made on a True Interest Cost Basis (TIC).

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the Issuer will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Bond Resolution, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix D to this Official Statement.

According to our computations (the correct computation being controlling in the award), we compute the following (to the dated date):

NET INTEREST COST:\$ \_\_\_\_\_ TRUE INTEREST RATE \_\_\_\_\_ %  
(Computed from the dated date)

\_\_\_\_\_  
Account Manager

\_\_\_\_\_  
Signature of Account Manager

The foregoing offer is hereby accepted by and on behalf of the City Council of Coralville, State of Iowa, this 9th day of July 2013.

ATTEST: \_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

## OFFICIAL TERMS OF OFFERING

This section sets forth the description of certain of the terms of the Bonds as well as the terms of offering with which all bidders and bid proposals are required to comply, as follows:

The Bonds. The Bonds to be offered are the following:

WATER REVENUE BONDS, Series 2013C, in the principal amount of \$1,050,000\* dated Date of Delivery in the denomination of \$5,000 or multiples thereof, and maturing as shown on the front page of the official statement

\*Adjustment to Principal Amount After Determination of Best Bid Each scheduled maturity of the Bonds are subject to increase or decrease. Such adjustments shall be made promptly after the sale and prior to the award of bids by the Issuer and shall be in the sole discretion of the Issuer. The Issuer shall only make such adjustments in order to size the Bonds to provide enough funds to complete the project, fund the debt reserve fund and pay costs of issuance associated with the Bonds. To cooperate with any adjustment in the principal amounts, the Successful Bidder is required, as a part of its bid, to indicate its Initial Reoffering yield and Initial Reoffering price on each maturity of the Bonds (said price shall be calculated to the date as indicated by the Issuer).

The dollar amount bid by the Successful Bidder may be changed if the aggregate principal amount of the Bonds, as adjusted as described below, is adjusted, however the interest rates specified by the Successful Bidder for all maturities will not change. The Issuer's financial advisor will make every effort to ensure that the percentage net compensation to the Successful Bidder (the percentage resulting from dividing (i) the aggregate difference between the offering price of the Bonds to the public and the price to be paid to the Issuer (not including accrued interest), less any bond insurance premium and credit rating fee, if any, to be paid by the Successful Bidder, by (ii) the principal amount of the Bonds) does not increase or decrease from what it would have been if no adjustment was made to principal amounts shown in the maturity schedule.

The Successful Bidder may not withdraw or modify its bid once submitted to the Issuer for any reason, including post bond adjustment. Any adjustment shall be conclusive, and shall be binding upon the Successful Bidder.

Bidders Option to Term Serial Maturities: Bidders will have the option to combine stated serial maturities into term maturities. If the bidders choose this option, the original stated maturity schedule must be retained as a mandatory redemption requirement for those maturities termed.

Optional Redemption: The Bonds may be called for redemption by the Issuer and paid before maturity on June 1, 2018 or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

Interest: Interest on said Bonds will be payable on December 1, 2013, and semiannually on the 1st day of June and December thereafter. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

Book Entry System: The Bonds will be issued by means of a book entry system with no physical distribution of certificates made to the public. The Bonds will be issued in fully registered form and one certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the Issuer to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the certificates with DTC.

Good Faith Deposit: A Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a wire in the amount of \$10,500 for the Bonds, payable to the order of the Issuer, is required for each bid to be considered. If a check is used, it must accompany each bid. If a wire is to be used, it must be received by the Issuer not later than two hours after the time stated for receipt of bids. The Financial Advisor or the Issuer will provide the apparent winning bidder (the "Purchaser") with wiring instructions, by facsimile or an email, within 10 minutes of the stated time when bids are due. If the wire is not received at the time indicated above, the Issuer will abandon its plan to award to the Purchaser ("Purchaser"), and will contact the next highest bidder received and offer said bidder the opportunity to become the Purchaser, on the terms as outlined in said bidder's bid, so long as said bidder submits a good faith wire within two hours of the time offered. The Issuer will not award the Bonds to the Purchaser absent receipt of the Deposit prior to action awarding the Bonds. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its bid, the Deposit will be retained by the Issuer.

Form of Bids: All bids shall be unconditional for the entire issue of Bonds for a price of not less than 98% par, plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations set forth herein. Bids must be submitted on or in substantial compliance with the Official Bid Form provided by the Issuer or through the Internet Bid System. The Issuer shall not be responsible for any malfunction or mistake made by any person, or as a result of the use of the electronic bid, facsimile facilities or the means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

No bid will be received after the time specified on the front cover of the preliminary official statement. The time as maintained by the Internet Bid System shall constitute the official time with respect to all Bids submitted. A bid may be withdrawn before the bid deadline using the same method used to submit the bid. If more than one bid is received from a bidder, the last bid received shall be considered.

Sealed Bidding: Sealed bids may be submitted and will be received at the office of City Treasurer, City Hall, 1512 7th Street,, Coralville, Iowa 52241.

Internet Bidding: Internet bids must be submitted through Parity® ("the Internet Bid System"). Information about the Internet Bid System may be obtained by calling 212-849-5000.

Each bidder shall be solely responsible for making necessary arrangements to access the Internet Bid System for purposes of submitting its internet bid in a timely manner and in compliance with the requirements of the Terms of Offering. The Issuer is permitting bidders to use the services of the Internet Bid System solely as a communication mechanism to conduct the internet bidding and the Internet Bid System is not an agent of the Issuer. Provisions of the Terms of Offering or Official Bid Form shall control in the event of conflict with information provided by the Internet Bid System.

Electronic Facsimile Bidding: Bids may be submitted via facsimile at the number shown on the front cover. Electronic facsimile bids will be sealed and treated as sealed bids. Neither the Issuer nor its agents will assume liability for the inability of the bidder to reach the above named fax number prior to the time of sale specified above. Time of receipt shall be the time recorded by the facsimile receiver.

If the financial advisor bids, it shall submit its bid using the Internet Bid System. The financial advisor shall not share any bid information of a third party with any person employed by or interested in the bid of the financial advisor.

Rates of Interest: The rates of interest specified in the bidder's proposal must conform to the limitations following:

All Bonds of each annual maturity must bear the same interest rate.

Rates of interest bid may be in multiples of 1/8th, 1/20th or 1/100th of 1%

Rates must be in level or ascending order

Delivery: The Bonds will be delivered to the purchaser through DTC in New York, New York, against full payment in immediately available cash or federal funds. The Should delivery be delayed beyond sixty days from date of sale for any reason except failure of performance by the Purchaser, the Purchaser may withdraw his bid and thereafter his interest in and liability for the Bonds will cease. (When the Bonds are ready for delivery, the Issuer may give the successful bidder five working days notice of the delivery date and the Issuer will expect payment in full on that date, otherwise reserving the right at its option to determine that the bidder has failed to comply with the offer of purchase.)

Loan Agreement: The City and the Purchaser will enter into a Loan Agreement providing for a loan to the City in a principal amount equal to the principal amount of the Bonds, and the Bonds will be issued in evidence of the City's obligation to repay the amounts payable under the Loan Agreement.

Certificate of Purchaser: The Purchaser will be required to certify to the Issuer that: (i) the initial public offering price of each maturity of the Bonds (not including sales to bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds (not less than 10% of each maturity) were sold to the public; or (ii) if less than 10% of any maturity has been sold, the price for that maturity determined as of the time of the sale based upon the reasonably expected initial offering price to the public; and (iii) the initial public offering price does not exceed their fair market value of the Bonds on the sale date. The Purchaser will also be required to provide a certificate at closing confirming the information required by this paragraph, as well as the yield and weighted average maturity for the Bonds.

Official Statement: The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts, and interest rates of the Bonds, and any other information required by law or deemed appropriate by the Issuer, shall constitute a "Final Official Statement" of the Issuer with respect to the Bonds, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). By awarding the Bonds to any underwriter or underwriting syndicate submitting an Official Bid

Form therefore, the Issuer agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 75 copies of the Official Statement and the addendum described in the preceding sentence to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The Issuer shall treat the senior managing underwriter of the syndicate to which the Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the Bonds agrees thereby that if its bid is accepted by the Issuer, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

CUSIP Numbers: It is anticipated that CUSIP numbers will be printed on the Bonds. In no event will the Issuer be responsible for or Bond Counsel review or express any opinion of the correctness of such numbers, and incorrect numbers on said Bonds shall not be cause for the purchaser to refuse to accept delivery of the Bonds. The fee will be paid for by the Issuer.

Responsibility of Bidder: It is the responsibility of the bidder to deliver its signed, completed bid prior to the time of sale as posted on the front cover of the official statement. Neither the Issuer nor its Financial Consultant will assume responsibility for the collection of or receipt of bids. Bids received after the appointed time of sale will not be opened.

Continuing Disclosure: In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the Issuer will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Bond Resolution, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and the other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in the Form of Continuing Disclosure Certificate in Appendix D to this Official Statement.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Bonds or Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the Issuer to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

The Issuer failed to file its annual report with respect to its Certificates of Participation Series 2005K-1 for the fiscal years ending 2006, 2007, 2008, 2009 and 2010. As of April 27, 2011, the Issuer has completed the filing with respect to said Certificates for the periods in question, including any necessary material event notices, if required by the Rule. The Issuer has engaged a Dissemination Agent to assist the Issuer in complying with its continuing disclosure obligations. The Issuer is in compliance with its continuing disclosure obligations.

Bond Insurance: Application has not been made for municipal bond insurance. Should the Bonds qualify for the issuance of any policy of municipal bond insurance or commitment therefore at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser of the Bonds. Any increased costs of issuance on the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the Issuer has requested and received a rating on the Bonds from a municipal bond rating service, the Issuer will pay that rating fee. Any other rating service fees shall be the responsibility of the Purchaser.

Requested modifications to the Issuance Resolution or other issuance documents shall be accommodated by the Issuer at its sole discretion. In no event will modifications be made regarding the investment of funds created under the Issuance Resolution or other issuance documents without prior Issuer consent, in its sole discretion. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 19, 2013

NEW ISSUE - DTC BOOK ENTRY ONLY

Moody's Rating: "Baa2"

*In the opinion of Dorsey & Whitney LLP, Bond Counsel, according to present laws, rulings and decisions and assuming compliance with certain covenants, the interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purpose of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986 (the "Code"); however for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. In the opinion of Bond Counsel, the Bonds are "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "THE BONDS – Tax Matters" herein.*

**\$1,050,000\***  
**Coralville, Iowa**  
**Water Revenue Bonds**  
**Series 2013C**

Dated: Date of Delivery

The Water Revenue Bonds, Series 2013C described above (the "Bonds") are issuable as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as Bondholder and nominee of the Depository Trust Company, New York, NY ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by Bankers Trust Company as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds.

The Bonds rank on a parity with the Issuer's outstanding Water Revenue Bonds, Series 2010D (the "Series 2010D Bonds"). See "THE BONDS-Source and Security for the Bonds."

Interest on the Bonds is payable on June 1, and December 1 in each year, beginning December 1, 2013 to the registered owners thereof. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

The Bonds may be called for redemption by the Issuer and paid before maturity beginning June 1, 2018 or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

**MATURITY SCHEDULE**

<u>Bonds Due*</u>	<u>Amount *</u>	<u>Rate *</u>	<u>Yield *</u>	<u>CUSIP #'s **</u>	<u>Bonds Due*</u>	<u>Amount *</u>	<u>Rate *</u>	<u>Yield *</u>	<u>CUSIP #'s **</u>
June 1, 2021	\$120,000			218101 CK7	June 1, 2025	\$130,000			218101 CP6
June 1, 2022	125,000			218101 CL5	June 1, 2026	135,000			218101 CQ4
June 1, 2023	125,000			218101 CM3	June 1, 2027	140,000			218101 CR2
June 1, 2024	130,000			218101 CN1	June 1, 2028	145,000			218101 CS0

The Bonds are being offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to receipt of an opinion as to legality, validity and tax exemption by Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel. It is expected that the Bonds in the definitive form will be available for delivery on or about July 23, 2013. The Underwriter intends to engage in secondary market trading of the Bonds subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of the holder thereof.

The Date of this Official Statement is \_\_\_\_\_, 2013

\* Preliminary, subject to change

\*\* CUSIP numbers shown above have been assigned by a separate organization not affiliated with the Issuer. The Issuer has not selected nor is responsible for selecting the CUSIP numbers assigned to the Notes nor do they make any representation as to the correctness of such CUSIP numbers on the Notes or as indicated above.

No dealer, salesman or any other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by the Issuer or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy any of the securities offered hereby in any state to any persons to whom it is unlawful to make such offer in such state. Except where otherwise indicated, this Official Statement speaks as of the date hereof. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer since the date hereof

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. The Issuer considers the Official Statement to be “near final” within the meaning of Rule 15c2-12 of the Securities Exchange Commission. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTIONS 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATIONS OF THESE SECURITIES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

## **FORWARD-LOOKING STATEMENTS**

This Official Statement, including Appendix A, contains statements which should be considered “forward-looking statements,” meaning they refer to possible future events or conditions. Such statements are generally identifiable by the words such as “plan,” “expect,” “estimate,” “budget” or similar words. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT EXPECT OR INTEND TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

**OFFICIAL STATEMENT  
CORALVILLE, IOWA  
\$1,050,000\*  
WATER REVENUE BONDS SERIES 2013C**

**INTRODUCTORY STATEMENT**

This Official Statement presents certain information relating to Coralville, Iowa (the “Issuer” or the “City”), in connection with the sale of the Issuer’s Water Revenue Bonds, Series 2013C (the “Bonds”) issued pursuant to an issuance resolution of the Issuer (the “Resolution” or “Bond Resolution”). The Bonds are being issued to drill two new wells and make other improvements for the Utility (as defined herein), fund the Reserve Fund (as defined herein) and pay for costs of issuance. See **“THE BONDS - Sources and Uses of Funds”** herein.

This Official Statement is deemed to be a final official statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of certain pricing and other information which is to be made available through a final Official Statement.

This Introductory Statement is only a brief description of the Bonds and certain other matters. Such description is qualified by reference to the entire Official Statement and the documents summarized or described herein. This Official Statement should be reviewed in its entirety.

The Bonds are special limited, obligations of the Issuer payable solely and only from the net revenues (as described herein) of the Utility and rank on a parity with the Issuer’s outstanding Water Revenue Bonds, Series 2010D (the “Series 2010D Bonds”) and any future Parity Obligations (as defined herein). See **“THE BONDS – Source of Security for the Bonds”** herein.

All statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

**THE BONDS**

**General**

The Bonds are dated as of Date of Delivery and will bear interest at the rates to be set forth on the cover page herein, interest payable on June 1 and December 1 in each year, beginning on December 1, 2013, calculated on the basis of a year of 360 days and twelve 30-day months. Interest shall be payable by check or draft of the Paying Agent mailed to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the Interest Payment Date, to the addresses appearing on the registration books maintained by the Paying Agent or to such other address as is furnished to the Paying Agent in writing by a registered owner.

**Authorization for the Issuance**

The Bonds are being issued pursuant to the Code of Iowa, 2013, as amended, Chapter 384.

**Book Entry Only System**

*The following information concerning The Depository Trust Company (“DTC”), New York, New York and DTC’s book-entry system has been obtained from sources the Issuer believes to be reliable. However, the Issuer takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.*

The Depository Trust Company (“DTC”), New York, NY will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of new York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S equity, corporate and municipal debt issues and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’



accounts. This eliminates the need for physical movement of securities certificates. Direct Participations include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, national Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered in the transaction. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to taken certain steps to augment transmission to them notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit have agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.]

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participants in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee), Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant’s interest in the Securities, on DTC’s records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC’s records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent’s DTC account.

DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or successor securities depository). In that event Security certificates will be printed and delivered to DTC.

The Issuer cannot and does not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Bonds (i) payments of principal of or interest and premium, if any, on the Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in the Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities Exchange Commission, and the current “Procedures” of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Issuer nor the Paying Agent/Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (2) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (3) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to owners of Bonds; (4) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (5) any consent given or other action taken by DTC as a Bondholder.

## **Transfer and Exchange**

In the event that the Book Entry System is discontinued, any Bond may, in accordance with its terms, be transferred by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal corporate office of the Registrar accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Registrar. Whenever any Bond or Bonds shall be surrendered for transfer, the Registrar shall execute and deliver a new Bond or Bonds of the same maturity, interest rate, and aggregate principal amount.

Bonds may be exchanged at the principal corporate office of the Registrar for a like aggregate principal amount of Bonds or other authorized denominations of the same maturity and interest rate; provided, however, that the Registrar is not required to transfer or exchange any Bonds which have been selected for prepayment and is not required to transfer or exchange any Bonds during the period beginning 15 days prior to the selection of Bonds for prepayment and ending the date notice of prepayment is mailed. The Registrar may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. All Bonds surrendered pursuant to the provisions of this and the preceding paragraph shall be canceled by the Registrar and shall not be redelivered.

## **Prepayment**

Optional Prepayment. The Bonds may be called for redemption by the Issuer and paid before maturity beginning June 1, 2018 or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot. The terms of redemption shall be par, plus accrued interest to date of call.

Notice of Prepayment. Prior to the redemption of any Bonds under the provisions of the Resolution, the Registrar shall give notice by certified mail not less than thirty (30) days prior to the redemption date to each registered owner thereof.

Any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Bonds so called for redemption, and that if funds are not available, such redemption shall be cancelled by written notice to the owners of the Bonds called for redemption in the same manner as the original redemption notice was provided, such notice of cancellation to be made at least three days prior to the date fixed for redemption.

## **Source of Security for the Bonds**

The Bonds are being issued under the provisions of Chapter 384, Code of Iowa 2013, as amended, for constructing improvements and extensions to the Issuer’s Municipal Waterworks System (the “Utility”). The Bonds are not general obligations of the Issuer but are payable from the same source as and rank on a parity with the Bonds, the Series 2010D Bonds and any additional obligations (the “Parity Obligations”) as may be hereafter issued and outstanding from time to time ranking on a parity therewith under the conditions set forth in the Resolution, and are payable solely and only out of the future Net Revenues of the Utility, a sufficient portion of which has been

ordered set aside and pledged for that purpose. The Bonds are not payable in any manner by taxation, and under no circumstances shall the Issuer be in any manner liable by reason of the failure of the said Net Revenues to be sufficient for the payment of the Bonds and the interest hereon.

As long as any of the Bonds of this issue, or Bonds issued on a parity therewith, are outstanding and unpaid, the rates or charges to customers for service of the Utility are expected to be sufficient in each year for the payment of the proper and reasonable expenses of operation and maintenance of the Utility, and for the payment of principal and interest on the Bonds and any Parity Obligations as the same become due, and to provide for the creation of reserves as provided in the resolution authorizing the Bonds.

In accordance with Section 384.84, Code of Iowa;

“Except for residential rental property separately metered and paid directly to the Utility by the tenants, all rates or charges for the services of sewer system, storm water drainage systems, sewage treatment, solid waste collection, water, solid waste disposal, or any of these services, if not paid as provided by ordinance of Council, or resolution of trustees, are a lien upon the premises served by any of these services upon certification to the County Treasurer that the rates or charges are due. The lien has equal precedence with ordinary taxes, may be certified to the County Treasurer and collected in the same manner as taxes, and is not divested by a judicial sale.”

## **BONDHOLDERS' RISKS**

### **Rate Setting Authority; User modification of water usage**

The City has the authority to set rates, and pursuant to the Resolution, has covenanted to set rates sufficient to provide for the operations and maintenance of the system, fund reserves and pay for the Bonds and any Parity Obligations outstanding. There can be no assurance that the City's rates set will actually produce the required revenue to operate and maintain the system and provide for reserves and debt service, because the residents of the City, as users, determine the amount of water actually consumed. Users could modify their usage on a material basis, and such modification could alter the City's ability to generate the revenues necessary to provide for the system and debt service.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history of economic prospects connected with a particular issue, and secondary marketing practices in connection with a particular Bond or Bonds issue are suspended or terminated. Additionally, prices of bond or note issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price of the Bonds.

### **Ratings Loss**

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Baa2" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Rating agencies are currently not regulated by any regulatory body. Future regulation of rating agencies could materially alter the methodology, rating levels, and types of ratings available, for example, and these changes, if ever, could materially affect the market value of the Notes.

### **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and the actual results. These differences could be material and could impact the availability of funds of the Issuer to pay debt service when due on the Bonds.

## **Loss of Tax Exemption**

As discussed under the heading “**Tax Exemption**” herein, the interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Bonds, as a result of acts or omissions of the Issuer in violation of its covenants in the Resolution. Should such an event of taxability occur, the Bonds would not be subject to a special prepayment and would remain outstanding until maturity or until prepaid under the prepayment provisions contained in the Bonds, and there is no provision for an adjustment of the interest rate on the Bonds.

## **DTC-Beneficial Owners**

Beneficial Owners of the Bonds may experience some delay in the receipt of distributions of principal of and interest on the Bonds since such distributions will be forwarded by the Paying Agent to DTC and DTC will credit such distributions to the accounts of the Participants which will thereafter credit them to the accounts of the Beneficial Owner either directly or indirectly through indirect Participants. Neither the Issuer nor the Paying Agent will have any responsibility or obligation to assure that any such notice or payment is forwarded by DTC to any Participants or by any Participant to any Beneficial Owner.

In addition, since transactions in the Bonds can be effected only through DTC Participants, indirect participants and certain banks, the ability of a Beneficial Owner to pledge the Bonds to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Bonds, may be limited due to lack of a physical certificate. Beneficial Owners will be permitted to exercise the rights of registered Owners only indirectly through DTC and the Participants. See “**THE BONDS– Book-Entry Only System.**”

## **Other Factors**

An investment in the Bonds involves an element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment.

## **Pending Federal Tax Legislation**

From time to time, legislative proposals are pending in Congress that would, if enacted, alter or amend one or more of the federal tax matters described herein in certain respects or would adversely affect the market value of the Bonds. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds.

## **Summary**

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

## **ADDITIONAL PARITY OBLIGATIONS**

Following the issuance of the Bonds, the City reserves the right and privilege of issuing Parity Obligations from time to time payable from the Net Revenues of the Utility and ranking on a parity with the outstanding and unpaid Bonds if the officially reported Net Revenues of the Utility for the last preceding fiscal year (as certified by an independent certified public accountant or financial advisor) prior to the issuance of such Parity Obligations (with adjustments as described in the next paragraph) were equal to at least 125% of the average amount of principal and interest that will become due in any subsequent year during the life of the Bonds, the Series 2010D Bonds and any then outstanding Parity Obligations for the Bonds, the Series 2010D Bonds and any Parity Obligations then outstanding and the Parity Obligations then proposed to be issued.

The term “net earnings” and “net revenues” as used in the Resolution authorizing the Bonds are defined as gross revenues less operating expenses which shall include salaries, wages, cost of maintenance and operation, materials and supplies, and insurance, as well as all other items as are normally included under recognized accounting practices, but shall not include allowance for depreciation in the value of physical properties and the amount of gross revenues aforesaid may be adjusted for the purpose of the foregoing computations by an independent consulting engineer not in the employ of the Issuer, so as to reflect any changes in the amount of such gross revenues resulting from revised rates being imposed prior to the issuance of any such additional parity obligations.

## **FLOW OF FUNDS**

The flow of funds established by the Resolution authorizing the Bonds provides for the following

**WATER REVENUE OPERATION & MAINTENANCE FUND:** Money in the Revenue Fund shall first be disbursed to make deposits into a separate and special fund to pay current expenses. The fund shall be known as the Revenue Fund (the “Revenue Fund”). The Revenue Fund shall be used in maintaining and operating the Utility and after paying such operating expenses, used to pay principal and interest on the Bonds, the Series 2010D Bonds and any Parity Obligation.

**WATER REVENUE BOND AND INTEREST SINKING FUND:** Money in the Revenue Fund shall next be used to make monthly deposits equal to 1/12th of the principal of all Bonds, the Series 2010D Bonds and Parity Obligations maturing on the June 1 next succeeding and 1/6th of the interest due on the next succeeding interest payment date.

**WATER REVENUE RESERVE FUND:** To further secure the interest of the Bondholders, the Issuer has established a Water Revenue Debt Service Reserve Fund (the “Reserve Fund”) pledged solely and only to the payment of the principal of and interest on the Bonds, into which there shall be deposited and maintained from legally available funds of the Issuer the sum of (the lower of 1/10th of the issue, 125% of average annual debt service or maximum annual debt service) (the “Required Reserve Fund Balance”). The Issuer has also established a debt service reserve fund securing the Series 2010D Bonds (the “Series 2010D Reserve Fund”) and may establish future debt service reserve funds to secure future Parity Obligations (the “Parity Reserve Funds”). Whenever the sum or deposit in the Reserve Fund (or the Series 2010D Reserve Fund and any Parity Reserve Funds, as the case may be) has been reduced to less than the Required Reserve Fund Balance (or the required reserve fund balances for the Series 2010D Reserve Fund and any future Parity Reserve Funds, as the case may be) there shall be deposited into such Reserve Fund (or the Series 2010D Reserve Fund and any Parity Reserve Funds, as the case may be) from the Revenue Fund, after first making the required deposits in the Sinking Fund, twelve equal monthly payments until the sum on deposit in the Reserve Fund (or the Series 2010D Reserve Fund and any Parity Reserve Funds, as the case may be) has been restored to the Required Reserve Fund Balance (or the required reserve fund balances for the Series 2010D Reserve Fund and any Parity Reserve Funds, as the case may be).

**SURPLUS REVENUE:** The Issuer has established a Surplus Fund into which all money thereafter remaining in the Revenue Fund at the close of each month shall be deposited. The money credited to the Surplus Fund may be deposited in any of the funds created by the Resolution and may be used by the Issuer or for any lawful purpose, including payment of any subordinate obligations.

#### **OTHER COVENANTS – THE BONDS**

The Resolution also provides for the following covenants. As long as any of the Bonds of this issue or bonds ranking on a parity are outstanding, the Issuer covenants that:

(a) **Operation, Maintenance and Rates** So long as any of the Bonds, the Series 2010D Bonds or any Parity Obligations are outstanding, the Issuer shall continue to maintain the Utility in good condition, and the Utility shall continue to be operated in an efficient manner and at a reasonable cost as a revenue producing undertaking. The Issuer shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility, including the City, to produce gross revenues (hereinafter sometimes referred to as the “Gross Revenues”) at least sufficient to pay the expenses of operation and maintenance of the Utility, which shall include salaries, wages, cost of maintenance and operation, materials, supplies, insurance and all other items normally included under recognized accounting practices (but does not include allowances for depreciation in the valuation of physical property) (which such expenses are hereinafter sometimes referred to as the “Operating Expenses”) and to leave a balance of Net Revenues equal to at least 125% of the maximum amount of principal and interest coming due in any fiscal year for the Series 2010D Bonds, the Bonds and any Parity Obligations.

(b). **State Laws.** The Issuer covenants and agrees with the owner or owners of the Bonds, the Series 2010D Bonds and any Parity Obligations, or any of them, that from time to time may be outstanding, that it will faithfully and punctually perform all duties with reference to the Utility required and provided by the Constitution and laws of the State of Iowa.

(c) **Property.** The Issuer covenants that it will segregate the Gross Revenues of the Utility and make application thereof in accordance with the provisions of the Resolution and that it will not sell, lease or in any manner dispose of the Utility or any part thereof, including any and all extensions and additions that may be made thereto, until all of the Bonds, the Series 2010D Bonds and any Parity Obligations shall have been paid in full, both principal and interest, or unless and until provisions shall have been made for the payment of said Bonds, the Series 2010D Bonds and Parity Obligations and interest thereon in full; provided, however, that the Issuer may dispose of any property which in the judgment of the City Council, or the duly constituted body as may then be charged with the operation of the Utility, is no longer useful or profitable in the operation of the Utility nor essential to the continued operation thereof and when the sale thereof will not operate to reduce the revenues to be derived from the operation of the Utility.

(d) **Insurance.** The Issuer agrees that so long as the Bonds, the Series 2010D Bonds or any Parity Obligations remain outstanding, it will maintain insurance for the benefit of the owners of the Bonds, the Series 2010D Bonds and any Parity Obligations on the insurable portions of the Utility of a kind and in an amount which usually would be carried by private companies or municipalities engaged in a similar type of business.

(e) Books and Records. The Issuer will keep proper books of record and account, separate from all other records and accounts, showing the complete and correct entries of all transactions relating to the Utility, and the owners of the Bonds, the Series 2010D Bonds or any Parity Obligations shall have the right at all reasonable times to inspect the Utility and all records, accounts and data of the Issuer relating thereto.

(f) Contract. The provisions of the Resolution shall constitute a contract between the Issuer and the holders of the Bonds as may from time to time be outstanding and after the issuance of any of the Bonds, no change, variation or alteration of any kind of the provisions of the resolution shall be made which will adversely affect the holders of the Bonds until all of the said Bonds issued thereunder and the interest thereon shall have been paid in full, except as provided in the Resolution.

## LITIGATION

The City encounters litigation occasionally, as a course of business, however, no litigation currently exists that is not believed to be covered by current insurance carriers and no litigation has been proposed that questions the validity of these bonds.

## ACCOUNTANT

The accrual-basis financial statements of the Issuer included as APPENDIX E to this Official Statement have been examined by Hogan & Hansen PC, to the extent and for the periods indicated in their report thereon. Such financial statements have been included herein without permission of said CPA, and said CPA expresses no opinion with respect to the Bonds or the Official Statement. The audited financial statements contained herein are not complete and cannot be relied on to fully portray the financial position of the Issuer.

## UNDERWRITING

The Bonds are being purchased, subject to certain conditions, by \_\_\_\_\_ (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds at an aggregate purchase price of \$\_\_\_\_\_ plus accrued interest to the Closing Date.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriter) at prices lower than the initial public offering prices stated on the cover page. The initial public offering prices of the Bonds may be changed, from time to time, by the Underwriter.

The Underwriter intends to engage in secondary market trading of the Bonds subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of the holder thereof.

The Underwriter will be required to certify to the Issuer that: (i) the initial public offering price of each maturity of the Bonds (not including sales to bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds (not less than 10% of each maturity) were sold to the public; or (ii) if less than 10% of any maturity has been sold, the price for that maturity determined as of the time of the sale based upon the reasonably expected initial offering price to the public; and (iii) the initial public offering price does not exceed their fair market value of the Bonds on the sale date. The Underwriter will also be required to provide a certificate at closing confirming the information required by this paragraph, as well as the yield and weighted average maturity for the Bonds.

## THE PROJECT

The Bonds are being issued to pay costs associated with the drilling of two new wells and other improvements, to fund the Reserve Fund and to pay provide for issuance costs.

### SOURCES AND USES OF FUNDS \*

<u>Sources of Funds</u>	City Cash Contribution	\$1,200,000
	Bond Proceeds	1,050,000
<u>Total Sources of Funds</u>		\$
 <u>Uses of Funds</u>		
	Project Funds	
	Costs of Issuance	
	Reserve Fund	
	Underwriter's discount	
<u>Total Uses of Funds</u>		\$

\* Preliminary, subject to change

## **TAX MATTERS**

The opinion of Bond Counsel will state that under present laws and rulings, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986 (the “Code”); it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence will be subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

In the Resolution authorizing the issuance of the Bonds, the Issuer will covenant to comply with all such requirements.

There may be certain other federal tax consequences to the ownership of the Bonds by certain taxpayers, including without limitation, corporations subject to the branch profit tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will express no opinion with respect to other federal tax consequences to owners of the Bonds. Prospective purchasers of the Bonds should consult with their tax advisors as to such matters.

In the Resolution authorizing the issuance of the Bonds, the Issuer will designate the Bonds as “qualified tax exempt obligations” within the meaning of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to tax-exempt obligations. Section 265(a)(2) and 291 of the Code impose additional limitations on the deductibility of such interest expense.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds (see “TAX MATTERS” herein) are subject to the approving legal opinion of Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel, a form of which is attached hereto as APPENDIX C. Signed copies of the opinion, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered to the Underwriter at the time of such original delivery. The Bonds are offered subject to prior sale and to the approval of legality of the Bonds by Bond Counsel.

The legal opinions to be delivered express the professional judgment of Bond Counsel and by rendering a legal opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction.

Bond Counsel has not been engaged, nor has it undertaken, to prepare or to independently verify the accuracy, completeness or sufficiency of the Official Statement, including but not limited to financial or statistical information of the Issuer and risks associated with the purchase of the Bonds, except Bond Counsel has reviewed the information and statements contained in the Official Statement under “**INTRODUCTORY STATEMENT,**” “**THE BONDS,**” and “**TAX MATTERS**” insofar as such statements contained under such captions purport to summarize certain provisions of the Act, the Bonds, the Continuing Disclosure Certificate and any opinions rendered by Bond Counsel and has prepared the documents contained in Appendices C and D.

## **FINANCIAL CONSULTANT**

The Issuer has retained Piper Jaffray & Co. as financial advisor (the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of the Official Statement. The Financial Advisor is not a public accounting firm and has not been engaged by the Issuer to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. Pursuant to Rule G-23 of the Municipal Securities Rulemaking Board, the Issuer reserves the right to invite the Financial Advisor to participate in the underwriting of the Bonds.

## **CONTINUING DISCLOSURE**

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the Issuer will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Bond Resolution and a Continuing Disclosure Certificate, to provide reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the “Disclosure Covenants”). The information to be provided on an annual basis, and the events as to which notice is to be given, if material, are contained below under the caption “**APPENDIX D - Form of Continuing Disclosure Certificate**” herein for more information.

The Issuer failed to file its annual report with respect to its Certificates of Participation Series 2005K-1 for the fiscal years ending 2006, 2007, 2008, 2009 and 2010. As of April 27, 2011, the Issuer has completed the filing with respect to said Certificates for the periods in question, including any necessary material event notices, if required by the Rule. The Issuer has engaged a Dissemination Agent to assist the Issuer in complying with its continuing disclosure obligations. The Issuer is in compliance with its continuing disclosure obligations.

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I have reviewed the information contained within the Official Statement of Coralville, Iowa, and said Official Statement does not contain any material misstatements of fact nor omissions of any material fact regarding the issue of \$1,050,000\* Water Revenue Bonds, Series 2013C of the Issuer to be issued under date of Date of Delivery.

CORALVILLE, IOWA

/s/ Tony Roetlin  
City Treasurer

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\* Preliminary, subject to change



## **APPENDIX A- INFORMATION ABOUT THE ISSUER**

### **CITY OFFICIALS**

MAYOR	Jim L. Fausett
COUNCIL MEMBERS	Mitch Gross Bill Hoeft Thomas Gill John Lundell Jill Dodds
CITY ADMINISTRATOR	Kelly Hayworth
ASSISTANT CITY ADMINISTRATOR	Ellen Habel
CITY CLERK	Thor Johnson
CITY TREASURER	Tony Roetlin
CITY ENGINEER	Dan Holderness, P.E.
CITY ATTORNEY	Donald L. Diehl, Esq. Coralville, Iowa
CITY ATTORNEY	Kevin Olson, Esq. Coralville, Iowa

### **CONSULTANTS**

BOND COUNSEL	Dorsey & Whitney LLP Des Moines, Iowa
FINANCIAL ADVISOR	Piper Jaffray & Co. Des Moines, Iowa
PAYING AGENT	Bankers Trust Company Des Moines, Iowa

## General Information

The City of Coralville, Iowa, (the “Issuer”, the “City” or “Coralville”) is located in Johnson County (the “County”) in the east central part of the State of Iowa (the “State”). The City was incorporated in 1873 and has experienced continuous growth in population since that time. The current population is 18,907. The east corporate line of Coralville is the west corporate line of Iowa City. The close physical relationship between the two communities has been strengthened over the years by the presence of the University of Iowa (the “University”), the oldest and largest public educational institution in the State. The University was founded in 1855 and current enrollment approximates 29,000 students. The total estimated budget for the University for 2007 is approximately \$2.101 million. Infusion of these moneys and other sources of revenue related to the University give the Coralville-Iowa City metropolitan area a significant financial base from which to expand. The University and The University of Iowa Hospitals and Clinics provide employment for more than 24,000 people in the metropolitan area. The strong employment environment is evidenced by a reported unemployment rate of 3.40% in the County as of March 31, 2013.

The impact of the University and other major industrial and commercial concerns throughout the area has led to construction of 16 large motels within the City in the past two decades with a combined capacity in excess of 2,021 rooms. These facilities are available to the thousands of area visitors.

The community has always endeavored to attract diverse quality employers to the City’s existing base of employers. Rockwell International, Hawkeye Foods, Heartland Express and Heritage Systems anchor the City’s largest employer list.

In 1998, General Growth Properties, L.P. opened a 900,000 square foot retail mall known as Coral Ridge Mall in western Coralville adjacent to U.S. Interstate 80. The Coral Ridge Mall has five anchor tenants. Coral Ridge Mall currently employs approximately 2,000 persons.

The sixth building in the University of Iowa Research Park, located in the City, was recently completed. The Research Park serves as the corporate headquarters for three high technology companies.

Wal-Mart Inc. constructed a new super center that opened in 2000 in the west land-use area.

Integrated DNA employs about 440 people, and is constructing a new \$8,000,000 office and research facility in Coralville.

The U.S. Government constructed the National Automotive Driving Simulator in Coralville in 1998, which employs 50 persons and is the premier facility in auto simulation in the world.

Public safety is secured by a full-time police department consisting of a chief and 29 sworn police officers. The department operates eight marked and six unmarked radio patrol cars. The department is the initial emergency medical response agency in the City. The Coralville Police Department was the first police department in the nation to carry automated external defibrillators (AEDs) in its squad cars. The department also has a full time community service/animal control officer on duty to handle animal issues and other needs.

Fire protection is provided by a 40+ member volunteer fire department operating four fire fighting units. The fire department has two paid employees – the full-time chief and the assistant chief. The City completed a fire station in 1985 with approximately 9,000 square feet incorporating extensive service facilities, meeting rooms and educational facilities.

The Coralville Public Library was established in 1965 and the current library facility opened in 1987. A major expansion of the library is under construction. The expansion will add 50,000 square feet of space, plus ramp parking for users of the library. The library serves over 15,000 registered borrowers from the community of Coralville, as well as rural areas of the County. The State’s “open access” program allows patrons from Iowa public libraries to borrow materials from any public library in the State, so the Coralville Public Library serves many patrons from surrounding communities as well. The library has a collection of over 70,000 items including books, magazines, pamphlets, videos, DVDs, audio books, compact discs, and computer software. The library offers public internet access and special programming for adults and children, including summer reading programs, book groups, homebound services, and outreach services to local daycare facilities. The library also houses public meeting facilities including a 162 person capacity meeting room, as well as a smaller conference room.

Seven parks containing ball diamonds for softball and little league, tennis courts, picnicking equipment, shelter houses and various types of playground equipment are available for the citizens’ enjoyment. S.T. Morrison Park is the location for the City’s outdoor aquatic center, which opened in 2004, replacing an older outdoor pool. The S.T. Morrison Park also hosts the summer Farmer’s Market and Music in the Park concert series along with Coralville’s annual 4th Fest celebration. An indoor swimming pool is located at the City’s Recreation Center (the “Center”). Also found in the Center are racquetball courts, basketball courts, meeting rooms, administrative offices, locker rooms, and fitness/weight room. More than ten miles of multi-purpose trails and sidewalks run through Coralville. Brown Deer Golf Course is a City-owned 18-hole course with an 18,000-square foot clubhouse. The City offers recreational programming for citizens of all ages through its Parks and Recreation Department.

The City owns and operates a municipal transit system that operates five regular and two special trip bus routes serving the citizens of Coralville and Iowa City. Buses make stops at various locations in Coralville and several areas of Iowa City including the University and The University of Iowa Hospital and Clinics.

The City owns and operates the municipal waterworks and municipal wastewater system serving the City. The sewer treatment plant is designed for 3.8 mgd capacity and the current flow rate is 2.3 mgd. The City constructed new water towers in 1993 and 2000 and completed drilling a new Jordan well (that became operational in summer, 2004), all for its municipal water system. In addition, the City constructed a discharge project for the wastewater plant in 2002.

**Government**

The City operates under the Mayor-Council form of government. The Mayor is elected to a two-year term and Council Members are elected to four-year terms; three members’ terms expire at the same time and the remaining two expire two years later. This staggered term method insures at least two experienced members are on the Council at all times. A City Administrator has been on staff and contributing to the administration of City affairs since 1985.

**Utilities**

The following utilities operate within Coralville providing the services indicated:

Electric Power:	Mid American Energy Linn County REC
Natural Gas:	Mid American Energy
Telephone:	Century Link South Slope Communications
Water:	City of Coralville Waterworks
Sanitary Waste:	City of Coralville Sanitary Sewer System
Recycling:	City of Coralville Recycling Center

**Education**

Most of Coralville is included within the Iowa City Community School District. Three elementary schools and one junior high school are located within Coralville. The high school is located in the western portion of Iowa City, two miles south of the center of the City.

A small, but rapidly growing, portion of the City is served by the Clear Creek-Amana School District, located about 5 miles west of Coralville.

Higher education facilities are provided by the Kirkwood Community College, a junior college and vocational training school operated by Merged Area X whose campus is in Cedar Rapids (20 miles); Mount Mercy College and Coe College, all located in Cedar Rapids (20 miles); Cornell College, located in Mount Vernon (30 miles); and the main campus of the University, located about three miles away in Iowa City. The University athletic complex adjoins the east boundary of Coralville.

The Iowa City Community School District has recently opened Van Allen Elementary, a new building located within the City of North Liberty. The building serves a portion of Coralville and Coralville partnered with the Iowa City Community School District to upgrade the gymnasium at Van Allen Elementary and the Coralville Parks & Recreation Department operates the before and after school programs there.

**Employee Pension Plan**

The Issuer contributes to the Iowa Public Employees’ Retirement System (“IPERS”), which is a state-wide multiple-employer cost-sharing defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. All full-time employees of the Issuer are required to participate in IPERS. Employees who retire at age 65 (or anytime after age 58 with 30 or more years of service) are entitled to full monthly benefits. IPERS offers five options for distribution of retirement benefits. Prior to July 1, 2012, benefits become fully vested after completing four years of service or after attaining age 55 and after July 1, 2012 benefits become fully vested after completing seven years of service or after attaining age 65.

IPERS plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The Issuer’s share, payable from the applicable funds of the Issuer, is provided by an annual levy of taxes without limit or restriction as to rate or amount against all the taxable property of the Issuer. All contributions are on a current basis. See “**APPENDIX E — AUDITED FINANCIAL STATEMENTS**” for additional information on IPERS.

The following table sets forth the contributions made by the Issuer and employees to IPERS for the period indicated. The Issuer has always made their full statutorily required contributions to IPERS. The Issuer cannot predict the levels of funding that will be required in the future.

<u>Fiscal Year</u>	<u>Amount Contributed by Issuer</u>	<u>% of Payroll paid by Issuer</u>	<u>% of Payroll paid by Employee</u>
2008	\$474,589	6.05%	3.95%
2009	527,213	6.35	4.10
2010	578,085	6.65	4.30
2011	639,649	6.95	4.50
2012	752,572	8.07	5.38
2013	NA	8.67	5.78

Source: City of Coralville Independent Auditor's Reports for Fiscal Year Ending June 30, 2012.

The fund is administered by the State with administration costs paid from income derived from invested funds. IPERS has an unfunded actuarial liability and unrecognized actuarial loss. The following table sets forth certain information about the funding status of IPERS that has been extracted from the comprehensive annual financial report of IPERS for fiscal year 2012 (the "IPERS CAFR"). A complete copy of the IPERS CAFR can be obtained by visiting IPERS website at: <http://www.ipers.org/publications/misc/pdf/financial/cafr/cafr.pdf> or by writing to IPERS at P.O. Box 9117, Des Moines, Iowa 50306-9117. According to IPERS, as of the end of fiscal year 2012, there were approximately 335,098 total members participating in IPERS, including Issuer employees. IPERS does not break out the funding status for each participating entity; therefore, it is not possible to determine the Issuer's allocable share of the funding status of IPERS.

<u>Fiscal Year Ended June 30</u>	<u>Actuarial Value of Assets [a]</u>	<u>Actuarial Accrued Liability [b]</u>	<u>Unfunded Actuarial Accrued Liability Actuarial Value [b] – [a]</u>	<u>Funded Ratio { Actuarial Value [a] / [b] }</u>	<u>Covered Payroll [c]</u>	<u>UAAL as a % of Covered Payroll (Actuarial Value) [[b-a] / [c]]</u>
2008	\$21,857,423,183	\$24,522,216,589	\$2,664,793,406	89.13%	\$6,131,445,367	43.46%
2009	21,123,979,941	26,018,593,823	4,894,613,882	81.19	6,438,643,124	76.02
2010	21,537,458,560	26,468,419,650	4,930,961,090	81.37	6,571,182,005	75.04
2011	22,575,309,199	28,257,080,114	5,681,770,915	79.89	6,574,872,719	86.42
2012	23,530,094,461	29,446,197,486	5,916,103,025	79.91	6,786,158,720	87.18

Source: IPERS Comprehensive Annual Financial Report (Fiscal Year 2012)

When calculating the funding status of IPERS for fiscal year 2012, the following assumptions were used: (1) the amortization period for the total unfunded actuarial liability is 30 years (which is consistent with the maximum acceptable amortization period set forth by the Governmental Accounting Standards Board ("GASB") in GASB Statement No. 25); (2) the rate of return on investments is assumed to be 7.5%; (3) salaries are projected to increase 4.0-17% for IPERS, depending on years of service; and (4) the rate of inflation is assumed to be 3.25% for prices and 4.0% for wages.

Bond Counsel, the Issuer and the Financial Advisor undertake no responsibility for and make no representations as to the accuracy or completeness of the information available from the IPERS discussed above or included on the IPERS website, including, but not limited to, updates of such information on the State Auditor's website or links to other Internet sites accessed through the IPERS website.

### **Other Post Employment Benefits (OPEB)**

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

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits 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 benefit plan on a pay-as-you-go basis

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 project to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed 30 years.

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

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

For calculation of the net OPEB obligation, the actuary has set the transition day as of July 1, 2012. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 are summarized as follows:

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

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

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare 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 process presented above, will present multi year trend information about whether other actuarial value of plan assets is increasing or decreasing over time relative to the actuarial 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 July 1, 2012, actuarial valuation date, the Projected Unit Actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 7%. The medical trend rate is reduced by 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 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.

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Source: City's 2012 Independent Audited Financial Statement

## Population

The Census figures for the Issuer during the past thirty-five years are shown below:

<u>Year</u>	<u>Population</u>	<u>Over Previous Period</u>
2010	18,907	9%
2004 Special	17,269	14%
2000	15,123	26%
1992 Special	11,998	15%
1990	10,347	35%
1980	7,687	16%
1970	6,130	57%

## Population by Age

Presented below are the 2010 Census figures according to age group for the County and the State:

<u>Age Group</u>	<u>Johnson County</u>	<u>State of Iowa</u>
Under 19 years of age	25.2%	26.9%
20 to 24 years of age	16.1	7.0
25 to 44 years of age	28.6	24.5
45 to 64 years of age	21.9	26.7
65 to 84 years of age	7.3	12.4
85 and over	1.2	2.3
Median Age	29.3	38.1

## Employment Statistics

The State of Iowa Department of Job Service reports unemployment unadjusted rates as follows (April 2013):

National Average:	7.50%
State of Iowa	4.70%
Johnson County:	3.10%

## Historical Employment Statistics

Presented below are the historical unemployment rates for the years indicated for the Iowa City MSA and the State.

<u>Calendar Year</u>	<u>Iowa City MSA</u>	<u>State of Iowa</u>
2012	3.90%	5.20%
2011	4.40	6.00
2010	4.70	6.70
2009	4.20	6.00
2008	2.90	4.00
2007	2.80	3.80

## Major Employers

Following are the major employers in the Iowa City/Coralville metropolitan area and the current number of people they employ:

<u>Employer</u>	<u>Business</u>	<u>Approximate Employees</u>
Univ. of Iowa/Univ. Hospital	Education/health care	28,639
Iowa City Community School District	Education	1,700
ACT	College Testing	1,427
Mercy Hospital	Health Care	1,283
Veteran's Administration Hospital	Health care	1,351
Hy-Vee Food Stores	Grocery Store	1,506
Pearsons	Educational Testing	1,152
Wal-Mart	Discount store	867
United Technologies	Rubber Manufacturing	840
Rockwell International	Electronics manufacturing	828
International Automotive Components	Plastics foam products	805
Three Local Banks	Financial institutions	650
Schenker Logistics	Trucking	632
City of Iowa City	City government	628
Systems Unlimited	Disabled Persons Assistance	576
Johnson County	County government	515
Proctor & Gamble	Consumer products	500
Oral B Laboratories	Consumer products	485
Vangent		438
Integrated DNA	DNA Research	350
Fresh Food Concepts	Restaurant Services	320
GEICO Direct	Auto insurance	312
City of Coralville	City government	302

SOURCE: Iowa Manufacturers Directory

## Retail Sales

Presented below are retail sales statistics for the City for the periods indicated:

<u>Year Ended</u>	<u>Retail Sales</u>	<u>Number of Permits</u>
2012*	\$757,196,145	687
2011*	\$722,072,558	716
2010*	696,014,239	692
2009*	701,000,700	684
2008**	625,211,689	640

\* Reported as of June 30

\*\* Reported as of March 31

## Median Family Income

The 2000 U.S. Census reported that the County had a median family income of \$40,060 compared to \$46,116 for the State. The following table represents the distribution of family incomes for the County as reported by the 2000 Census:

<u>Household Income</u>	<u>Number of Households</u>	<u>Percent of Households</u>
Under \$10,000	4,654	10.6%
10,000 to 14,000	3,023	6.9
15,000 to 24,999	5,931	13.5
25,000 to 34,999	5,602	12.7
35,000 to 49,999	6,713	15.2
50,000 to 74,999	8,189	18.6
75,000 to 99,999	4,725	10.7
100,000 to 149,999	3,225	7.3
150,000 to 199,999	1,034	2.3
200,000 or more	978	2.2

## Effective Buying Income

The private publication “*Sales & Marketing Management*” has developed a wealth indicator termed “effective buying income” (“EBI”) defined as personal income less personal tax and non tax payments, which is considered by the publication to be a bulk measurement of market potential. Presented below is the summary data regarding EBI for the State and the County for the periods indicated:

	<u>2009 County</u>	<u>2009 State</u>
Retail Sales (000)	\$1,905,645	\$40,982,154
Total EBI (000)	2,896,588	57,558,473
Median Household EBI	40,884	38,919
% of Households by EBI		
\$10,000 to \$19,999	21.4	19.9
\$20,000 to \$34,999	20.8	24.2
\$35,000 to \$49,999	16.8	20.5
\$50,000 and Over	41.0	35.4

## Building Permits

Presented below are the building permits issued in the City for the calendar year indicated.

<u>Calendar Year</u>	<u>Number of Permits Issued</u>	<u>Dollar Amount of Permits Issued</u>
2012	472	\$48,586,459
2011	490	107,835,966
2010	404	61,225,049
2009	413	28,219,616
2008	490	42,009,160
2007	517	49,074,307

## Banking Statistics

Banking services within the City are provided by offices of the MidWestOne Bank and the Farmers & Merchants Savings Bank, both of Iowa City, First Trust and Savings Bank, Corridor State Bank and Freedom Security Bank, both of Coralville, and an office of the Hills Bank and Trust Company, Hills, Iowa, as well as branches of American Bank & Trust Company, Bank of the West, Liberty Bank, U.S. Bank N.A., Wells Fargo Bank, N.A., West Bank, and Regions Bank. Deposits for the branch banks are unavailable. Additional banking services are available at the Coralville office of the University of Iowa Credit Union. Presented below are the system wide combined deposits of Hills Bank and Trust Company, MidWestOne Bank, Farmers and Merchants Savings Bank, First Trust and Savings and Freedom Security Bank.

<u>Calendar Year</u>	<u>Deposits</u>
2011	\$3,028,174,000
2010	2,891,526,000
2009	2,778,750,000
2008	2,620,956,000
2007	1,829,413,000
2006	1,744,003,000

## Property Tax Valuations

In compliance with Section 441.21 of the Code of Iowa, as amended, (the “Iowa Code”) the State Director of Revenue annually directs all county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The final values, called actual valuation, are then adjusted by the county auditor. Assessed or taxable valuation subject to tax levy is then determined by the application of State determined rollback percentages, principally to residential and commercial property.

Beginning in 1978, the State required a reduction in actual valuation to reduce the impact of inflation on its residents. The resulting value is defined as the assessed or taxable valuation. The rollback percentages for residential, agricultural and commercial valuations are as follows:



<u>Fiscal Year</u>	<u>Residential</u>	<u>Ag. Land</u>	<u>Commercial</u>
2013-14	52.8166	59.9334	100.0000
2012-13	50.7518	57.5411	100.0000
2011-12	48.5299	69.0152	100.0000
2010-11	46.9094	66.2715	100.0000
2009-10	45.5893	93.8568	100.0000
2008-09	44.0803	90.1023	99.73120

Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following fiscal year. For example, the assessments finalized on January 1, 2010 are used to calculate tax liability for the tax year starting July 1, 2011 through June 30, 2012. Presented below are the historic property valuations of the Issuer by class of property:

#### Actual Valuation

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential:	1,139,351,564	1,111,881,984	1,086,915,266	1,055,282,025	1,029,779,613	982,367,030	897,028,158
Agricultural Land:	1,591,656	1,604,621	1,441,576	1,422,368	1,057,528	1,125,497	977,961
Agricultural Bldgs:	20,925	22,499	22,263	22,029	22,019	26,763	39,000
Commercial	222,249,449	235,224,913	239,943,803	240,422,109	251,316,871	249,249,780	233,240,528
Industrial:	4,291,905	4,249,663	4,247,142	4,219,713	4,395,181	4,744,528	4,998,597
Personal/Real Estate:	0	0	0	0	0	0	0
Railroads:	4,484,240	3,675,694	2,448,620	2,186,804	3,020,273	3,571,161	2,506,184
Utilities:	14,529,939	12,906,237	11,474,501	11,804,388	12,723,327	13,945,274	15,343,510
Other:			0	0	0	0	0
Gross Valuation	1,386,519,678	1,369,565,611	1,346,493,171	1,315,359,436	1,302,314,812	1,255,030,033	1,154,133,938
Less Military:	877,848	866,736	883,404	880,994	858,217	844,790	829,140
Net Valuation:	1,385,641,830	1,368,698,875	1,345,609,767	1,314,478,442	1,301,456,595	1,254,185,243	1,153,304,798
Incremental Value:	595,114,571	529,799,966	518,736,041	527,839,938	479,885,538	473,874,285	419,812,509
Utility Reimbursement:	29,010,745	27,763,339	26,819,818	25,764,102	24,785,680	21,700,411	21,837,735

#### Taxable Valuation

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Residential:	583,857,273	549,471,326	513,007,374	480,482,841	453,954,509	419,540,078	395,883,323
Agricultural Land:	921,575	885,506	972,849	907,205	991,181	1,011,626	977,961
Agricultural Bldgs:	11,950	11,860	14,702	13,799	20,612	23,953	39,000
Commercial	222,249,449	235,224,913	239,943,803	240,422,109	251,316,871	247,427,248	233,240,528
Industrial:	4,291,905	4,249,663	4,247,142	4,219,713	4,395,181	4,744,528	4,998,597
Personal/Real Estate:	0	0	0	0	0	0	0
Railroads:	4,484,240	3,675,694	2,448,620	2,186,804	3,020,273	3,561,561	2,506,184
Utilities:	14,529,939	12,906,237	11,474,501	11,804,388	12,723,327	13,945,274	15,343,510
Other:	0	0	0	0	0	0	0
Gross Valuation	830,346,331	806,425,199	772,108,991	740,036,859	726,421,954	690,254,268	652,989,103
Less Military:	864,884	853,763	866,736	862,474	835,993	822,748	809,543
Net Valuation:	829,481,447	805,571,436	771,242,255	739,174,385	725,585,961	689,431,520	652,179,560
Incremental Value:	595,101,607	529,786,993	518,719,373	527,821,418	479,863,314	473,852,243	419,792,912
Utility Reimbursement:	15,826,178	15,815,964	16,101,638	15,195,820	15,967,037	15,902,055	15,186,052

	<u>Valuation</u> <u>Year</u>	<u>Actual</u> <u>Valuation</u>	<u>Taxable</u> <u>Valuation</u>	<u>Percentage</u> <u>Change</u> <u>Actual</u>	<u>Percentage</u> <u>Change</u> <u>Taxable</u>
	2012	1,980,756,401	1,440,409,232	2.83%	6.60%
	2011	1,926,262,180	1,351,174,393	1.86%	3.45%
	2010	1,891,165,626	1,306,063,266	1.24%	1.86%
	2009	1,868,082,482	1,282,191,623	3.43%	4.98%
	2008	1,806,127,813	1,221,416,312	3.22%	3.58%
	2007	1,749,759,939	1,179,185,818	9.71%	8.46%
	2006	1,594,955,042	1,087,158,524	6.17%	6.50%
	2005	1,502,263,745	1,020,821,570	13.26%	9.76%

## Tax Rates

Presented below are the taxes levied by the City for the fund groups as presented, for the period indicated:

<u>Fiscal Year</u>	<u>General</u>	<u>Outside</u>	<u>Transit</u>	<u>Emergency</u>	<u>Debt</u>	<u>Employee Benefits</u>	<u>Total Levy</u>
2013	8.10000	0.54700	0.68250	0.00000	2.12020	2.07797	13.52767
2012	8.10000	0.58070		0.00000	2.12020	2.72680	13.52770
2011	8.10000	0.55500		0.00000	2.12020	2.75250	13.52770
2010	8.10000	0.53640		0.00000	2.01730	2.76396	13.41766
2009	8.10000	0.48466		0.00000	2.01941	2.81570	13.41977
2008	8.10000	0.43153		0.00000	2.06890	2.68600	13.28643

## Historic Tax Rates

Presented below are the tax rates by taxing entity for residents of the City and Iowa City CSD:

<u>Year</u>	<u>City</u>	<u>School</u>	<u>College</u>	<u>State</u>	<u>Assessor</u>	<u>Ag Extens</u>	<u>Hospital</u>	<u>County</u>	<u>Levy Rate</u>
2012	13.52770	14.59055	0.99870	0.00320	0.37289	0.08358	0.00000	6.98984	36.56646
2011	13.52770	14.68972	0.92566	0.00300	0.13796	0.08307	0.00000	7.22207	36.58918
2010	13.41766	14.19136	0.84042	0.00300	0.37928	0.08413	0.00000	7.38568	36.30153
2009	13.41977	14.19219	0.85161	0.00350	0.47873	0.06700	0.00000	7.48663	36.49943
2008	13.28643	13.85189	0.85526	0.00350	0.35333	0.06787	0.00000	6.49453	34.91281

Presented below are the tax rates by taxing entity for residents of the City and Clear Creek Amana CSD:

<u>Year</u>	<u>City</u>	<u>School</u>	<u>College</u>	<u>State</u>	<u>Assessor</u>	<u>Ag Extens</u>	<u>Hospital</u>	<u>County</u>	<u>Levy Rate</u>
2012	13.52770	15.54876	0.99870	0.00320	0.37289	0.08358	0.00000	6.98984	37.52467
2011	13.52770	15.71002	0.92566	0.00300	0.13796	0.08307	0.00000	7.22207	37.60948
2010	13.41766	15.67097	0.84042	0.00300	0.37928	0.08413	0.00000	7.38568	37.78114
2009	13.41977	15.79090	0.85161	0.00350	0.47873	0.06700	0.00000	7.48663	38.09814
2008	13.28643	16.98860	0.85526	0.00350	0.35333	0.06787	0.00000	6.49453	38.04952

## City Tax Collection History

<u>Fiscal Year</u>	<u>Amount Levied</u>	<u>Amount Collected (1)</u>	<u>Percentage Collected (1)</u>
2013	\$12,225,267	In Collection	NA
2012	11,740,369	\$11,738,347	99.98%
2011	11,314,288	11,202,036	99.01%
2010	10,907,397	10,833,003	99.32%
2009	10,411,530	10,318,647	99.11%
2008	9,724,959	9,653,434	99.26%
2007	9,154,625	9,157,859	100.04%

## Major Taxpayers

Presented below are the ten largest taxpayers and their 2012 taxable values in the City:

<u>Taxpayer</u>	<u>2012 Taxable Valuation</u>	<u>Percent of Total</u>
CORAL RIDGE MALL LLC	\$162,518,230	11.28%
TKG CORAL NORTH LLC	37,152,030	2.58%
CITY OF CORALVILLE	31,294,798	2.17%
INTEGRATED DNA TECHNOLOGIES IN	15,304,430	1.06%
MID AMERICAN ENERGY CO	14,568,883	1.01%
WAL-MART REAL ESTATE BUSINESS	13,300,000	0.92%
LOWES HOME CENTERS INC	12,000,000	0.83%
RYAN COMPANIES US, INC	12,000,000	0.83%
GERDIN, ANN S; TRUSTEE	11,003,830	0.76%
AMBROSE PROPERTIES LC	10,265,890	0.71%

Total of Top 10 Taxpayers: 22.17%

**Local Option Hotel-Motel Tax**

The City has a voter-approved 7% local option tax on hotel and motels in the community. Presented below is a history of collections of this tax.

<u>Fiscal Year</u>	<u>Collections</u>
2012	\$2,166,477
2011	2,050,379
2010	1,967,783
2009	2,154,450
2008	1,986,624

Currently, the City uses the hotel motel tax generated by the Marriott Hotel & Conference center to offset debts issued to construct the hotel and related infrastructure, for fiscal year 2011, in the amount of \$550,000. In addition, the City provides the Iowa City/Coralville Convention & Visitors Bureau an annual grant of \$192,000. Additionally, the City pays rent on the convention offices on First Avenue in Coralville. The City earmarks a portion of funds for the development of recreational facilities of the park (currently, \$80,000 per year). The remainder of the funds are used to offset general fund taxation.

**General Obligation Debt**

The Issuer has previously issued twenty separate series of general obligation bonds, of which \$61,325,000 remain outstanding. The City has various other obligations payable from the Debt Service Fund, obligations that are subject to “*annual appropriation*”. Presented below is the outstanding principal and interest on the City’s general obligation (not subject to annual appropriation) debt:

<u>Fiscal Year</u>	<u>Total Principal</u>	<u>Total P&amp;I</u>	<u>Less Abatements</u>	<u>Net Debt Paid Taxes</u>
2014	5,755,000	7,890,993	5,012,138	2,941,255
2015	5,895,000	7,896,151	4,998,718	2,897,434
2016	5,145,000	6,988,521	4,164,790	2,823,731
2017	5,215,000	6,898,119	4,046,678	2,851,441
2018	5,270,000	6,799,244	4,267,328	2,531,916
2019	4,075,000	5,435,984	3,630,403	1,805,581
2020	4,525,000	5,752,921	3,797,630	1,955,291
2021	4,055,000	5,138,644	3,317,583	1,821,061
2022	2,735,000	3,692,421	3,073,535	618,886
2023	1,890,000	2,753,429	1,967,665	785,764
2024	2,245,000	3,030,294	1,950,135	1,080,159
2025	1,375,000	2,066,189	1,935,720	130,469
2026	1,285,000	1,914,390	1,914,390	0
2027	1,740,000	2,311,415	2,311,415	0
2028	1,925,000	2,418,440	2,418,440	0
2029	1,990,000	2,401,698	2,401,698	0
2030	5,020,000	5,345,920	5,345,920	0
2031	1,185,000	1,235,920	1,235,920	0
Totals:	61,325,000	79,970,691	57,790,103	22,242,989

**General Obligation Bond Anticipation Project Notes**

The City has previously issued general obligation bond anticipation project notes in the amount of \$4,800,000 (2011G) and \$1,162,874 (2010G). Both notes are ultimately to be refinanced into long-term general obligation bonds, payable from an ad-valorem property tax, if not abated annually from other sources. As some of the original note proceeds were used to purchase property in an urban renewal area, it is possible that the notes may be retired from cash on hand from the sale of said property, if said property is ever sold.

### Self-Supporting Debt

It is the current intention of the City to abate designated portions of general obligation debt outstanding with revenues from the Municipal Water and Wastewater Utilities and certain urban renewal areas of the City, in certain instances where general obligation bond proceeds have been used to accomplish capital improvements. Although this “self-supporting” debt is issued under Division III, Chapter 384, of the Iowa Code, and is secured by the unlimited taxing ability of the City, the Council currently intends to abate these levies annually to the extent that net revenues from the respective utilities and tax increment districts are annually available. Presented below is a table showing the expected principal abatement by fiscal year:

<u>Fiscal Year</u>	<u>Abatements</u>
2014	5,041,209
2015	6,190,663
2016	4,164,790
2017	4,046,678
2018	4,267,328
2019	3,630,403
2020	3,797,630
2021	3,317,583
2022	3,073,535
2023	1,967,665
2024	1,950,135
2025	1,935,720
2026	1,914,390
2027	2,311,415
2028	2,418,440
2029	2,401,698
2030	5,345,920
2031	1,235,920

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Totals:	59,011,120
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In addition to the above, the City pays all of the interest on its outstanding the general obligation bond anticipation notes noted above from sources other than property taxes. It is the City’s intent to pay P&I on the ultimate bonds issued to retire the bond anticipation notes, if ever issued, out of TIF income in the future, thus designating those future bonds, and the current notes outstanding, as self supporting obligations.

### Annual Appropriation General Obligation Securities Outstanding

The City has previously issued general obligation annual appropriation obligations. Presented below is the schedule of outstanding general obligation, annual appropriation obligations, presented by series and fiscal year:

<u>Year</u>	<u>1-May-11</u>	<u>11-Aug-11</u>	<u>1-Nov-11</u>	<u>1-Apr-04</u>	<u>1-Jul-11</u>	<u>1-Aug-06</u>	<u>27-Nov-12</u>	<u>1-May-12</u>	<u>Total Principal</u>
2014	3,400,000	260,000		0	1,450,000	925,000	0	0	6,035,000
2015	3,500,000	500,000		0	1,425,000	1,035,000	250,000	0	6,710,000
2016	3,905,000	500,000		0	1,500,000	1,160,000	230,000	0	7,295,000
2017	4,275,000	580,000		0	1,400,000	1,295,000	240,000	0	7,790,000
2018	4,505,000	300,000	1,000,000	0	1,325,000	1,435,000	235,000	0	8,800,000
2019	735,000	675,000	600,000	0	600,000	1,585,000	250,000	0	4,445,000
2020	825,000	1,165,000	200,000	0	600,000	1,750,000	250,000	0	4,790,000
2021	950,000	1,040,000	300,000	0	550,000	1,920,000	260,000	0	5,020,000
2022	1,000,000	1,130,000	350,000	0	550,000	2,110,000	275,000	0	5,415,000
2023	1,180,000	460,000	600,000	0	550,000	6,750,000	290,000	0	9,830,000
2024	810,000	440,000		0	880,000	7,130,000	295,000	0	9,555,000
2025	0	450,000		0	900,000	7,525,000	310,000	0	9,185,000
2026	0	475,000		0	900,000	7,920,000	320,000	0	9,615,000
2027	0	470,000		0	975,000		335,000	0	1,780,000
2028	0	495,000		0	1,000,000		350,000	1,000,000	2,845,000
2029	0	520,000		0	1,000,000		365,000	0	1,885,000
2030	0	545,000		0	1,100,000		385,000	0	2,030,000
2031				0	2,050,000		405,000	1,000,000	3,455,000
2032				0	0		435,000	4,000,000	4,435,000
Totals:	25,085,000	10,005,000	3,050,000	0	18,755,000	42,540,000	5,480,000	6,000,000	110,915,000

**Annual Appropriation General Obligation Bond Anticipation Project Notes**

The City has previously issued its \$24,200,000 annual appropriation general obligation bond anticipation project notes series 2011M, in a draw-down note with a local bank. As of this official statement, the City has drawn approximately \$18,500,000 on the loan and does not anticipate significant future draws. The City intends to refinance this note into long-term bonds prior to its maturity of June 1, 2014.

**Urban Renewal Obligations Outstanding**

The City has outstanding one series of urban renewal tax increment revenue bonds (annual appropriation), that do not have any general obligation unlimited tax pledge associated. Presented below is the principal amount, by issue and fiscal year, of urban renewal revenue obligations outstanding:

Fiscal <u>Year</u>	Series C <u>1-May-07</u>
2014	2,115,000
2015	2,195,000
2016	2,350,000
2017	2,960,000
2018	3,215,000
2019	0
2020	0
2021	0
2022	0
2023	0
2024	0
2025	0
2026	0
2027	0
2028	0
2029	0
2030	0
2031	0
2032	0
2033	0
2034	865,000
2035	910,000
2036	960,000
2037	1,010,000
2038	1,060,000
2039	1,120,000
2040	1,175,000
2041	1,235,000
2042	1,295,000
2043	1,360,000
2044	1,430,000
2045	1,500,000
2046	1,575,000
2047	1,655,000
Totals:	29,985,000

**Moral Obligation Lease Certificates**

The City has previously issued its moral obligation lease purchaser certificates of participation to finance the construction and acquisition of a municipal golf course including clubhouse. Presented below is the principal and interest obligation associated with the 2005 lease certificates:

<u>Year</u>	<u>1-Dec-05</u>	<u>1-Dec-05</u>	<u>P&amp;I</u>
2014	569,725	8,125	577,850
2015	571,650	8,125	579,775
2016	577,900	8,125	586,025
2017	578,225	8,125	586,350
2018	578,100	8,125	586,225
2019	582,525	8,125	590,650
2020	586,275	8,125	594,400
2021	589,350	8,125	597,475
2022	591,050	8,125	599,175
2023	592,038	8,125	600,163
2024	597,313	8,125	605,438
2025	596,638	8,125	604,763
2026	600,250	8,125	608,375
2027	607,000	8,125	615,125
2028	612,500	8,125	620,625
2029	611,750	8,125	619,875
2030	620,000	8,125	628,125
2031	491,750	138,125	629,875
2032	633,750	0	633,750
2033	637,750	0	637,750
2034	645,250	0	645,250
2035	651,000	0	651,000
	13,121,788	276,250	13,398,038

**Additional Debt in Next Six Months**

Simultaneous with the Issuance of the Bonds, the City will issue \$1,400,000 General Obligation Corporate Purpose Bonds. During the balance of 2013, the City currently plans to issue approximately \$6,700,000 general obligation bonds to fund the construction of an intermodal parking facility in the Mall Highway 6 urban renewal area, and the City is planning to begin the process of converting its 2011M bond anticipation note into general obligation, long-term bonds during 2013. The extent and timing of those issuances is unknown at this time.

## Combined Obligations of the Mall Highway 6 Urban Renewal TIF Area

Presented below is a summary of the Mall Highway 6 urban renewal area income and obligations by their type of obligation:

Fiscal Year	Estimated TIF Income	Other TIF Area Income (1)	Senior Lien Obligations (2) (3)	Pledged GO & Ann App	Non (2) Pledged Obligations	Combined TIF (2) Obligations	Surplus of Revenue over Expenses
2014	14,706,779	1,247,851	-3,621,656	-281,250	-8,907,060	-12,809,967	3,144,664
2015	14,706,779	1,828,553	-3,595,906	-281,250	-9,189,585	-13,066,742	3,468,591
2016	14,706,779	1,828,553	-3,641,156	-281,250	-8,582,360	-12,504,767	4,030,566
2017	14,706,779	1,828,553	-4,133,656	-281,250	-8,565,910	-12,980,817	3,554,516
2018	14,706,779	1,828,553	-4,240,656	-281,250	-9,384,635	-13,906,542	2,628,791
2019	2,809,540	1,536,911	-864,906	-281,250	-3,988,403	-5,134,559	-788,108
2020	2,809,540	1,536,911	-864,906	-281,250	-3,976,740	-5,122,897	-776,445
2021	2,809,540	1,536,911	-864,906	-281,250	-4,050,203	-5,196,359	-849,908
2022	2,809,540	1,507,711	-864,906	-281,250	-4,019,728	-5,165,884	-848,633
2023	2,809,540	1,507,711	-864,906	-281,250	-4,116,140	-5,262,297	-945,045
2024	2,809,540	1,521,555	-864,906	-281,250	-3,661,165	-4,807,322	-476,227
2025	2,809,540	971,555	-864,906	-281,250	-2,782,778	-3,928,934	-147,840
2026	2,809,540	971,555	-864,906	-281,250	-2,728,359	-3,874,515	-93,421
2027	2,247,653	971,555	-864,906	-281,250	-3,157,834	-4,303,990	-1,084,783
2028	2,247,653	971,555	-864,906	-1,281,250	-3,246,184	-5,392,340	-2,173,133
2029	2,247,653	985,813	-864,906	-236,250	-3,155,699	-4,256,855	-1,023,390
2030	2,247,653	904,949	-864,906	-236,250	-6,782,389	-7,883,545	-4,730,943
2031	2,247,653	904,949	-864,906	-1,236,250	-2,277,652	-4,378,808	-1,226,206
2032	2,247,653	3,971,538	-864,906	-4,190,000	-1,448,707	-6,503,613	-284,422
2033	2,247,653	1,835,618	-864,906	0	0	-864,906	3,218,364
2034	2,247,653	1,835,618	-1,729,906	0	0	-1,729,906	2,353,364
2035	2,247,653	1,835,618	-1,730,575	0	0	-1,730,575	2,352,695
2036	2,247,653	1,835,618	-1,733,938	0	0	-1,733,938	2,349,333
2037	2,247,653	1,835,618	-1,734,738	0	0	-1,734,738	2,348,533
2038	2,247,653	1,346,076	-1,732,975	0	0	-1,732,975	1,860,754
2039	2,247,653	1,346,076	-1,738,650	0	0	-1,738,650	1,855,079
2040	2,247,653	1,346,076	-1,736,250	0	0	-1,736,250	1,857,479
2041	2,247,653	1,346,076	-1,737,500	0	0	-1,737,500	1,856,229
2042	2,247,653	1,346,076	-1,735,750	0	0	-1,735,750	1,857,979
2043	2,247,653	1,346,076	-1,736,000	0	0	-1,736,000	1,857,729
2044	2,247,653	1,346,076	-1,738,000	0	0	-1,738,000	1,855,729
2045	2,247,653	1,346,076	-1,736,500	0	0	-1,736,500	1,857,229
2046	2,247,653	1,346,076	-1,736,500	0	0	-1,736,500	1,857,229
2047	2,247,653	6,493,054	-1,737,750	0	0	-1,737,750	7,002,957
Totals:	143,210,928	56,149,068	-56,501,656	-11,117,500	-94,021,535	-161,640,692	37,719,304

(1) Reflects rental income on various properties owned by the City in the UR area, subject to change. Includes estimated interest earnings on the debt reserve fund that was created with respect to the City's 2007C TIF Revenue Bonds, and the release of said debt reserve fund at maturity. Includes estimated \$550,000 per year in hotel motel taxes paid by the Marriott Hotel, owned by the City.

(2) Does not include future obligations necessary to fund the retirement of the 2011M BANs. Does not include future income from the Iowa River Landing Project, including TIF income

(3) Includes obligations with a pledge of both Debt Service Revenues and TIF revenues

(4) Includes \$600,000 appropriated to assist debt payments on the 2006D Certificates (Marriott Hotel & Conference Center), if necessary

## Public Funds Investments

As of April 30, 2013, the City held investments in the following amounts:

Account/Type of Security	Deposit Amount
Golf Course Trust Account	\$716,323
IPAIT Daily	326
Hotel Trust Accounts	7,344,165

## Debt Limit

The amount of general obligation debt a political subdivision of the State can incur is controlled by the constitutional debt limit, which is an amount equal to 5% of the actual value of property within the corporate limits, taken from the last county tax list. The Issuer's debt limit, based upon said valuation, amounts to the following:

1/1/2011 Actual Valuation:	1,926,262,180
x 5%	5%
<b>Statutory Debt Limit:</b>	<b>96,313,109</b>

Presented below is the outstanding debt of the City as of 6/1/2013 subject to the constitutional debt limit.

General Obligation Bonds	61,325,000
General Obligation BANs	5,962,874
TIF Revenue Bonds	
Plus Marriott Note	500,000
FY14 appropriations for annual appropriation obligation	16,251,259
Less principal portion of reserve fund held on TIF rev	-791,821
<b>Total Debt subject to debt limit</b>	<b>83,247,312</b>
<b>Percentage Consumed</b>	<b>86.43%</b>

## Overlapping & Underlying Debt

Presented below is a listing of the overlapping and underlying debt outstanding of governmental entities within the Issuer. Only those issuers with debt are shown.

<u>Taxing Authority</u>	<u>Outstanding Debt</u>	<u>2012 Taxable Valuation</u>	<u>Taxable Valuation Within Issuer</u>	<u>Percentage Applicable</u>	<u>Amount Applicable</u>
Clear Creek-Amana CSD	\$21,595,000	\$966,313,386	364,927,722	37.76%	\$8,155,340
Iowa City CSD	15,165,000	5,200,640,964	1,075,481,510	20.68%	3,136,090
Johnson County	12,340,000	6,953,493,458	1,440,409,232	20.71%	2,556,219
Kirkwood Community College (1)	114,885,000	22,137,639,921	1,440,409,232	6.51%	7,475,115
AEA #10 Grant Wood	0	22,137,639,921	1,440,409,232	6.51%	0
<b>Total:</b>					<b>\$21,322,764</b>

(1) Includes \$31,235,000 of New Jobs Training Certificates and \$26,200,000 of Certificates of Participation evidencing undivided proportionate interest in base lease payment pursuant to a lease purchaser agreement, both of which are subject to abatement by the College from alternate revenue sources.

## FINANCIAL SUMMARY

Actual Value of Property, 2012:	\$1,980,756,401
Taxable Value of Property, 2012:	1,440,409,232
Direct General Obligation Debt:	\$62,487,874
General Obligation Bond Anticipation Project Notes:	5,962,874
Less Self-Supported General Obligation Debt:	-47,342,874
<b>Net Direct General Obligation Debt:</b>	<b>\$21,107,874</b>
<b>Overlapping Debt:</b>	<b>21,322,764</b>
<b>Net Direct &amp; Overlapping General Obligation Debt:</b>	<b>\$42,430,638</b>
Population, 2010 U.S. Census:	18,907
Direct Debt per Capita:	\$3,305.01
Total Net Debt per Capita:	\$2,244.18
Net Direct Debt to Taxable Valuation:	1.47%
Total Debt to Taxable Valuation:	2.95%
Net Direct Debt to Actual Valuation:	1.07%
Total Debt to Actual Valuation:	2.14%
Actual Valuation per Capita:	\$104,763
Taxable Valuation per Capita:	\$76,184



## APPENDIX B – CORALVILLE MUNICIPAL WATERWORKS

The City has owned and operated a municipal waterworks treatment and distribution system (the “System”) since 1965. The System is managed by a water superintendent and a staff of five. The City Council is the governing board of the municipal water system.

### Source of Water

The City’s water sources currently consist of seven wells with the following pertinent data:

<u>Well</u>	<u>Constructed</u>	<u>Water Source</u>	<u>Capacity at drilling</u>	<u>Current Capacity</u>
6	1975	Shallow, gravel packed	350 GPM	200 GPM
7	1975	Shallow, gravel packed	200 GPM	200 GPM
8	1975	Shallow, gravel packed	415 GPM	350 GPM
9	1987	Silurian aquifer	400 GPM	400 GPM
10	1990	Jordan aquifer	750 GPM	600 GPM
11	2002	Silurian aquifer	400 GPM	400 GPM
12	2003	Jordan aquifer	1000 GPM	1000GPM
13	2013	Silurian aquifer	Projected at 300 to 400 GPM	0 GPM*
14	2013	Silurian aquifer	Projected at 300 to 400 GPM	0 GPM*

\* subject to this financing

When evaluating the capacity of a municipal well system, the Iowa Department of Natural Resources (the “DNR”) follows the Recommended Standards for Waterworks (Ten States Standards). Ten States Standards require that the total developed groundwater source capacity shall equal or exceed the design maximum day demand with the largest producing well out of service. The City’s consulting engineers project that peak day demand in the year 2013 will be 25002120 GPM (assuming a 2.5% growth rate in peak demand). The City’s current peak day capacity using total well capacity and firm capacity is as follows:

	<u>Total capacity</u>	<u>Firm capacity</u>
Required well capacity, 2013	2,500 GPM	2,500 GPM
Current well capacity	3,175 GPM	3,175 GPM
Surplus (deficiency), 2013	675 GPM	(325) GPM

### Water Storage

The City is currently divided into two pressure zones, referred to as the “North Zone” and the “South Zone”. Roughly speaking, the North zone encompasses all of the City north of Interstate 80, and the South Zone encompasses all of the City south of I-80. Pressure in the South Zone is provided by the water tower adjacent of I-80 at the 10th St. Water Treatment Plant. Storage there consists of 750,000 gallons elevated tank and 300,000 and 1,000,000 gallon ground reservoirs. Water pressure in the North zone is provided by the 400,000 gallon water tower located on highway 965 and a new 1,500,000 gallon water tower at the Oakdale Correctional Facility. Water is pumped separately into the south zone and the north zone from the booster station at the water treatment facility.

Current storage facilities of the system are as follows:

<u>Storage Type</u>	<u>Year of Construction</u>	<u>Capacity</u>
Ground storage	1965	300,000
Ground storage	1980	1,000,000
Water tower	1994	750,000
Water tower	1985	400,000
Water tower	2000	1,500,000

The DNR recommends that the minimum storage required be equal to one day’s average daily water demand, and if used for fire protection, storage shall be provided to meet required fire flow for a given duration plus 80% of the peak hour flow for the same period. Give those recommendations, the City presents the following:

Current Storage capacity	3,950,000 gallons
Average daily demand, 2013	2,360,000 gallons
Peak daily demand, 2013	3,560,000 gallons

In evaluating the City’s current and future needs along the above lines, the City must weigh future development potential in the north zone. The City believes that it is likely that the North zone will increase dramatically in size in the next decade. Construction to meet

suggested standards today in the south zone would not necessarily mean the future development could be handled in the north zone with existing facilities.

## Water Treatment

The System's treatment facilities were constructed in 1972. Housed in a 50 foot by 100 foot metal building, the facilities consist of aeration, detention and sand filtration for the removal of iron and manganese. There are two aerators, each with a capacity of 1,700 GPM. Both units have been recently inspected, and are operating as originally designed.

The City operates four 10x20ft.diameter dual media sand filters, which provide maximum capacity of approximately 4,400 GPM with a firm capacity of 3,300 GPM. The City anticipates the addition during 2014 of two additional sand filters and one additional aerator.

## System Usage Information

Presented below is the average daily demand and peak daily demand for the most recent fiscal year, as well as projections for the year 2013:

	<u>2012- Present</u>	<u>2023</u>
Average daily demand	2,300,000 GPD	2,932,000 GPD
Peak demand	3,600,000 GPD	4,428,000 GPD
Population assumption	15,600	24,697

## Present Water Fund Balances (May 1, 2013)

Operating Fund	\$1,216,206
Sinking Fund	0
Bond Reserve	153,000

## Major Water Users

Presented below is a list of the largest users of the System, and the water used as of June 30, 2012:

User Name	Cubic Ft Used	Gallons Used (1)	Percentage Used (1)
Iowa Medical & Classification Center	6,897,000	51,589,560	7.4
Western Hills Mobile Home Park	2,563,900	19,177,972	2.65
Coralville Marriott Hotel & Conf Ctr	1,889,000	14,129,720	1.96
City of Coralville – sewer	1,826,000	13,658,480	1.89
Oakdale Laundry	742,400	5,553,152	0.77
Hawkeye Ready Mix	669,000	5,004,120	0.69
Olive Garden	614,000	4,592,720	0.64
Holiday Inn	544,000	4,069,120	0.56
Rockwell Collins	541,000	4,046,680	0.56
Canterbury Inn	520,000	3,889,600	0.54
Total Used	16,806,300	125,711,124	17.40

(1) Total gallons consumed of 722,481,254 in fiscal year 2012. 7.48 gallons per cubic foot.

## Number of Customers

Presented below is the number of accounts served by the System for the periods indicated:

<u>Fiscal Year</u>	<u>Number of Customers</u>
2012	7,176
2011	6,951
2010	6,472
2009	6,583
2008	6,495
2007	6,319
2006	6,113

## Water Revenue Indebtedness

Presented below is the principal and interest due on the outstanding water revenue bonds:

Fiscal Year	2010D <u>1-Jan-11</u>	2013C <u>27-Jun-13</u>	P&I <u>Outstanding</u>
2014	248,500	27,150	275,650
2015	249,400	27,150	276,550
2016	250,200	27,150	277,350
2017	243,750	27,150	270,900
2018	242,300	27,150	269,450
2019	245,700	27,150	272,850
2020	243,225	27,150	270,375
2021	0	147,150	147,150
2022	0	148,550	148,550
2023	0	144,800	144,800
2024	0	146,050	146,050
2025	0	142,150	142,150
2026	0	143,250	143,250
2027	0	144,200	144,200
2028	0	145,000	145,000
Totals:	1,723,075	1,351,200	3,074,275

## Projected Earnings

Presented below is the projected income and expense of the System for the periods indicated:

<u>Period Ending 6/30</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Operating Income</b>				
Operating Income	2,026,914	1,915,455	1,934,741	2,329,555
Total Income	2,026,914	1,915,455	1,934,741	2,329,555
<b>Operating Expenses</b>				
Salaries & Benefits	520,612	552,702	565,330	570,827
Contractual Services	373,480	455,392	518,040	593,226
Commodities	297,330	142,832	95,377	71,199
Depreciation	384,977	406,662	415,232	421,424
Total Operating Expenses	1,576,399	1,557,588	1,593,979	1,656,676
Net Operating Income:	450,515	357,867	340,762	672,879
<b>Non Operating Income (Expenses)</b>				
Intergovernmental Revenue				
Federal				
State				
Other revenue		4,356		
Gain on asset disposal		3,280	-315	
Interest Revenue	16,170	2,767		
Interest Expense	-84,012	-28,882	-44,903	-17,686
Increase in beneficial interest in a trust				
Total Non operating Income (Expense)	-67,842	-18,479	-45,218	-17,686
Income before Transfers	382,673	339,388	295,544	655,193
<b>Transfers</b>				
Transfers in			19,800	
Transfers out	-333,187	-97,000	-304,970	-256,030
Total Transfers	-333,187	-97,000	-285,170	-256,030
Net Income	49,486	242,388	10,374	399,163

## Historic & Pro-forma Coverage

Based on the above cash flow, coverage on outstanding water bonds is as follows:

<u>Fiscal Year</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Change in Net Assets	399,163	10,374	242,388	49,486	103,454
Add Back Depreciation	421,424	415,232	406,662	384,977	383,355
Add Back Interest	17,686	44,903	28,882	84,012	89,610
<u>Add Back Transfers</u>	<u>256,030</u>	<u>285,170</u>	<u>97,000</u>	<u>333,187</u>	<u>391,384</u>
 Net Income available for debt service	 <u>1,094,303</u>	 <u>755,679</u>	 <u>774,932</u>	 <u>851,662</u>	 <u>967,803</u>
Max. future P&I	285,528				
Coverage on Max Future P&I	3.83				
Actual FY debt service	249,475	265,110	283,500	482,153	572,313
Coverage on Actual Historic P&I	4.39	2.85	2.73x	1.77x	1.69x

## Rate Structure

	<u>Current (7/1/12)</u>	<u>Prior (1/1/09)</u>
Charge per 100 cubic feet	\$1.80	\$1.65
Minimum billing per meter	\$7.00	\$6.50

Water bills are sent and paid monthly.

## APPENDIX C – FORM OF LEGAL OPINION

[Issue Date]  
City of Coralville, Iowa  
Coralville, Iowa

[Purchaser]

We hereby certify that we have examined certified copies of the proceedings (the “Proceedings”) of the City Council and acts of administrative officers of the City of Coralville, in Johnson County, Iowa (the “Issuer”), passed preliminary to the issue by the Issuer of its Water Revenue Bonds, Series 2013C (the “Bonds”) in the aggregate amount of \$\_\_\_\_\_, dated \_\_\_\_\_, in the denomination of \$5,000 each, or any integral multiple thereof, in evidence of the Issuer’s obligation under a certain loan agreement (the “Loan Agreement”), dated as of \_\_\_\_\_. The Bonds mature on June 1 in each of the respective years and in the principal amounts and bear interest payable semiannually, at the respective rates set forth in the Bonds and the Proceedings.

We have examined the law and such certified Proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in a resolution adopted by the City Council of the Issuer on June 11, 2013 authorizing the Loan Agreement and issuance of the Bonds (the “Resolution”), and in the certified Proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination and in reliance upon the certified proceedings and other certifications described above, we are of the opinion, under existing law, as follows:

1. The Proceedings show lawful authority for such issue under the laws of the State of Iowa.
2. The Bonds and the Loan Agreement are valid and legally binding obligations of the Issuer enforceable in accordance with their terms.
3. The Bonds, together with the Issuer’s Water Revenue Bonds, Series 2010D, dated February 1, 2011, and any additional obligations as may be hereafter issued and outstanding from time to time ranking on a parity therewith under the conditions and restrictions set forth in the Resolution and the Original Bond Resolution (as defined in the Resolution), are and will continue to be payable as to both principal and interest solely and only from the future Net Revenues of the Municipal Waterworks System of the Issuer.
4. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986 (the “Code”) that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.
5. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the Bonds be, or continue to be, qualified tax-exempt obligations. The Issuer has covenanted to comply with each such requirement.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion may be relied upon by the addressees hereof and their successors and/or assigns, and any permitted assignee of the Bonds, but only with respect to the opinions expressly set forth herein and as of the dated date hereof.

DORSEY & WHITNEY LLP

\*This form of bond counsel opinion is subject to change pending the results of the sale of the Bonds contemplated herein.

## APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Coralville, Iowa (the “Issuer”) on the \_\_\_\_\_ (the “Dated Date”), in connection with the issuance of \$\_\_\_\_\_ Water Revenue Bonds, Series 2013C (the “Bonds”). The Bonds are being issued pursuant to a resolution of the Issuer approved on \_\_\_\_\_ (the “Resolution”). The Issuer has complied in all material respects with any undertaking previously entered into by it under the Rule, as hereinafter defined. The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the Dissemination Agent, if any, designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Holders” shall mean the registered holders of the Bonds, as recorded in the registration books of the Registrar.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“Municipal Securities Rulemaking Board” or “MSRB” shall mean the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314.

“National Repository” shall mean, at any point in time, a nationally recognized municipal securities information repository which is then recognized as such by the SEC; as of the date of this Disclosure Certificate, the sole National Repository is the MSRB, which accepts filings via its Electronic Municipal Market Access (EMMA) system at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Iowa.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) As soon as available but not later than 210 days after the end of the Issuer’s fiscal year (presently June 30), commencing with the report for the fiscal year ending June 30, 2013, the Issuer shall, or shall cause the Dissemination Agent (if any) to, provide to each National Repository an electronic copy of its Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate and which Annual Report is in a format and accompanied by such identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Issuer has designated a Dissemination Agent, then not later than fifteen (15) business days prior to the filing date in Section 3(a), the Issuer shall provide the Annual Report to the Dissemination Agent.

(c) If the Issuer is unable to provide an Annual Report by the date required in subsection (a), the Issuer shall, or shall cause the Dissemination Agent (if any) to, send a notice to each National Repository stating (1) that there has been a failure to provide an Annual Report on or before the date specified in this Disclosure Certificate and (2) the date by which the Issuer will be able to provide the required report.

(d) The Dissemination Agent (if any) shall file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and confirming that it was filed with each National Repository.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Tables, schedules or other information contained in Appendix A of the Official Statement for the Bonds, under the following captions:

- (1) "Present Water Fund Balances"
- (2) "Major Water Users"
- (3) "Number of Customers"
- (4) "Water Revenue Indebtedness"
- (5) "Projected Earnings"
- (6) "Historic and Pro Forma Coverages"

The information to be provided pursuant to Section 4(b) may be unaudited, but is to be certified as to accuracy and completeness in all material respects by the Issuer's chief financial officer to the best of his or her knowledge, which certification may be based on the reliability of information obtained from governmental or other third party sources. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's web site or are filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to paragraph (12): For the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material; and

(b) If a Listed Event described in paragraph (2), (7), (8) (but only with respect to bond calls under (8)), (10), (13) or (14) above has occurred and the Issuer has determined that such Listed Event is material under applicable federal securities laws, the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file a notice of such occurrence with each National Repository.

(c) If a Listed Event described in paragraph (1), (3), (4), (5), (6), (8) (but only with respect to tender offers under (8)), (9), (11) or (12) above has occurred the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file a notice of such occurrence with each National Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

**Section 6. Termination of Reporting Obligation.** The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the Issuer's receipt of an opinion of nationally recognized Note counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**Section 7. Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

**Section 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized Note counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized Note counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made will present a comparison or other discussion in narrative form (and also, if feasible, in quantitative form) describing or illustrating the material differences between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent, if any, shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its



officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: the Dated Date.

CITY OF CORALVILLE, IOWA

By \_\_\_\_\_  
Mayor

Attest:  
By \_\_\_\_\_  
City Clerk

## **APPENDIX E – AUDITED FINANCIAL STATEMENTS OF THE ISSUER**

This Appendix contains the entire 2012 audited financial statement of the issuer. The Auditor of State of the State of Iowa (the "State Auditor") maintains a webpage that contains prior years' audits of city, county, school district and community college, including audits of the Issuer, which can be found at the following link <http://auditor.iowa.gov/reports/index.html>.

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

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## Officials

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### Elected Officials

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

### Appointed Officials

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

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# HOGAN • HANSEN

*A Professional Corporation*

Certified Public Accountants and Consultants

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Coralville, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Coralville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Coralville as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2013 on our consideration of the City of Coralville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Mayor and  
Members of the City Council  
City of Coralville, Iowa  
Page 2

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

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

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
January 16, 2013

## Management's Discussion and Analysis

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

### FINANCIAL HIGHLIGHTS

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

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

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

### USING THIS ANNUAL REPORT

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

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



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

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

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

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

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **Government-Wide Financial Statement**

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

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

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

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

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

## **Fund Financial Statements**

The City has two kinds of funds:

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

### Statement of Net Assets

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

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

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

At the end of the current fiscal year, the City of Coralville was able to report positive balances in all three categories of net assets for the government as a whole. The same situation held true for the prior fiscal year.

## Statement of Activities

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

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

## **Governmental Activities**

Total governmental activities' revenue was \$49,537,305 and \$59,966,579 (before a loss on the sale of land) for the years ended June 30, 2012 and 2011, respectively. The largest single revenue source for the City was property and other taxes of \$30,413,533 and \$30,145,449 recorded for the years ended June 30, 2012 and 2011, respectively, which includes property taxes paid in the Tax Increment Financing Areas of the City. The remaining revenue of the City comes from a Hotel/Motel tax, charges for services, grants, contributions, licenses and permits, interest revenue and miscellaneous sources.

## **Business-Type Activities**

As expected, charges for services is the primary revenue source for business-type activities.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

### **Governmental Fund Highlights**

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

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

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

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

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

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

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

### **Proprietary Fund Highlights**

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

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the hotel and conference center, sewer fund, golf fund and Iowa River Landing parking fund, as these are considered major funds of the City. Data from the other four enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

## BUDGETARY HIGHLIGHTS

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

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

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets is reflected in the following table. The investment includes land; buildings and improvements; machinery and equipment; and roads, highways and bridges (also referred to as infrastructure assets) in service or under construction at year end.

#### Capital Assets at Fiscal Year End (Net of Depreciation)

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

### Long-Term Debt

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

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

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

Certain general obligation bond debt service is subject to annual appropriation by the City Council. In accordance with the Code of Iowa, only that portion subject to the annual appropriation is included in the computation of the statutory debt limit.



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

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

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

## **ECONOMIC FACTORS**

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

## **NEXT YEAR'S BUDGET AND RATES**

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

## **FINANCIAL INFORMATION CONTACT**

The City's financial statements are designed to provide a general overview of the finances and accountability for all those interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Officer, City of Coralville, P.O. Box 5127, Coralville, IA 52241.

## Basic Financial Statements

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## Statement of Net Assets

As of June 30, 2012

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

See accompanying notes to the financial statements.

	Governmental Activities	Business- Type Activities	Total
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts and retainages payable .....	\$ 5,149,488	\$ 2,418,761	\$ 7,568,249
Accrued expenses .....	1,888,197	1,225,352	3,113,549
Due to other funds .....	468,718	—	468,718
Revenue bonds payable .....	—	627,186	627,186
General obligation bonds payable .....	11,207,874	—	11,207,874
Other loans payable .....	289,926	9,192	299,118
Capital leases .....	—	980,000	980,000
Deferred Revenue			
Succeeding year property taxes .....	29,345,640	—	29,345,640
Special assessments .....	114,039	—	114,039
Current Liabilities Payable From Restricted Assets			
Tax increment financing bonds payable ..	2,240,000	—	2,240,000
Revenue bonds payable .....	—	445,814	445,814
<b>Total Current Liabilities</b> .....	<b>50,703,882</b>	<b>5,706,305</b>	<b>56,410,187</b>
<b>Noncurrent Liabilities</b>			
Revenue bonds payable .....	—	25,075,607	25,075,607
General obligation bonds payable .....	129,959,711	—	129,959,711
Bond anticipation notes .....	15,133,032	—	15,133,032
Tax increment financing bonds payable .....	30,627,067	—	30,627,067
Other loans payable .....	831,860	116,166	948,026
Capital leases .....	—	51,289,194	51,289,194
<b>Total Noncurrent Liabilities</b> .....	<b>176,551,670</b>	<b>76,480,967</b>	<b>253,032,637</b>
<b>Total Liabilities</b> .....	<b>227,255,552</b>	<b>82,187,272</b>	<b>309,442,824</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	54,927,453	47,232,031	102,159,484
Restricted For			
Debt service .....	11,290,511	—	11,290,511
Expendable trust .....	363,735	—	363,735
Road use purposes .....	820,968	—	820,968
Employee benefits .....	12,598	—	12,598
Economic development .....	146,992	—	146,992
Special assessments .....	480,462	—	480,462
Capital projects .....	4,419,835	—	4,419,835
Other .....	87,376	—	87,376
Unrestricted .....	2,322,432	5,522,138	7,844,570
<b>Total Net Assets</b> .....	<b>74,872,362</b>	<b>52,754,169</b>	<b>127,626,531</b>
<b>Total Liabilities and Net Assets</b> .....	<b>\$ 302,127,914</b>	<b>\$ 134,941,441</b>	<b>\$ 437,069,355</b>

# Statement of Activities

Year Ended June 30, 2012

Programs	Expenses	Program Revenue			Net (Expenses), Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
Public safety .....	\$ 4,717,087	\$ 51,862	\$ 315,720	\$ —	\$ (4,349,505)	\$ —	\$ (4,349,505)
Public works .....	1,544,789	—	1,802,603	—	257,814	—	257,814
Health and social services .....	94,420	—	—	—	(94,420)	—	(94,420)
Culture and recreation .....	7,647,146	1,827,621	179,441	—	(5,640,084)	—	(5,640,084)
Community and economic development .....	11,212,874	919,839	1,756	12,375,230	2,083,951	—	2,083,951
General government .....	2,697,627	986,278	16,628	34,173	(1,660,548)	—	(1,660,548)
Depreciation - unallocated .....	11,393	—	—	—	(11,393)	—	(11,393)
Interest on long-term debt .....	7,381,909	—	—	—	(7,381,909)	—	(7,381,909)
<b>Total Governmental Activities .....</b>	<b>35,307,245</b>	<b>3,785,600</b>	<b>2,316,148</b>	<b>12,409,403</b>	<b>(16,796,094)</b>	<b>—</b>	<b>(16,796,094)</b>
<b>Business-Type Activities</b>							
Hotel and conference center .....	17,170,614	14,025,283	—	—	—	(3,145,331)	(3,145,331)
Sewer .....	2,525,952	3,116,691	—	—	—	590,739	590,739
Golf .....	2,427,753	2,171,965	—	—	—	(255,788)	(255,788)
Iowa River Landing parking .....	753,582	454,958	—	—	—	(298,624)	(298,624)
Water .....	1,674,360	2,329,543	—	—	—	655,183	655,183
Solid waste .....	852,770	1,008,675	—	—	—	155,905	155,905
Transit .....	1,909,749	509,696	583,831	—	—	(816,022)	(816,022)
Storm water .....	121,680	319,880	—	—	—	198,200	198,200
<b>Total Business-Type Activities .....</b>	<b>27,436,460</b>	<b>23,936,891</b>	<b>583,831</b>	<b>—</b>	<b>—</b>	<b>(2,915,738)</b>	<b>(2,915,738)</b>
<b>Total .....</b>	<b>\$ 62,743,705</b>	<b>\$ 27,722,491</b>	<b>\$ 2,899,979</b>	<b>\$ 12,409,403</b>	<b>(16,796,094)</b>	<b>(2,915,738)</b>	<b>(19,711,832)</b>
<b>General Revenue</b>							
Taxes							
Property taxes levied for general purposes .....					8,909,618	—	8,909,618
Property taxes levied for debt service .....					2,756,881	—	2,756,881
Tax increment financing taxes .....					16,045,028	—	16,045,028
Other taxes .....					2,702,006	—	2,702,006
Investment earnings .....					221,583	80,770	302,353
Miscellaneous .....					391,038	—	391,038
Loss on sale of land .....					(3,014,659)	—	(3,014,659)
<b>Total General Revenue .....</b>					<b>28,011,495</b>	<b>80,770</b>	<b>28,092,265</b>
<b>Change in Net Assets Before Other Financing Sources (Uses) .....</b>					<b>11,215,401</b>	<b>(2,834,968)</b>	<b>8,380,433</b>
<b>Other Financing Sources (Uses)</b>							
Transfers .....					(1,136,931)	1,136,931	—
<b>Change in Net Assets .....</b>					<b>10,078,470</b>	<b>(1,698,037)</b>	<b>8,380,433</b>
Net Assets - Beginning of Year, as Previously Reported .....					64,798,811	54,061,815	118,860,626
Fund reclassification (Note 17) .....					(390,391)	390,391	—
Prior period adjustment (Note 18) .....					385,472	—	385,472
Net Assets - Beginning of Year, as Restated .....					64,793,892	54,452,206	119,246,098
<b>Net Assets - End of Year .....</b>					<b>\$ 74,872,362</b>	<b>\$ 52,754,169</b>	<b>\$ 127,626,531</b>

See accompanying notes to the financial statements.

# Balance Sheet - Governmental Funds

As of June 30, 2012

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

See accompanying notes to the financial statements.

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

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As of June 30, 2012

Total Fund Balances for Governmental Funds (Page 16).... \$ 14,668,689

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

Certain receivables are not available financial resources  
and, therefore, are reported as deferred revenue in  
governmental funds..... 5,492,361

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in governmental funds..... 245,216,923

Debt issuance costs are capitalized as deferred charges  
and amortized to expense ..... 1,297,988

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

General obligation bonds payable .....	(141,167,585)
Tax increment financing bonds payable .....	(32,867,067)
Bond anticipation notes .....	(15,133,032)
Other loans payable .....	(1,121,786)
Accrued interest payable .....	(778,382)
Compensated absences.....	<u>(735,747)</u>

Net Assets of Governmental Activities (Page 14) ..... \$ 74,872,362

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

Year Ended June 30, 2012

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

See accompanying notes to the financial statements.



# **Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities** =====

Year Ended June 30, 2012

## **Changes in Fund Balances - Total Governmental Funds**

(Page 18)..... \$ 1,588,908

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

Capital outlays to purchase or construct capital assets are reported in the governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlay and depreciation expense for the year are as follows:

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

The issuance of long-term debt provides current financial resources to governmental funds while repayment of the principal of long-term debt consumes current financial resources. These transactions have no effect on the change in net assets in the statement of activities. In addition, interest is accrued on outstanding debt in the statement of activities whereas in the governmental funds an interest expenditure is reported only when due. The following is a detail of the net effect of these differences in the treatment of long-term debt and related items:

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

Certain receivables are reported in the statement of activities net of the estimated amount that will be uncollectible, but are not available financial resources and, therefore, are not reported as revenue in the governmental funds..... (213,606)

Increase in compensated absences expenses reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds..... (50,467)

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

# Statement of Net Assets - Proprietary Funds

As of June 30, 2012

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

See accompanying notes to the financial statements.

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

Year Ended June 30, 2012

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

See accompanying notes to the financial statements.

# Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2012

	Hotel and Conference Center	Sewer	Golf	Iowa River Landing Parking	Nonmajor Proprietary Funds	Total
<b>Cash Flows From Operating Activities</b>						
Receipts from customers.....	\$ 14,204,379	\$ 3,429,963	\$ 2,034,741	\$ 472,458	\$ 4,114,539	\$ 24,256,080
Payments to suppliers.....	(12,040,056)	(1,215,859)	(1,394,936)	(129,484)	(1,875,811)	(18,656,146)
Payments to employees.....	—	(449,655)	(246,585)	(272,383)	(1,937,631)	(2,906,254)
<b>Net Cash Provided by Operating Activities</b>	<b>2,164,323</b>	<b>1,764,449</b>	<b>393,220</b>	<b>70,591</b>	<b>301,097</b>	<b>4,693,680</b>
<b>Cash Flows From Noncapital Financing Activities</b>						
Noncapital federal and state grants.....	—	—	—	—	579,575	579,575
Net transfers.....	713,927	20,924	255,000	(3,598,969)	5,655	(2,603,463)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>713,927</b>	<b>20,924</b>	<b>255,000</b>	<b>(3,598,969)</b>	<b>585,230</b>	<b>(2,023,888)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>						
Increase (decrease) in due from other governments.....	—	(354,551)	—	—	—	(354,551)
Increase (decrease) in due to other funds.....	46,521	68,948	125,910	269,441	—	510,820
Proceeds from debt.....	—	5,977,630	—	14,298,608	—	20,276,238
Net received from trust.....	84,113	—	(6,039)	—	—	78,074
Purchase of capital assets.....	(22,346)	(4,004,566)	—	(10,294,295)	(812,396)	(15,133,603)
Repayment of debt.....	(685,000)	(3,715,000)	(183,330)	—	(295,000)	(4,878,330)
Payment of interest.....	(2,301,538)	(264,155)	(455,035)	(360,343)	(80,195)	(3,461,266)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(2,878,250)</b>	<b>(2,291,694)</b>	<b>(518,494)</b>	<b>3,913,411</b>	<b>(1,187,591)</b>	<b>(2,962,618)</b>
<b>Cash Flows From Investing Activities</b>						
(Increase) decrease in due from other funds.....	—	499,378	—	—	2,682,146	3,181,524
Interest received.....	—	8,685	6,293	—	—	14,978
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>—</b>	<b>508,063</b>	<b>6,293</b>	<b>—</b>	<b>2,682,146</b>	<b>3,196,502</b>
<b>Net Increase (Decrease) in Cash</b>	<b>—</b>	<b>1,742</b>	<b>136,019</b>	<b>385,033</b>	<b>2,380,882</b>	<b>2,903,676</b>
Cash and Pooled Investments at Beginning of Year.....	—	96,084	—	—	402,513	498,597
<b>Cash and Pooled Investments at End of Year</b>	<b>\$ —</b>	<b>\$ 97,826</b>	<b>\$ 136,019</b>	<b>\$ 385,033</b>	<b>\$ 2,783,395</b>	<b>\$ 3,402,273</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>						
Operating income (loss).....	\$ (907,103)	\$ 723,583	\$ 236,548	\$ (298,624)	\$ (369,159)	\$ (614,755)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities						
Depreciation.....	2,857,603	847,787	227,351	279,601	762,289	4,974,631
(Increase) decrease in receivables.....	179,096	313,272	(137,224)	17,500	(49,100)	323,544
(Increase) decrease in inventories and prepaids.....	78,477	(22,538)	15,231	—	(28,204)	42,966
Increase (decrease) in accounts and retainages payable.....	(61,559)	(85,274)	43,806	(979)	(20,337)	(124,343)
Increase (decrease) in accrued liabilities and compensated absences.....	17,809	(12,381)	7,508	73,093	9,963	95,992
Increase in customer deposits.....	—	—	—	—	(4,355)	(4,355)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,164,323</b>	<b>\$ 1,764,449</b>	<b>\$ 393,220</b>	<b>\$ 70,591</b>	<b>\$ 301,097</b>	<b>\$ 4,693,680</b>
<b>Schedule of Noncash Investing and Financing Activities</b>						
<b>Cash Paid for Capital Assets</b>						
Capital asset additions.....	\$ 22,346	\$ 3,901,751	\$ —	\$ 12,063,417	\$ 748,853	\$ 16,736,367
Capitalized interest.....	—	(131,409)	—	(392,781)	(45,250)	(569,440)
Net change in accounts payable.....	—	234,224	—	(1,376,341)	108,793	(1,033,324)
<b>Cash Paid for Capital Assets</b>	<b>\$ 22,346</b>	<b>\$ 4,004,566</b>	<b>\$ —</b>	<b>\$ 10,294,295</b>	<b>\$ 812,396</b>	<b>\$ 15,133,603</b>
<b>Capital Assets Transferred (Noncash)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,740,394</b>	<b>\$ 3,740,394</b>

See accompanying notes to the financial statements.

## Notes to the Financial Statements

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

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

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the provisions of GASB Statement No. 20, the City has elected not to apply Financial Accounting Standards Board accounting standards issued after November 30, 1989 to its proprietary activities. The more significant of the City's accounting policies are described below.

#### **Reporting Entity**

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

#### **Excluded Component Unit**

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

#### **Basis of Presentation**

##### ***Government-Wide Financial Statements***

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

## Notes to the Financial Statements

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### (1) Summary of Significant Accounting Policies

The statement of net assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

#### ***Fund Financial Statements***

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

The City had the following major governmental funds:

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

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

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

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

## Notes to the Financial Statements

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### (1) Summary of Significant Accounting Policies

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

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

The City had the following major enterprise funds:

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

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

*Golf Fund* - This fund accounts for activities of the City's municipal golf course, clubhouse and related activities.

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

### Description of Funds

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenue and expenditures or expenses, and other financing sources and uses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into categories as follows:

#### **Governmental Fund Types**

*General fund* is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special revenue funds* are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt service funds* are used to account for the accumulation of financial resources for, and the payment of, interest and principal on the City's general obligation debt, most tax increment financing bonds, land purchase contracts and related costs. The City records into the debt service fund, all governmental fund-type bond proceeds received. Amounts are then transferred out to other funds, primarily capital project funds, to be used for the approved purposes. Virtually all governmental fund-type debt service is paid from this fund, with amounts transferred in from other funds, primarily tax increment financing special revenue funds.

*Capital projects funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund types, trust funds and special revenue funds).

## Notes to the Financial Statements

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### (1) Summary of Significant Accounting Policies

#### ***Proprietary Fund Type***

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

#### **Measurement Focus and Basis of Accounting**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within approximately 60 days after year end.

Property tax, local option sales tax, intergovernmental revenue (shared revenue, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

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

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs and then apply general revenue.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.



## Notes to the Financial Statements

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

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

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

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

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

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

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

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

State law mandates that the control of the level of classification at which expenditures may not legally exceed appropriations is based upon ten major classes of disbursements, known as functions, not by fund or fund type. It is permissible, therefore, to overspend the budget within a particular fund so long as the expenditures within a function are not exceeded. The ten functions are Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, Business-Type Activities and Nonprogram. At June 30, 2012, disbursements exceeded the budgeted amounts in Community and Economic Development and Business-Type Activities functional areas.

## Notes to the Financial Statements

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### (1) Summary of Significant Accounting Policies

#### Cash and Pooled Investments

The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law or contract. Investments consist of money market accounts and certificates of deposit stated at fair value which is equivalent to cost.

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

#### Beneficial Interest in a Trust

The City has a beneficial interest in two trusts which were created with amounts borrowed to finance the hotel and conference center construction and various improvements at Brown Deer Golf Course. The trusts consist of cash, certificates of deposit and pooled cash investments, all of which are restricted for these projects.

#### Receivables and Payables

Property taxes receivable are recognized on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Current year delinquent property taxes receivable represent unpaid taxes from the current year. The succeeding year property taxes receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property taxes receivable have been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue became due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2010 assessed property valuations, is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March, 2011.

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

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

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

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

## Notes to the Financial Statements

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### (1) Summary of Significant Accounting Policies

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

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

#### **Inventories and Prepaids**

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

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

#### **Restricted Assets**

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

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

#### **Interest Capitalized**

Construction period interest for business-type activities is capitalized. For projects paid for with taxable bonds, interest is capitalized at the amount of cash paid at the effective interest rate to the earlier of the date the asset is placed in service or year end. During the year ended June 30, 2012, \$45,250, \$131,409 and \$392,781 was capitalized to projects in the water, sewer and hotel parking enterprise funds, respectively.

#### **Capital Assets**

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

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

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

## Notes to the Financial Statements

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### (1) Summary of Significant Accounting Policies

#### Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. In the government-wide and proprietary fund financial statements, these accumulations are recorded as expenses and liabilities of the appropriate fund in the year earned. For governmental fund types, the amount of accumulated unpaid vacation and sick leave which is payable from available resources is recorded as a liability. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

#### Deferred Revenue

Although certain revenue is measurable, it is not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables and certain grants and cost sharing receivables not collected within approximately 60 days after year end. Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied and other project-related amounts not received within approximately 60 days after year end.

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

#### Long-Term Liabilities

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column in the statement of net assets and the proprietary fund type statement of net assets. Bond issuance costs, if material, are reported as deferred charges and amortized over the term of the related debt.

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

#### Fund Balance

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

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

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

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

**Unassigned** - All amounts not included in other spendable classifications.

## Notes to the Financial Statements

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### (1) Summary of Significant Accounting Policies

#### Net Assets

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

#### Estimates and Assumptions

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

### (2) Cash and Pooled Investments

The City's deposits at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure that there will be no loss of public funds.

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

On June 30, 2012, the City had investments in the Iowa Public Agency Investment Trust which were valued at an amortized cost of \$4,724,674 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

The City's cash and pooled investments at June 30, 2012 were as follows:

Cash accounts.....	\$ 8,892,205
Pooled cash investments - Iowa Public Agency Investment Trust.....	4,724,674
Certificates of deposit.....	1,781,244
<b>Total .....</b>	<b><u>\$ 15,398,123</u></b>

### (3) Loans Receivable

During the year ended June 30, 2002, the City made a \$504,000 forgivable economic development loan to a local business. The loan is forgivable upon the business meeting certain job creation goals. The loan bears interest at 6%, which is also forgivable. At June 30, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

During the year ended June 30, 2003, the City made forgivable economic development loans to two local businesses totaling \$828,000. The loans are forgivable upon the businesses meeting certain job creation goals. The loans bear interest at 6%, which is also forgivable. At June 30, 2012, no amounts of principal and interest had been received or forgiven and the loans were not in default.

## Notes to the Financial Statements

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### (3) Loans Receivable

During the year ended June 30, 2005, the City made a \$300,000 economic development loan to the Iowa City/Coralville Convention and Visitors Bureau. The loan includes interest at 5.5% with quarterly payments due through June 30, 2020. Payments made on the loan during 2012 included \$17,989 of principal and \$11,211 of interest. The unpaid balance at June 30, 2012 was \$192,526.

During the year ended June 30, 2005, the City made a forgivable economic development loan to a local business totaling \$1,100,000. The loan is forgivable upon the business meeting certain job creation goals. The loan bears interest at 6%, which is also forgivable. At June 30, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

During the year ended June 30, 2006, the City made a \$576,190 forgivable economic development loan to a local business. The loan is forgivable upon the business meeting certain job creation goals. The loan bears interest at 6%, which is also forgivable. At June 30, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

During the year ended June 30, 2007, the City made a forgivable economic development loan to a local business totaling \$450,200. The loan is forgivable upon the business meeting certain job creation goals. The loan bears interest at 6%, which is also forgivable. At June 30, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

During the year ended June 30, 2008, the City made a forgivable economic development loan to a local business totaling \$210,000. The loan is forgivable upon the business meeting certain job creation goals. The loan bears interest at 6%, which is also forgivable. At June 30, 2012, no amounts of principal and interest had been received or forgiven and the loan was not in default.

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

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

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

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

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

## Notes to the Financial Statements

### (4) Interfund Receivables and Payables

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

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

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

## Notes to the Financial Statements

### (5) Capital Assets

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

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



## Notes to the Financial Statements

### (5) Capital Assets

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

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

### (6) Long-Term Debt

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

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

## Notes to the Financial Statements

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### (6) Long-Term Debt

#### Governmental Activities

##### ***General Obligation Bonds***

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government, urban renewal and proprietary activities. In addition, general obligation bonds have been issued to refund prior general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with substantially equal amounts of principal plus interest maturing each year. Certain general obligation bond debt service is subject to annual appropriation by the City Council. In accordance with the Code of Iowa, only that portion subject to the annual appropriation by the City Council is included in the computation of the statutory debt limit.

##### ***Tax Increment Revenue Bonds***

The City has issued urban renewal tax increment revenue bonds for the purpose of defraying portions of the cost of carrying out urban renewal projects of the City. The bonds are payable solely from the income and proceeds of the TIF special revenue funds and the taxes are to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. Debt service is paid primarily from the General Obligation Debt Service Fund. Transfers are made from the TIF funds for the TIF taxes being used for debt service. The proceeds of the urban renewal tax increment revenue bonds are to be expended only for purposes which are consistent with the City's urban renewal area plans. The bonds are not a general obligation of the City, however, most of the debt is subject to the constitutional debt limitation of the City and have been issued as General Obligation Urban Renewal Bonds. The debt that is not subject to the constitutional debt limit includes principal and interest due later than one year from the balance sheet date for certain annual appropriation notes.

##### ***Bond Anticipation Notes***

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

#### ***Other Long-Term Debt***

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

On September 1, 1998, the City purchased a parcel of land on First Avenue for the First Avenue TIF Area Improvement Project. The purchase was financed by a land purchase contract with the former owner which matured September 1, 2011.

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

During the year ended June 30, 2007, the City purchased 33.5 acres of land for a future public park and/or public open space. The purchase was financed by a land purchase contract with the former owner which matures January 15, 2017. The contract calls for annual payments of \$125,194 through January 15, 2017, including interest at 6.5%.

During the year ended June 30, 2012, \$84,280 of principal and \$40,913 of interest was paid.

## Notes to the Financial Statements

### (6) Long-Term Debt

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

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

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

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

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

#### ***Forgivable Loans***

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

#### ***Advance Refunding of Debt***

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

## Notes to the Financial Statements

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### (6) Long-Term Debt

#### Business-Type Activities

##### ***Revenue Bonds***

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

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

The City has pledged future water customer revenue, net of specified operating expenses, to repay certain water revenue notes. Proceeds from the notes provided financing for the construction of improvements to the water plant. The notes are payable solely from water customer net revenue and are payable through 2020. Net revenue is required to be at least 125% of the debt service coming due in the next year. The total principal and interest remaining to be paid on the notes is \$1,999,000. For the current year, principal and interest due in the next year and total customer net revenue was \$275,925 and \$1,094,293, respectively.

The City has pledged future sewer customer revenue, net of specified operating expenses, to repay sewer revenue notes. Proceeds from the notes provided financing for the construction of improvements to the sewer plant. The notes are payable solely from sewer customer net revenue and are payable through 2031. Net revenue is required to be at least 110% of the current year debt service. The total principal and interest remaining to be paid on the notes is \$10,044,616. For the current year, principal and interest paid and total customer net revenue was \$979,894 and \$1,571,370, respectively.

##### ***Capital Lease Obligations***

##### **Golf Course Expansion Leasing and Financing Transactions**

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

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

During the year ended June 30, 2006, the City refinanced the capital lease agreement through the issuance of \$8,465,000 of Certificates of Participation issued by Central State Bank to repay the existing obligation. The terms of the new agreement remained substantially the same as the original agreement.

During the year ended June 30, 2012, principal and interest paid totaled \$175,000 and \$402,276, respectively.

## Notes to the Financial Statements

### (6) Long-Term Debt

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

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

#### Hotel and Conference Center

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

During the year ended June 30, 2012, principal paid totaled \$685,000 and interest expense totaled \$2,301,538.

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

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

## Notes to the Financial Statements

### (6) Long-Term Debt

#### Other Long-Term Debt

##### **Small Business Administration Loans**

In connection with the donation of the Brown Deer Golf Course to the City in April, 1999, the City assumed the two existing Small Business Administration (SBA) loans of the donor.

The loans are due February, 2024. Required monthly payments total \$1,183 including interest at a rate of 4%. The loans are secured by all assets of the golf course.

At June 30, 2012, annual maturities of the SBA loans are as follows:

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

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

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

## Notes to the Financial Statements

### (6) Long-Term Debt

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

#### Revenue Bond Resolution Requirements

The governmental and business-type activities revenue bond resolutions contain significant limitations and restrictions on annual debt service requirements, require minimum amounts to be maintained in various restricted accounts to provide for payment of principal and interest and require minimum revenue bond coverage. At June 30, 2012, the City was in compliance with these covenants, in all material respects.

### (7) Retirement System

#### Iowa Public Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Contribution requirements are established by State statute and may be amended by the State of Iowa legislature with the consent of the governor. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$752,572, \$639,649 and \$578,085, respectively, and were equal to the required contributions for each year.

Contribution rates were as follows:

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

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

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

## Notes to the Financial Statements

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

#### Plan Description

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

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

#### Funding Policy

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

#### Annual OPEB Cost and Net OPEB Obligation

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

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

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

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

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

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



## Notes to the Financial Statements

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

#### Funded Status and Funding Progress

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

#### Actuarial Methods and Assumptions

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

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

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

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

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

### (9) Interfund Transfers

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

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

## Notes to the Financial Statements

### (9) Interfund Transfers

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

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources or are for other legal purposes.

## Notes to the Financial Statements

### (10) Deficit Balances

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

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

### (11) Operating Lease

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

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

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

## Notes to the Financial Statements

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### **(12) Commitments**

#### **Construction**

The City is involved in construction of capital assets, including flood mitigation, streets and streetscape improvements, a parking ramp, recreation facilities and water and sewer plant improvements. Some construction is funded through grants from state and federal governments. The remainder is generally funded through the proceeds of debt issues. At June 30, 2012, the City was committed to approximately \$21 million of construction contracts.

### **(13) Jointly Governed Organizations**

The City also participates in several jointly governed organizations for which the City is either not financially accountable or the nature and significance of the organizations' relationships with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions which are not included in the City's financial statements: Johnson County Assessors Conference Board, Johnson County Joint E911 Service Board, Johnson County Council of Governments and the Johnson County Compensation Board.

### **(14) Risk Management**

#### **Iowa Community Assurances Pool**

During 2005, the City became a member in the Iowa Communities Assurance Pool (Pool), as allowed by Chapter 670.7 of the Code of Iowa. The Pool is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as prepaid expense at the time of payment to the risk pool and allocated evenly to expense during the year. During the year ended June 30, 2012, the City made payments of approximately \$530,000 to the risk pool.

## Notes to the Financial Statements

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### (14) Risk Management

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the City's financial statements. As of June 30, 2012, settled claims had not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100% of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

#### **Iowa Municipalities Workers' Compensation Association**

The City is a member of the Iowa Municipalities Workers' Compensation Association (Association). The Association is a local government risk-sharing pool whose approximately 500 members include various municipal and county governments throughout the State of Iowa. The Pool was formed in July, 1981 to formulate, develop and administer, on behalf of the member governments, a program of joint self-insurance to stabilize costs related to members' workers' compensation liabilities. Program components include claims management, member education and loss control services. There have been no reductions in insurance coverage from prior years.

Each member pays annual premiums determined by using applicable standard rates for the exposure to risk and applicable experience modification factors of the National Council on Compensation Insurance. Each member may be subject to additional premiums to pay its pro rata share of claims which exceeds the Association's resources available to pay such claims. A distribution to members may also be made if the Association has excess monies remaining after payment of claims and expenses.

The City's premium contributions to the Association are recorded as expenditures from its operating funds at the time of payment to the risk pool. Premiums paid to the Association for the year ended June 30, 2012 were approximately \$187,000.

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

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

## Notes to the Financial Statements

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### **(15) Subsequent Events**

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

Subsequent events included the following:

#### **Debt**

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

#### **Projects, Land and Equipment**

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

### **(16) Contingencies**

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

### **(17) Fund Reclassification**

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

### **(18) Prior Period Adjustments**

#### **Governmental Funds**

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

## Notes to the Financial Statements

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### **(18) Prior Period Adjustments**

#### **Government-Wide Financial Statements**

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

### **(19) Conduit Debt**

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

**Required Supplementary Information**

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

Year Ended June 30, 2012

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

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

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

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Year Ended June 30, 2012

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and nonprogram. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, one budget amendment increased budgeted disbursements by approximately \$130 million. The budget amendments are reflected in the final budgeted amounts.

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

## Schedule of Budgetary Comparison - Budget to GAAP Reconciliation

Year Ended June 30, 2012

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

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

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

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

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

**Supplementary Information**

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# Combining Balance Sheet Schedule - Nonmajor Governmental Funds

As of June 30, 2012

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

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

Year Ended June 30, 2012

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

# Combining Balance Sheet Schedule - Nonmajor Special Revenue Funds

As of June 30, 2012

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



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

Year Ended June 30, 2012

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

# Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

As of June 30, 2012

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

# Combining Balance Sheet Schedule - Nonmajor Capital Projects Funds

As of June 30, 2012

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

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

Year Ended June 30, 2012

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

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

Year Ended June 30, 2012

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

## Combining Schedule of Net Assets - Nonmajor Proprietary Funds

As of June 30, 2012

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

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

Year Ended June 30, 2012

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

## Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2012

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



## Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2012

	Water	Solid Waste	Transit	Storm Water	Total
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in)</b>					
<b>Operating Activities</b>					
Operating income (loss) .....	\$ 672,869	\$ 159,625	\$ (1,399,853)	\$ 198,200	\$ (369,159)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities					
Depreciation .....	421,424	91,350	249,515	—	762,289
(Increase) decrease in receivables ....	(42,470)	(6,630)	—	—	(49,100)
(Increase) decrease in inventories and prepaids .....	(28,766)	(435)	997	—	(28,204)
Increase (decrease) in accounts payable	(24,643)	(13,760)	6,248	11,818	(20,337)
Increase (decrease) in accrued liabilities and compensated absences	2,476	(287)	7,774	—	9,963
Increase in customer deposits .....	(4,355)	—	—	—	(4,355)
<b>Net Cash Provided by (Used in)</b>					
<b>Operating Activities .....</b>	<b>\$ 996,535</b>	<b>\$ 229,863</b>	<b>\$ (1,135,319)</b>	<b>\$ 210,018</b>	<b>\$ 301,097</b>
<b>Schedule of Noncash Investing and Financing Activities</b>					
<b>Cash Paid for Capital Assets</b>					
Capital asset additions .....	\$ 725,026	\$ —	\$ —	\$ —	\$ 725,026
Capitalized interest .....	(45,250)	—	—	—	(45,250)
Net change in accounts payable .....	108,793	—	—	—	108,793
<b>Cash Paid for Capital Assets .....</b>	<b>\$ 788,569</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 788,569</b>
<b>Capital Assets Transferred (Noncash)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,740,394</b>	<b>\$ —</b>	<b>\$ 3,740,394</b>

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

Years Ended June 30, 2003 Through 2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenue</b>										
Property taxes .....	\$ 11,666,499	\$ 11,281,558	\$ 10,811,220	\$ 10,371,050	\$ 9,777,725	\$ 9,155,120	\$ 8,098,678	\$ 7,542,431	\$ 6,713,588	\$ 6,168,644
TIF and other city taxes .....	18,747,034	18,863,375	17,161,601	16,642,895	15,030,854	13,786,896	11,397,440	9,586,743	9,099,939	7,911,524
Special assessments .....	280,101	227,302	123,848	431,610	1,239,963	1,126,217	882,838	1,227,337	1,536,066	1,473,270
Licenses and permits .....	674,089	578,401	412,577	451,523	474,595	604,110	730,436	659,633	596,342	563,513
Use of money and property .....	1,091,475	1,276,051	1,116,480	815,258	946,203	1,347,299	2,438,667	1,353,761	323,054	284,584
Intergovernmental .....	13,799,733	26,866,111	8,346,001	5,356,316	5,351,026	5,384,289	5,499,728	3,519,790	3,558,617	4,605,928
Charges for services .....	1,956,937	1,948,703	1,879,808	1,791,577	1,680,722	1,599,894	1,425,389	1,393,208	1,596,393	912,440
Miscellaneous .....	1,391,780	498,273	827,165	1,269,316	1,537,664	4,871,096	812,366	871,612	892,575	702,272
<b>Total Revenue .....</b>	<b>\$ 49,607,648</b>	<b>\$ 61,537,774</b>	<b>\$ 40,678,700</b>	<b>\$ 37,129,545</b>	<b>\$ 36,038,752</b>	<b>\$ 37,874,921</b>	<b>\$ 31,285,542</b>	<b>\$ 26,154,515</b>	<b>\$ 24,316,574</b>	<b>\$ 22,622,175</b>
<b>Expenditures</b>										
Operating										
Public safety .....	\$ 5,070,890	\$ 4,322,466	\$ 4,030,223	\$ 4,446,950	\$ 4,201,185	\$ 3,946,226	\$ 3,940,020	\$ 3,404,787	\$ 3,034,531	\$ 2,894,491
Public works .....	1,412,413	1,255,807	1,682,532	1,826,042	1,635,688	1,430,685	1,429,082	1,300,160	1,189,911	1,330,057
Health and social services .....	94,420	92,004	91,520	156,322	86,859	114,444	130,441	105,521	79,762	42,059
Culture and recreation .....	6,543,383	5,645,219	5,598,284	5,226,438	4,925,136	4,748,913	3,953,353	3,833,780	3,479,381	3,352,081
Community and economic development .....	2,117,826	2,187,438	2,749,405	9,218,894	1,824,297	427,164	1,753,471	928,797	666,021	589,598
General government .....	2,570,471	2,599,830	2,662,316	2,129,519	1,852,344	1,852,670	1,548,342	1,457,547	1,524,885	1,306,679
Debt service .....	19,794,431	18,737,642	17,635,000	15,877,962	21,420,881	65,482,393	18,828,354	8,748,113	25,197,407	6,572,540
Capital projects .....	47,319,803	34,036,991	19,144,343	9,735,463	13,730,878	37,500,330	53,606,579	27,810,276	20,809,981	11,211,016
<b>Total Expenditures .....</b>	<b>\$ 84,923,637</b>	<b>\$ 68,877,397</b>	<b>\$ 53,593,623</b>	<b>\$ 48,617,590</b>	<b>\$ 49,677,268</b>	<b>\$ 115,502,825</b>	<b>\$ 85,187,642</b>	<b>\$ 47,588,981</b>	<b>\$ 55,981,879</b>	<b>\$ 27,298,521</b>

# Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

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

## **Schedule of Expenditures of Federal Awards**

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Year Ended June 30, 2012

### **Note 1. Basis of Presentation**

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

### **Note 2. Subrecipients**

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

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# HOGAN • HANSEN

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Certified Public Accountants and Consultants

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Coralville, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 16, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

The management of the City of Coralville is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Coralville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the City of Coralville's effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Coralville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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

#### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Coralville's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Coralville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Coralville and other parties to whom the City of Coralville may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
January 16, 2013

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

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

**Compliance**

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Coralville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Coralville's compliance with those requirements.

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

### **Internal Control Over Compliance**

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

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

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

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

*HOGAN - HANSEN*

HOGAN - HANSEN

Waterloo, Iowa  
January 16, 2013



## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2012

### Part I: Summary of Auditor's Results:

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? ☒ yes ☐ no

Significant deficiency identified not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

#### Federal Awards

Internal control over major programs:

Material weakness identified? ☐ yes ☒ no

Significant deficiency identified not considered to be material weakness? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? ☐ yes ☒ no

Identification of major program:

#### **CFDA Numbers**

#### **Name of Federal Program or Cluster**

14.228

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

66.818

Brownfields Assessment and Cooperative  
Agreements

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

\$300,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

## **Schedule of Findings and Questioned Costs**

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Year Ended June 30, 2012

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

#### **Instances of Noncompliance**

There were no reported instances of noncompliance.

#### **Internal Control Deficiencies**

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

**Prior Year Finding and Recommendation** - The City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many entities of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures. We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

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

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

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

**Conclusion** - Response accepted.

### **Part III: Findings and Questioned Costs for Federal Awards:**

#### **Instances of Noncompliance**

There were no reported instances of noncompliance.

#### **Internal Control Deficiencies**

There were no matters reported.

## Schedule of Findings and Questioned Costs

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Year Ended June 30, 2012

### Part IV: Findings Related to Statutory Reporting

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

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

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

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

- 12-IV-B Questionable Disbursements** - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 12-IV-C Travel Expense** - No disbursements of the City of Coralville money for travel expenses of spouses of City officials or employees were noted.
- 12-IV-D Business Transactions** - No business transactions between the City and City officials or employees aggregating over \$1,500 were noted.
- 12-IV-E Bond Coverage** - Surety bond coverage of the City of Coralville officials and employees is in accordance with statutory provisions and was reviewed and updated during the year. We recommend that the amount of coverage continue to be reviewed annually to insure that the coverage is adequate for current operations.
- 12-IV-F Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not. We also noted that the Council minutes were published within 15 days as required by Chapter 372.13(6) of the Code of Iowa for all meetings.
- 12-IV-G Revenue Bonds** - The City has complied with the provisions of the revenue bond indentures and with the provisions of the tax increment revenue bond issues.
- 12-IV-H Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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

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

**Auditor's Recommendation** - The City should investigate alternatives to eliminate these deficits in order to return the funds to sound financial position.

**City's Response** - The deficits will be eliminated as financing for projects, state and federal grants and tax revenue is received in future years.

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