

# City of Iowa City Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016



The new play structure at Mercer Park in Iowa City, installed in 2016, is all-inclusive, allowing children and their families to play together regardless of abilities.

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**CITY OF IOWA CITY, IOWA**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**PREPARED BY:**

**FINANCE DEPARTMENT**  
CITY OF IOWA CITY, IOWA

# Introductory Section Tab

**CITY OF IOWA CITY, IOWA**

**TABLE OF CONTENTS**

June 30, 2016

Page

**INTRODUCTORY SECTION**

Table of contents.....	1
Letter of transmittal.....	3
Certificate of Achievement for Excellence in Financial Reporting .....	12
City organizational chart.....	13
City officials.....	14

**FINANCIAL SECTION**

INDEPENDENT AUDITOR’S REPORT .....	15
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	19
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements	
Statement of net position .....	32
Statement of activities.....	34
Fund financial statements	
Balance sheet – governmental funds.....	36
Reconciliation of the balance sheet of the governmental funds to the statement of net position.	37
Statement of revenues, expenditures, and changes in fund balances – governmental funds .....	38
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities.....	39
Statement of net position – proprietary funds .....	40
Statement of revenues, expenses, and changes in fund net position – proprietary funds .....	41
Statement of cash flows – proprietary funds.....	42
Statement of fiduciary assets and liabilities .....	43
Notes to financial statements .....	44
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule – budget and actual – all governmental funds and enterprise funds – budgetary basis.....	84
Budgetary comparison schedule – budget to GAAP reconciliation .....	86
Note to required supplementary information – budgetary reporting.....	87
Schedule of the City’s proportionate share of MFPRSI net pension liability.....	89
Schedule of City’s MFPRSI contributions.....	90
Note to required supplementary information – MFPRSI pension liability.....	92
Schedule of the City’s proportionate share of IPERS net pension liability.....	93
Schedule of City’s IPERS contributions.....	94
Note to required supplementary information – IPERS pension liability.....	96
Required supplementary information – schedule of funding progress for health and dental plans.....	98
<b>COMBINING AND INDIVIDUAL FUND STATEMENTS</b>	
Combining balance sheet – nonmajor governmental funds .....	100
Combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds.....	101
Combining statement of net position – nonmajor enterprise funds .....	104
Combining statement of revenues, expenses, and changes in fund net position – nonmajor enterprise funds.....	105
Combining statement of cash flows – nonmajor enterprise funds .....	106
Combining statement of net position – internal service funds.....	108
Combining statement of revenues, expenses, and changes in fund net position – internal service funds.....	109

CITY OF IOWA CITY, IOWA

TABLE OF CONTENTS

June 30, 2016

	<u>Page</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS (continued)	
Combining statement of cash flows – internal service funds .....	110
Statement of changes in assets and liabilities – agency funds.....	112

**STATISTICAL SECTION (UNAUDITED)**

Net position by component.....	115
Changes in net position .....	116
Fund balances – governmental funds .....	118
Changes in fund balances – governmental funds .....	119
General government tax revenues by source .....	120
Assessed and taxable value of property.....	121
Property tax rates – direct and overlapping governments .....	122
Property tax budgets and collections .....	123
Principal taxpayers .....	124
Principal water system customers .....	126
Sales history and total water charges.....	127
Principal sewer system customers .....	128
Sales history and total sewer charges .....	129
Ratios of outstanding debt by type .....	130
Ratios of general obligation bonded debt to assessed value and net bonded debt per capita.....	131
Ratio of annual debt service expenditures for general bonded debt to total general governmental expenditures.....	132
Computation of direct and overlapping debt .....	133
Legal debt margin information.....	134
General obligation debt annual maturity schedule .....	135
Schedule of revenue bond coverage .....	136
Revenue debt annual maturity schedule .....	137
Revenue debt annual maturity by funding source .....	138
Demographic and economic statistics .....	140
Principal employers .....	141
Full-time equivalent city government employees by function .....	142
Operating indicators by function .....	144
Capital assets by function.....	145

**COMPLIANCE SECTION**

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 <i>Government Auditing Standards</i> .....	147
Independent auditor’s report on compliance for each major federal program and report on internal control over compliance required by the Uniform Guidance .....	149
Schedule of expenditures of federal awards .....	151
Notes to the schedule of expenditures of federal awards .....	155
Schedule of findings and questioned costs .....	156
Summary schedule of prior federal audit findings .....	158

December 12, 2016



To the Citizens, Honorable Mayor, Members  
of the City Council and City Manager  
City of Iowa City, Iowa

The Comprehensive Annual Financial Report (CAFR) of the City of Iowa City, Iowa (the City) for the fiscal year ended June 30, 2016 is submitted herewith in accordance with the provisions of Chapter 11 of the Code of Iowa. The City's Finance Department prepared this report. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rest with the City. I believe the information, as presented, is accurate in all material respects and presented in a manner designed to fairly present the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

Management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements will be free of any material misstatement.

Eide Bailly, LLP, a firm of independent public accountants has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2016. Their opinion is included in the Financial Section of this report.

The City is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Information to comply with the Uniform Guidance and "Government Auditing Standards" is included in the Compliance Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of Iowa City was incorporated April 6, 1853. The City is governed by a seven member Council; each member serves a four-year term. Elections are held every two years allowing for continuation in office of at least three members at each biennial election. The Council members are elected at large, with three members nominated from specific districts and the remaining four members nominated at large. The Council elects the Mayor from its own members for a two-year term.

The City Council is the legislative body and makes all policy determinations for the City through the enactment of ordinances and resolutions. It also adopts a budget to determine how the City will obtain and spend its funds. The Council appoints members of boards, commissions and committees.

The City Manager is the chief administrative officer for the City and is appointed by the City Council. The City Manager implements policy decisions of the City Council and enforces City ordinances. In addition, the City Manager appoints and directly supervises the directors of the City's operating departments and supervises the administration of the City's personnel system. The City Manager supervises 496 full-time and 46 part-time permanent municipal employees and 470 temporary employees, including a police force of 82 sworn personnel and a fire department of 64 firefighters.

The City Clerk is appointed by the City Council and reports to the Council. The City Clerk's Office administers the City government's documentation, City licenses and permits, and provides information from the Municipal Code and City Ordinances to the public and other City departments. The City Clerk's Office is also responsible for distributing and maintaining accurate records of all City Council proceedings. The Clerk supervises 3 full-time employees and 1 temporary employee.

The City Attorney is also appointed by the City Council and works at the direction of the City Council. The City Attorney supervises the City Attorney's Office, including 4 Assistant City Attorneys and 2 other full-time employees. In addition, the City Attorney acts as Chief Legal Counsel to the City Council, City Manager, the various City departments and staff, and most City commissions, committees and boards.

The City provides a full range of services including police and fire protection, construction and maintenance of roads, streets and infrastructure, inspection and licensing functions, a municipal airport, library, recreational activities, and cultural events. The City owns and operates its water supply and distribution system and sewage collection and treatment system with secondary treatment also provided. Virtually the entire City has separate storm and sanitary sewer systems. The City operates a municipal off-street and on-street parking system in the downtown area. The City also operates a transit system.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager in October. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the Council for review in December. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than March 15. The appropriated budget is prepared by fund, function (e.g., Public Safety), and department (e.g., Police).

The City adopts a three-year financial plan that includes both operations and capital improvements. This three-year plan permits a more comprehensive review of the City's financial condition, allowing analysis of the current and future needs and requirements. During preparation of the plan, careful review is made of property tax levy rates, utility and user fee requirements, ending cash balances by fund, debt service obligations, bond financing needs, capital outlay for equipment purchases and major capital improvement projects. The state requires at least a one-year operating budget. While legal spending control is exercised at a state mandated function level, management control is set at the Department Manager level. Encumbrance accounting is utilized in all funds for budgetary control. Appropriations that are not spent lapse at the end of the year.

## **Information Useful in Assessing the Government's Economic Condition**

The City's economic strength is based on the educational sector, medical services, and diversified manufacturing. The University of Iowa and the University of Iowa Hospital and Clinics are the City's largest employers with over 27,300 employees. The University of Iowa had a record high enrollment in fall 2016 of 33,334 students. The academic and research missions of the University, along with the health care services provided at its hospitals and clinics, have a tremendously positive economic impact on the area.

The City also has a significant number of national and international businesses, including Fortune 500 companies. The City continues to see sustained production in our major local industries; ACT Inc., NCS Pearson, and Proctor & Gamble. Continued economic development efforts with the Iowa City and Coralville Chambers of Commerce, private interests, the University of Iowa, other surrounding communities, and participation as a member of the Iowa City Area Development Group, have also produced positive results with the retention and expansion of businesses.

In addition, Iowa's Creative Corridor is a seven-county alliance surrounding Iowa City and has been identified as one of the major growth areas for new business development in the State of Iowa. This Corridor gives employers workforce access to a region uniquely Iowan, founded with a manufacturing heritage, but actively seeking new frontiers and opportunities in information technology, biotechnology and bioprocessing, renewable energy, insurance and financial services, advanced manufacturing, and educational services. Continued developments within Iowa City and the region have a favorable impact upon the City's economy.

As a whole, the City's economy continues to grow. While established firms continue to prosper and expand in Iowa City and there are opportunities for growth of new businesses, several of the City's businesses have announced layoffs in 2015 and 2016. ACT, Inc. announced a layoff of 80 employees in August 2015, NCS Pearson announced a layoff of 57 employees in April 2016, and International Automotive Components announced a layoff of nearly 500 workers in October 2016. Overall, employment has remained steady as evidenced in the unemployment rate for Iowa City, which continues to remain low at 2.8% for the month of June 2016, as compared to 4.0% for the State of Iowa, and 4.9% for the national average.

The rate of new housing construction increased in comparison to the prior year based on the number of building permits issued. This consisted of 137 new single-family houses in 2015 as compared to 176 in 2014; multi-family dwelling units added during fiscal year 2015 was 499, compared to 218 in 2014; and mixed commercial/residential developments added 47 dwelling units in 2015 versus 37 residential units in 2014. Altogether these housing additions totaled 683 units valued at \$92,701,042 in 2015 versus a total of 431 units valued at \$78,784,970 in 2014.

The value of permits for commercial construction decreased by \$18,721,859 to \$12,241,486 from 2014 to 2015; however, the value of remodeling permits for residential and commercial increased by \$3,861,511 to \$31,040,841 from 2014 to 2015.

According to the 2010 census, the population of Iowa City is 67,862. This is an increase of 5,672 or 9.1% as compared to the 2000 census. Iowa City population in 2015 is estimated to be 74,220 by the U.S. Census Bureau.

The stability of the University of Iowa coupled with historically steady employment by the City's multi-sector base of manufacturing and service industries, helped insulate the City from any significant negative economic impacts of the national recession. The City's property valuations continue to rise and along with the low unemployment rate, this is indicative of the City's relative economic stability.



## Major Initiatives

The City of Iowa City, with the assistance of the University of Iowa's Institute of Public Affairs, completed the City's Strategic Plan. The strategic planning process involved multiple steps, including gathering input from the general public, front-line City staff, department directors, and the City Council. The Strategic Plan establishes the following organizational priorities, programs, policies, and initiatives:

1. Promote a Strong and Resilient Local Economy
  - Identify how the City and local partners can effectively market and grow the local foods economy
  - Review and consider amending the City's Tax Increment Finance (TIF) policy
  - Promote neighborhood commercial districts and build stronger relations with business owners throughout the community
  - Work closely with the University of Iowa and Kirkwood Community College on future facilities and economic development opportunities, especially in the Riverfront Crossings District
  - Work closely with the ICCSD, Kirkwood Community College, labor organizations, Iowa Works and others to explore the feasibility of an industrial arts/crafts facility in Iowa City
  - Proactively seek opportunities to facilitate development of our interstate entryways in a manner consistent with this strategic plan
  - Develop programs aimed to enhance small business development and retention with a focus on diverse communities
  
2. Encourage a Vibrant and Walkable Urban Core
  - Consider creating a new City Council committee with a focus on the sustainable built environment
  - Support historic preservation efforts
  - Initiate public dialogue about the meaning and importance of a walkable neighborhood and how to achieve it
  - Encourage diverse housing types and price points for a variety of income levels
  
3. Foster Healthy Neighborhoods throughout the City
  - Consider amending the City's Annexation Policy to require the provision of affordable housing in residential/mixed-use areas
  - Evaluate the implementation of a Form Based Code in one or two parts of the community
  - Develop strategies to diversify the membership of neighborhood associations
  - Substantially improve access and use of public spaces through improvements to sidewalks, streetscapes, parks, and schools
  
4. Maintain a Solid Financial Foundation
  - Continue to monitor the impact of the 2013 property tax reform and evaluate alternative revenue sources as determined necessary
  - Continue to build the City's Emergency Fund
  - Monitor potential changes to Moody's rating criteria and maintain the City's Aaa bond rating
  - Continue to reduce the City's property tax levy
  - Maintain healthy fund balances throughout the City's diverse operations

5. Enhance Community Engagement and Intergovernmental Relations
  - Provide timely and appropriate input on the ICCSD's planned 2017 bond referendum
  - Televise regular City Council work sessions
  - Significantly improve the Council and Staff's ability to engage with diverse populations on complex or controversial topics
  
6. Promote Environmental Sustainability
  - Raise Iowa City's Bicycle Friendly Community status from Silver to Gold by 2017 and aspire toward a Platinum status in the future
  - Evaluate and consider implementation of a plastic bag policy
  - Undertake a project in FY 2017 that achieves a significant measurable carbon emission reduction
  - Set a substantive and achievable goal for reducing city-wide carbon emissions by 2030, and create an ad-hoc climate change task force, potentially under an umbrella STAR Communities committee, to devise a cost-effective strategy for achieving the goal
  - Collaborate with community partners on sustainability efforts
  
7. Advance Social Justice and Racial Equity
  - Develop and implement a racial / socioeconomic equity review toolkit
  - Support the Housing First initiative and other local homeless efforts including the temporary winter shelter
  - Consider creating a City Council committee with a focus on social justice and racial equity
  - Evaluate initiatives to effectively engage the community's youth
  - Identify and implement an achievable goal to reduce disproportionality in arrests
  - Create a racial equity grant program
  - Develop a partnership with the University of Iowa and other key stakeholders that will aid efforts to recruit and retain a greater minority workforce
  - Identify a substantive and achievable goal for the provision of affordable housing in Iowa City and implement strategies to achieve this goal

The City Council has also promoted private investment and re-development of other targeted areas throughout the community. The areas that are currently being focused on include the Riverfront Crossings area, the Downtown District, the Towncrest commercial area, the Sycamore Mall and First Avenue commercial area, and the Riverside Drive commercial area.

The Riverfront Crossing area is an initiative to revitalize the area south of Iowa City's downtown district. This area was hard hit by the flooding in 2008 and ideas for improving the district were initiated as part of a combined flood mitigation plan. The new neighborhood will feature a riverfront park with walking and biking trails, a variety of housing options near shopping, restaurants, a state-of-the-art recital hall and recreational facilities and is a short walk to downtown Iowa City and the University of Iowa campus.

The Riverfront Crossings area is anchored by a 76.8 acre area that was formerly comprised of public facilities including the City's north wastewater treatment plant. The City received an \$8.5 million hazard mitigation grant from the State of Iowa that allowed the City to remove these public facilities, and then convert the area into a riverfront park and wetland. This work is expected to be completed in 2017. On the north side of the Riverfront Crossing area, the University of Iowa recently completed construction of the Voxman School of Music. There are several public and private developments also under construction in this area including a 12-story, \$33 million Hilton Garden Inn, a \$102.5 million mixed-use development with a 14-story tower and a 15-story tower that will include a hotel, apartments, retail space, and office space. The City is also constructing a \$15.3 million, 600 space parking garage to service the growth in this area.

In the Downtown District, the City completed a streetscape plan for the Central Business District which included lighting, landscaping, parking, utility improvements, art work, and pedestrian amenities. Reconstruction, design, and enhancement are under way for the Washington Street corridor, the Black Hawk mini park and the downtown pedestrian mall.

Other buildings in the downtown that are undergoing or have recently completed major re-development include the historic Midwest One bank building and the conversion of the city-owned Wilson building and public space. The Wilson Building and public space will be developed into a 15-story mixed-use development to be known as the Chauncey; this building will have 8 floors of residential units, a 35 unit hotel, two floors of commercial space, a movie theatre and a bowling alley. The project is anticipated to be \$49 million and will be assisted with tax increment financing.

In the Towncrest commercial area, City staff is working to facilitate redevelopment of several key properties that will improve the function and aesthetic appeal of the area. The Towncrest Urban Renewal Area was developed to revitalize the Towncrest commercial district in ways that would serve existing businesses while also drawing new retailers, service providers, and consumers to the area. The first catalyst project approved in the Towncrest Urban Renewal Area was a developer's agreement with MDK Development LLC for the redevelopment of a gas station and a building used for storage into two new office buildings with a combined square footage of 14,500. Total project costs for this development are estimated at \$5,200,000. A second major project underway is a Low Income Housing Tax Credit project to construct a \$7.4 million, 40 unit senior housing complex on the current site of a dilapidated commercial structure. This project is anticipated to start by the end of 2016.

The Sycamore Mall and First Avenue commercial area is a commercial area surrounding the former Sycamore Mall in southeast Iowa City. The departure of an anchor tenant at Sycamore Mall presented a great challenge, but also a unique opportunity to reinvent the commercial space. Mall ownership has commenced plans for physical improvements to the property and a new marketing name of Iowa City Marketplace. The Mall ownership has found a replacement anchor tenant, Lucky's Market, which has remodeled the former space and moved in during the summer of 2015. The City is completing significant capital projects in the area that have lasted two or more construction seasons. These projects include reconstruction of Sycamore Street and Lower Muscatine Road, and a grade separation project on First Avenue including new storm sewer and a railroad underpass. These projects, which are underway in different phases, will each have a positive impact on the traffic flows and aesthetics in this commercial district.

The Riverside Drive commercial area is an area that stretches from the University of Iowa campus to the intersection of Highways 1 and 6 and is across the river from the Riverfront Crossings development area. A development in the Riverside Drive area is currently nearing completion for a 4-story, \$16.1 million multi-family/student housing development. Adjacent to this development is commercial construction for new retail space and a gas station/marketplace. The City is also developing a streetscape plan for this area which will include lighting, trails, landscaping, and other amenities and improvements. Adjacent to this area is the City's aging public works complex, which is being targeted for replacement and redevelopment. An appraisal and evaluation as well as a plan for replacement are underway.

### **Long-term Financial Planning**

It is our intent to support the major initiatives through budget appropriations, departmental operations, and employee direction so that the organization as a whole is moving in the same direction.

A significant influence in the preparation of the three-year financial plan (FY16 – FY18) is the passage of property tax reform (SF295) by the state legislature. The property tax reform bill has multiple components including a property tax rollback for commercial and industrial property, steadily reducing the taxable value of these property types. The bill establishes a State backfill for lost property tax revenues to the City due to the commercial and industrial rollback beginning in FY15 and then caps the amount at FY17 levels. The cumulative reduction in commercial and industrial property taxes due to this rollback is estimated to be \$15,418,000 over the next ten years. The maximum reimbursement from the State would be \$14,732,000 for a net loss in revenues of \$686,000. The City received State reimbursement for the commercial and industrial rollback of \$1,048,359 in fiscal year 2015 and \$2,080,228 in fiscal year 2016.

This bill also limits the annual taxable valuation growth of residential and agricultural property to 3 percent, instead of the current 4 percent. Initially, the financial impact will be minimal but over time the consequences of this change will be significant. The effect will be that the taxable percentage of residential property will increase at a slower pace. Without this change, the estimated taxable percentage of residential property would be 60.85% in assessment year 2022. With this provision in place, the estimated taxable percentage in year 2022 will be 55.11%, a reduction of 5.74%. Based on the assessed value of residential property in Iowa City, the cumulative loss is estimated to be \$20,772,000 over the next ten years and the City will not receive any money from the State due to lost revenue from this provision.

SF295 also establishes a multi-residential property classification that will include mobile home parks, assisted living facilities, and property primarily intended for human habitation. A gradual rollback will be applied to these properties that will basically treat them as residential property, rather than commercial, by the year 2022. The estimated cumulative loss over the next ten years is \$15,505,000 and will not be reimbursed by the State of Iowa. The first fiscal year for this new class of property will be fiscal year 2017.

With the implementation of SF295, the City estimates the tax revenue losses to be \$2,768,000 for FY15 – FY17. Since some of the effects of these reforms are gradual, the magnitude of the losses will not be felt till later years and the total cumulative ten-year loss is anticipated to be \$36,963,000, which will affect the City's ability to finance services at current levels without finding other revenue sources or more efficient ways to deliver services.

The City's long-term financial planning strategy is to promote targeted economic development, diversify its revenue structure, control spending and create efficiencies and to build adequate reserves and contingencies into its financial structure. In addition, the City is annually reviewing and adjusting its user fees, service charges, and fine structures to try to maintain all of its major enterprise funds with a positive net income after depreciation but before capital contributions, transfers, and extraordinary items. The City also continues to strive to reduce the City's property tax levy rate to be competitive for economic development purposes. For fiscal year 2013, the levy rate was \$17.269 per \$1,000 of assessed value. The property tax levy rate has been reduced for four consecutive years to \$16.583 in fiscal year 2017. This has been a reduction of \$.686 per \$1,000 of assessed value or 3.97% over that time period.

In looking at expenses for the FY16 – FY18 financial plan, the City will generally experience increased expenditures; however at a modest pace. Bargaining unit wage increases are approximately 2.40% to 2.60% each year; however, the budgeted full time equivalents (FTE) has decreased from 615.66 in FY14 to 599.89 in FY17. In addition, public safety pension contribution rates have decreased in FY17 and are projected to continue to remain stable in FY18. The City had seen virtually no increase in its health insurance premium rates over the previous three years, but in FY17 contribution rates increased by 13.65% due to high claims experience. Employee contributions are expected to increase in FY17, and employee contributions, deductibles, and out-of-pocket maximums are expected to increase in FY18.

In balancing the budget for the three-year period, the City attempted to reduce costs where possible while continuing to provide high quality services, identify and eliminate redundancies that may exist within the organization, examine existing and potential new revenue sources, promote and plan for economic development and redevelopment throughout the City to ensure strong property values, provide for necessary improvements to existing infrastructure, and uphold fiscal integrity and maintain adequate cash reserves.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (the Certificate) to the City of Iowa City, Iowa for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. The Certificate is the highest form of recognition for excellence in state and local financial reporting.

In order to be awarded the Certificate, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The Certificate is valid for a period of one year only. The City has received the Certificate for the last thirty-one consecutive years. I believe our current report continues to conform to the Certificate requirements and I will submit it to GFOA to determine its eligibility for another certificate.

In addition, the City received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget beginning July 1, 2016. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient or outstanding in several categories including policy documentation, financial planning, and organization. This is the fifth consecutive year the City has received this award.

## **Responsibility and Acknowledgments**

The Department of Finance prepared the Comprehensive Annual Financial Report of the City of Iowa City, Iowa for the fiscal year ended June 30, 2016. The City Council, as required by law, is responsible for the complete and accurate preparation of the City's Comprehensive Annual Financial Report. I believe that the information presented is accurate in all material respects and that this report fairly presents the financial position and results of operations of the various funds of the City.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the City's Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to its preparation. I want to especially recognize the contributions of the City's Controller, Nicole Knudtson-Davies, Assistant Controller, Sara Sproule, Senior Accountants, Justin Armatis and Katie Downing and Payroll Accountant, Chris Hurlbert.

Also, I thank the Mayor, members of the City Council and the City Manager for their interest and support in planning and conducting the financial operations of the City in a dedicated, responsible, and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. Bockenstedt". The signature is fluid and cursive, with a large, sweeping underline that extends to the right.

Dennis Bockenstedt  
Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Iowa City  
Iowa**

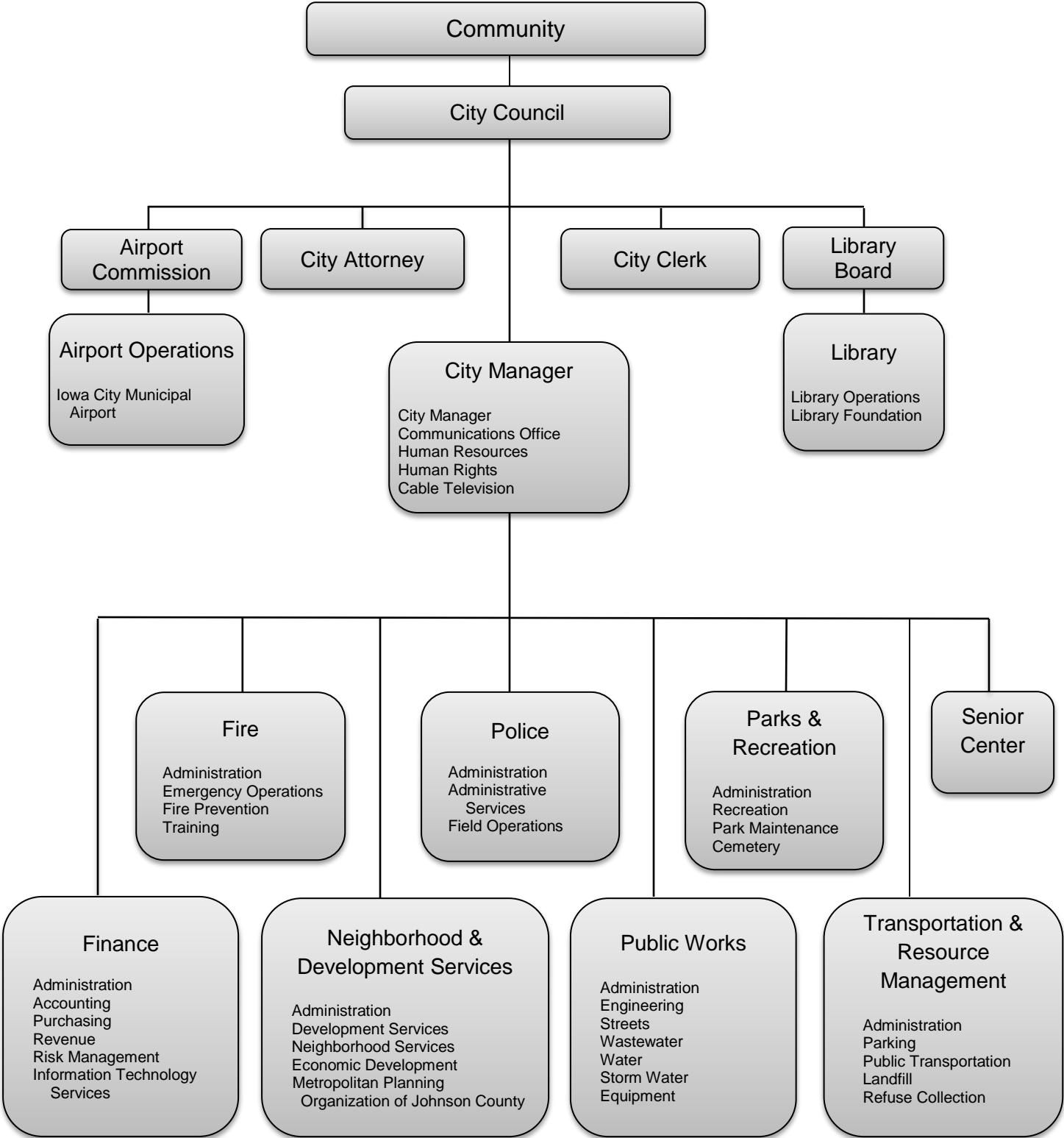
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

# City of Iowa City

## Organization Chart





**CITY OF IOWA CITY, IOWA**

**LISTING OF CITY OFFICIALS**

June 30, 2016

**ELECTED OFFICIALS**

		<b><u>Term Expires</u></b>
Mayor	Jim Throgmorton	January 2, 2020
Council Member and Mayor Pro Tem	Kingsley Botchway II	January 2, 2018
Council Member	Susan Mims	January 2, 2018
Council Member	Terry Dickens	January 2, 2018
Council Member	Rockne Cole	January 2, 2020
Council Member	Pauline Taylor	January 2, 2020
Council Member	John Thomas	January 2, 2020

**APPOINTED OFFICIALS**

		<b><u>Date of Hire</u></b>
City Manager	Geoff Fruin	November 28, 2011
City Clerk	Marian K. Karr	May 21, 1979
City Attorney	Eleanor Dilkes	March 18, 1996

**DEPARTMENT DIRECTORS**

Assistant City Manager	Ashley Monroe	December 1, 2016
Director of Neighborhood Development Services	Douglas W. Boothroy	September 22, 1975
Library Director	Susan Craig	July 28, 1975
Director of Public Works	Ron Knoche	April 28, 1999
Director of Transportation Services	Chris O'Brien	December, 29, 1997
Senior Center Coordinator	Linda Kopping	March 20, 1995
Fire Chief	John Grier	August 10, 1992
Parks and Recreation Director	Juli Seydell Johnson	January 4, 2016
Director of Finance	Dennis Bockenstedt	February 15, 2013
Interim Chief of Police	William Campbell	April 27, 1990

# Financial Section Tabs

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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 Iowa City, Iowa, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Iowa City, Iowa's financial statements. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2016, on our consideration of the City of Iowa City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Dubuque, Iowa  
December 12, 2016

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## Management's Discussion and Analysis

As management of the City of Iowa City, we present this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. This narrative is intended to be used in conjunction with additional information that is included in the letter of transmittal, which can be found on pages 3 – 11 of this report.

### Financial Highlights

- The assets and deferred outflows of resources of the City of Iowa City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ending June 30, 2016 by \$595,338,000 (net position). Of this amount, \$87,874,000 (unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The City's total net position increased by \$30,614,000 during the fiscal year. Governmental activities increased by \$18,222,000 and business-type activities increased by \$12,392,000.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$86,518,000, an increase of \$9,492,000 in comparison with the prior year. Of this total amount, approximately \$23,366,000 or 27.0% is unassigned and available for spending at the City's discretion.
- At the end of the current fiscal year, the City's unassigned fund balance for the General Fund was \$23,366,000 or 52.8% of total General Fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include Public Safety, Public Works (roads and traffic controls), Culture and Recreation, Community and Economic Development, General Government, and Interest on long-term debt. The business-type activities of the City include Airport, Housing Authority, Parking, Sanitation, Stormwater Collection, Transit, Wastewater Treatment, and Water.

The government-wide financial statements may be found on pages 32 – 35 of this report.

**Fund Financial Statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements and is typically the basis that is used in developing the next annual budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City has six major governmental funds: General Fund, Employee Benefits Fund, Community Development Block Grant Fund, Other Shared Revenue and Grants, Bridges, Street and Traffic Control Construction Fund, and Debt Service Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for these major funds. Data from all other non-major governmental funds is combined into a single aggregated presentation and are referenced under a single column as "Other Governmental Funds". Individual fund data on each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds as required by state statute. Budget comparisons have been provided for the Governmental funds and the Enterprise funds, to demonstrate compliance with the adopted budget.

The basic governmental funds financial statements can be found on pages 36 – 39 of this report.

**Proprietary Funds:** The City maintains two different types of proprietary funds. *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 Airport, Housing Authority, Parking, Sanitation, Stormwater Collection, Transit, Wastewater Treatment, and Water activities. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City has four Internal Service Funds: Equipment Maintenance, Central Services, Loss Reserve, and Information Technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. Parking, Wastewater Treatment, Water, Sanitation, Stormwater, Housing Authority and Transit Funds are considered to be major funds and are reported individually throughout the report. The other two non-major enterprise funds are grouped together for reporting purposes and listed under a single heading "Other Enterprise Funds". Detailed information for each of the non-major funds is provided in the combining statements on pages 104 – 106. Individual fund data for the Internal Service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 40 – 42 of this report.



**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not available to support the City’s own programs and therefore are not reflected in the government-wide financial statements. The City has one fiduciary fund: Project Green, which is maintained as an agency fund.

The basic fiduciary funds financial statements can be found on page 43.

**Notes to Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44 – 82 of this report.

**Other Information:** The combining statements referred to in the above paragraphs in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the notes.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$595,338,000 at the close of the fiscal year ended June 30, 2016.

By far, the largest portion of the City’s net position reflect its investment in capital assets (e.g., land, building, machinery and equipment, improvements other than buildings, and infrastructure), net any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Iowa City's Net Position**  
**June 30, 2016**  
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 187,556	\$ 181,204	\$ 116,163	\$ 104,844	\$ 303,719	\$ 286,048
Capital assets	207,222	199,652	319,926	325,429	527,148	525,081
Total assets	394,778	380,856	436,089	430,273	830,867	811,129
Deferred outflows of resources	7,192	6,767	1,217	1,296	8,409	8,063
Long-term liabilities outstanding	94,598	91,815	57,712	62,026	152,310	153,841
Current and other liabilities	13,146	15,864	7,217	7,931	20,363	23,795
Total liabilities	107,744	107,679	64,929	69,957	172,673	177,636
Deferred inflows of resources	70,308	74,248	957	2,584	71,265	76,832
Net position:						
Net investment in						
capital assets	163,362	153,729	279,679	279,272	443,041	433,001
Restricted	42,154	36,447	22,269	22,389	64,423	58,836
Unrestricted	18,402	15,520	69,472	57,367	87,874	72,887
Total net position	<u>\$ 223,918</u>	<u>\$ 205,696</u>	<u>\$ 371,420</u>	<u>\$ 359,028</u>	<u>\$ 595,338</u>	<u>\$ 564,724</u>

A portion of the City's net position, \$64,423,000 or 10.8%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net position, \$87,874,000 or 14.8%, may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the fiscal year ended June 30, 2016, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following is a more detailed review of FY16's operation.

**Governmental Activities:** Governmental activities increased the City's net position by \$18,222,000. The increase in net position of governmental activities is primarily due to receiving grants to fund expenses for capital assets and community development projects.

The total revenues for governmental activities for FY16 were \$86,138,000. Governmental activities are primarily funded through taxes, \$55,831,000 or 64.8%, and grants and contributions, \$13,940,000 or 16.2%. Taxes increased from the prior year by \$816,000, mostly due to increased property taxes which was due to an increase in the taxable value of all property. Grants and contributions decreased from prior year by \$6,317,000 as the City's expenses for flood mitigation, which were covered by supplemental Community Development Block Grants, have decreased.

Expenses for governmental activities totaled \$61,603,000. Governmental activities are tracked by function including Public Safety, Public Works, Community and Economic Development, Culture and Recreation, and General Government. In FY16, Public Safety accounted for the highest portion of governmental expenses, \$22,029,000 or 35.8%, and increased slightly over the prior year due to an increase in pension expense. Culture and Recreation expenses of \$14,422,000 or 23.4% made up another large portion of the governmental expenses and increased over the prior year due mainly to increases in library operating costs. Public Works expenses of \$10,839,000 or 17.6% made up the third highest portion of governmental expenses and decreased from the prior year due to less flood recovery and mitigation projects.

**Business-type Activities:** Business-type activities increased the City's total net position by \$12,392,000. The increase in net position was primarily from the Parking and Wastewater Treatment funds. The increase in Parking is due to a sale of land and the increase in the Wastewater Treatment fund is due to transfers from governmental capital project funds. For all business-type activities, revenues exceeded expenses by \$6,079,000.

Revenues for business-type activities totaled \$58,739,000. The primary revenue source for business-type activities is charges for services, \$39,953,000 or 68.0%. In addition for FY16, the City's business type-activities had a significant portion, \$15,246,000 or 26.0%, of their revenues from grants and contributions used to help fund capital and flood recovery projects for business-type activities.

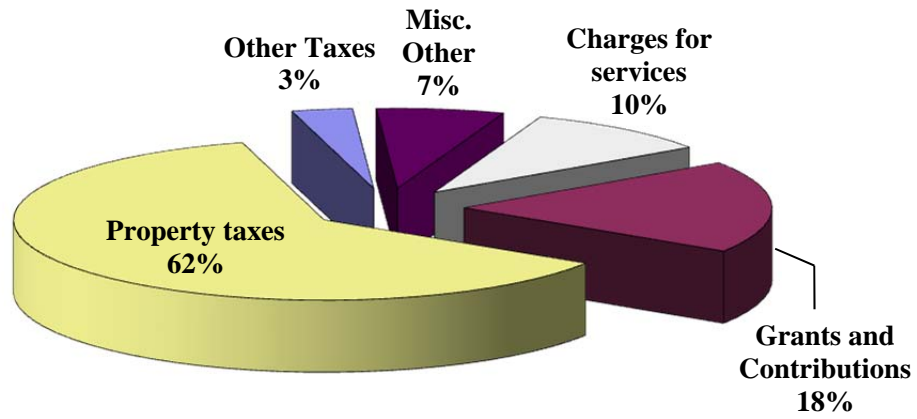
The total expenses for business-type activities in FY16 were \$52,660,000. Wastewater Treatment represented the highest portion of business-type activities, \$11,866,000 or 22.5%, with Sanitation, \$8,735,000 or 16.6%, Housing Authority, \$8,378,000 or 15.9%, Water, \$8,149,000 or 15.5%, and Transit, \$7,486,000 or 14.2%, making up the remainder of the majority of business-type activities expenses.

**City of Iowa City's Changes in Net Position**  
(amounts expressed in thousands)

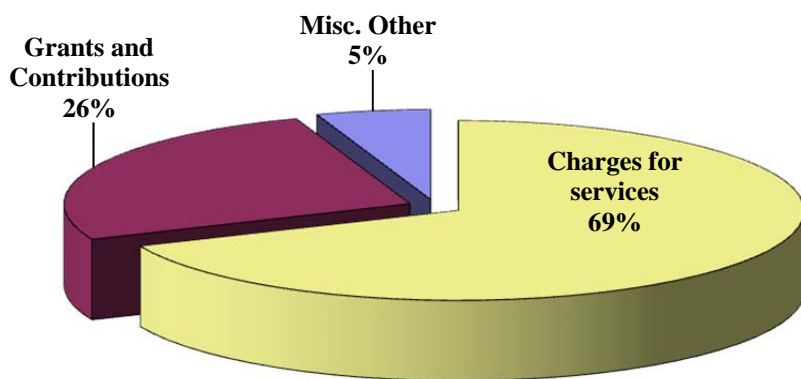
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	\$ 8,560	\$ 8,140	\$ 39,953	\$ 40,005	\$ 48,513	\$ 48,145
Operating grants and contributions	9,941	8,701	10,639	10,269	20,580	18,970
Capital grants and contributions	3,999	11,556	4,607	2,880	8,606	14,436
General Revenues:						
Property taxes	53,114	52,205	-	-	53,114	52,205
Other taxes	2,717	2,810	-	-	2,717	2,810
Grants and contributions not restricted to specific purposes	2,080	1,048	-	-	2,080	1,048
Earnings on investments	1,045	1,188	715	707	1,760	1,895
Gain on disposal of capital assets	218	135	2,463	856	2,681	991
Other	4,464	5,518	362	374	4,826	5,892
Total revenues	<u>86,138</u>	<u>91,301</u>	<u>58,739</u>	<u>55,091</u>	<u>144,877</u>	<u>146,392</u>
Expenses:						
Public safety	22,029	21,193	-	-	22,029	21,193
Public works	10,839	11,037	-	-	10,839	11,037
Culture and recreation	14,422	14,049	-	-	14,422	14,049
Community and economic development	6,786	7,093	-	-	6,786	7,093
General government	6,240	7,752	-	-	6,240	7,752
Interest on long-term debt	1,287	1,517	-	-	1,287	1,517
Wastewater treatment	-	-	11,866	12,131	11,866	12,131
Water	-	-	8,149	8,403	8,149	8,403
Sanitation	-	-	8,735	8,114	8,735	8,114
Housing authority	-	-	8,378	7,873	8,378	7,873
Parking	-	-	4,460	4,678	4,460	4,678
Airport	-	-	1,597	1,612	1,597	1,612
Stormwater	-	-	1,989	2,091	1,989	2,091
Cable television	-	-	-	704	-	704
Transit	-	-	7,486	7,379	7,486	7,379
Total expenses	<u>61,603</u>	<u>62,641</u>	<u>52,660</u>	<u>52,985</u>	<u>114,263</u>	<u>115,626</u>
Change in net position before transfers and special item	24,535	28,660	6,079	2,106	30,614	30,766
Transfers	(6,395)	(10,057)	6,395	10,057	-	-
Reassignment of Cable Television to governmental activities	82	-	(82)	-	-	-
Special item	-	-	-	(574)	-	(574)
Change in net position	<u>18,222</u>	<u>18,603</u>	<u>12,392</u>	<u>11,589</u>	<u>30,614</u>	<u>30,192</u>
Net position beginning of year	<u>205,696</u>	<u>187,093</u>	<u>359,028</u>	<u>347,439</u>	<u>564,724</u>	<u>534,532</u>
Net position end of year	<u>\$ 223,918</u>	<u>\$ 205,696</u>	<u>\$ 371,420</u>	<u>\$ 359,028</u>	<u>\$ 595,338</u>	<u>\$ 564,724</u>

The graphs on the following pages represent a breakdown of revenue by source and expenses by program area for governmental and business-type activities.

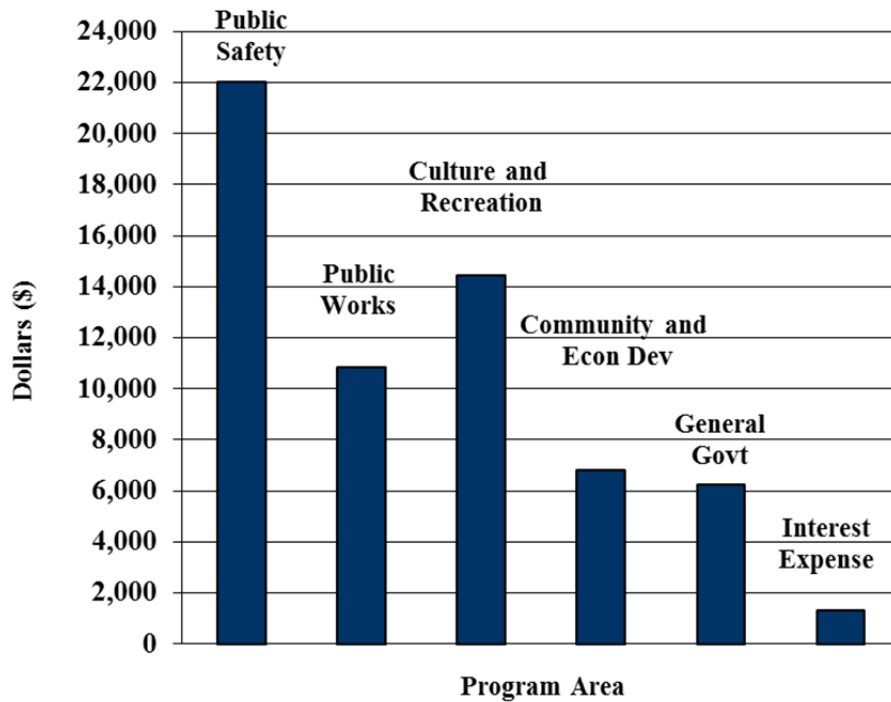
**Governmental Activities  
FY2016 Revenue  
by Source**



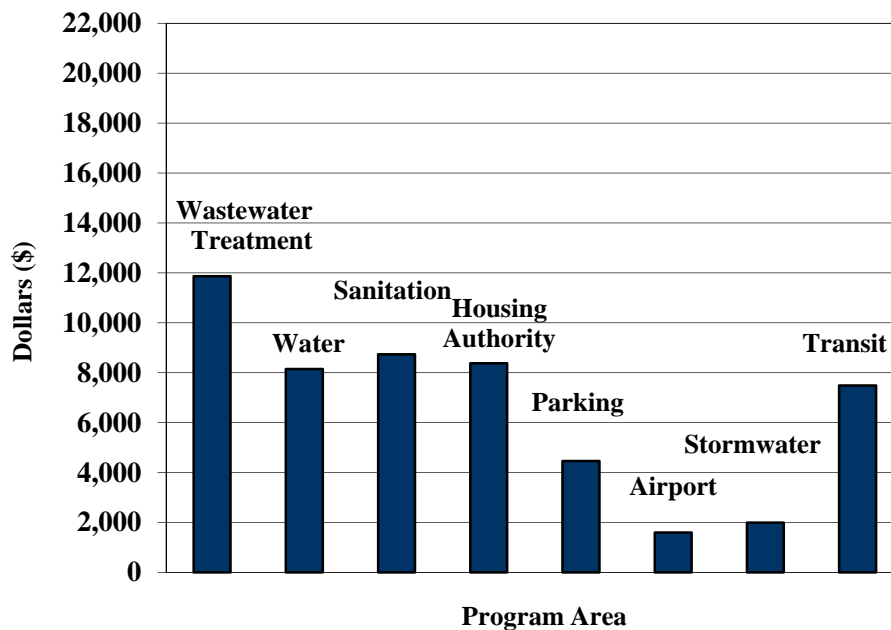
**Business-Type Activities  
FY2016 Revenue  
by Source**



**Governmental Activities  
FY2016 Expenses  
by Program Area**  
(amounts expressed in thousands)



**Business-Type Activities  
FY2016 Expenses  
by Program Area**  
(amounts expressed in thousands)



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The financial reporting focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be/is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective with the June 30, 2011 financial statements. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

As of the fiscal year ended June 30, 2016, the City's governmental funds reported combined ending fund balances of \$86,518,000, an increase of \$9,492,000 in comparison with the prior year. Of this total amount, \$23,366,000 constitutes unassigned fund balance, which is available to use as working capital for the General Fund since property tax revenues are received only twice a year and the remainder is available to meet the future needs of the City. The remainder of the fund balance is not available for new spending because of constraints imposed externally by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed internally on the specific purposes for which these amounts can be spent. The restricted fund balance of \$57,241,000 or 66.2% contains external restraints on its use. The committed and assigned fund balances of \$4,699,000 or 5.4% and \$1,143,000 or 1.3%, respectively, have been identified by the City to be used for specific purposes. The nonspendable fund balance is \$69,000 or 0.1%, which the City is contractually required to maintain intact or cannot be spent because it is in a nonspendable format, such as inventories.

The General Fund is the chief operating fund of the City. As of the fiscal year ended June 30, 2016, the unassigned fund balance of the General Fund was \$23,366,000 while General Fund's total fund balance was \$48,252,000. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 52.8% of total General Fund expenditures of \$44,289,000, while total fund balance represents 109.0% of that same amount.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$877,000. This is due to operating expenditures being greater than operating revenues.

The fund balance in the Bridge, Street, and Traffic Control Construction Fund was \$13,171,000, an increase of \$4,656,000. This fund accounts for transactions relating to the acquisition or construction of major streets, bridges, and traffic control facilities. The fund balance in the Other Construction Fund was \$8,749,000, an increase of \$4,249,000. This fund accounts for the construction or replacement of other governmental general capital assets, such as administrative buildings, with various funding sources, including general obligation bonds, intergovernmental revenues, and contributions. The change in these fund balances is due to timing of the sale of GO bonds.

The fund balance for the Other Shared Revenue and Grants Fund was \$7,112,000, representing a \$1,445,000 increase in FY16. In FY16, the City received a \$1,000,000 contribution to be used to fund affordable housing projects.

The fund balance for the Community Development Block Grant Fund was \$449,000, representing a \$172,000 increase in FY16. In FY16, the City received program income that we are required to use prior to accessing grant funding. This program income was not fully utilized in FY16 and this fund will normally carry a minimal or zero fund balance going forward.

The ending fund balance of the Debt Service Fund was \$6,573,000, a decrease of \$479,000, all of which is reserved for the payment of debt service (i.e. payment of general obligation principal and interest).

The fund balance in the Employee Benefits Fund was stable from prior year. The ending fund balance was \$1,671,000, an increase of \$78,000 or 4.9% from FY15.

**Proprietary Funds:** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The ending net position of the enterprise funds was \$357,714,000, an increase in net position of \$11,293,000. This was primarily due to capital contributions of federal and state grants to fund capital improvement projects, transfers of business-type capital assets from governmental capital project funds and a sale of land in the parking fund. Of the enterprise funds' net position, \$279,679,000 is net investment in capital assets. Unrestricted net position totaled \$55,766,000, an increase of \$11,006,000 compared to the previous year.

The Internal Service funds showed net position totaling \$35,464,000 as of June 30, 2016, an increase of \$1,667,000 primarily due to operating income in the Equipment Reserve Fund to build up reserves for future capital outlay.

### **Budgetary Highlights**

The City presents budgetary information as allowed by GASB Statement No. 41. Budgets are based on nine functional areas as required by state statute, not by fund or fund type.

The City had two budget amendments during the fiscal year. These amendments increased budgeted revenues by \$14,196,000 or 10.4% to a total of \$150,244,000 and the expenditure budget by \$41,702,000 or 26.4% to a total of \$199,689,000. These increases were due primarily to capital projects in governmental and business-type funds because of timing of completion of projects.

### **Capital Assets and Debt Administration**

**Capital Assets:** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$527,148,000, net of accumulated depreciation. This investment in capital assets, including land, buildings, improvements other than buildings, equipment, streets, bridges, trails, wastewater and water systems, and other infrastructure represents the value of resources utilized to provide services to its citizens. The City's investment in capital assets for the fiscal year ended June 30, 2016 increased by \$7,570,000 for governmental activities compared to the prior year and decreased by \$5,503,000 for business-type activities over the prior year.

The following table reflects the \$527,148,000 investment in capital assets, net of accumulated depreciation.

**City of Iowa City's Capital Assets**  
(net of depreciation)  
(amounts expressed in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 24,081	\$ 23,470	\$ 35,590	\$ 33,789	\$ 59,671	\$ 57,259
Buildings	41,126	38,238	60,636	64,051	101,762	102,289
Improvements other than buildings	4,092	3,737	4,703	4,925	8,795	8,662
Machinery and equipment	15,825	14,853	8,596	9,578	24,421	24,431
Infrastructure	97,904	94,792	207,756	201,698	305,660	296,490
Construction in progress	<u>24,194</u>	<u>24,562</u>	<u>2,645</u>	<u>11,388</u>	<u>26,839</u>	<u>35,950</u>
<b>Total</b>	<u>\$ 207,222</u>	<u>\$ 199,652</u>	<u>\$ 319,926</u>	<u>\$ 325,429</u>	<u>\$ 527,148</u>	<u>\$ 525,081</u>

Major capital asset events during the current fiscal year included the following:

- Work was completed on the South Wastewater Plant Expansion in FY14. This project relocated the North Wastewater Treatment Plant and consolidated operations into the South Wastewater Treatment Plant through expansion of south plant facilities and demolition of the north plant facilities. Demolition of the north plant was started in FY15 and was completed during FY16. Funding for the project was provided by the State of Iowa through sales tax increment funding. Expenses of \$1,320,000 were incurred in FY16, with a total cost of \$5,053,000.
- Work was completed for the West Side Levee Project, which includes the construction of an earthen levee, riverbank stabilization, and interior drainage improvements. The construction in progress balance at the beginning of the year was \$4,939,000. Additional expenses of \$404,000 were added in FY 16. The total cost of the project that was capitalized was \$5,338,000 and is funded primarily through federal or state grants, with the remainder of funding from GO bonds.
- Work was completed for the Rocky Shore Lift Station/Flood Gates Project, which includes the construction of a pump station near Rocky Shore Drive and flood gates on the CRANDIC railroad bridge at Rocky Shore Drive to minimize future flooding of the Highway 6 corridor. The construction in progress balance at the beginning of the year was \$5,224,000. Additional expenses of \$483,000 were added in FY16. The total cost of the project that was capitalized was \$5,698,000 and is funded primarily through federal or state grants, with the remainder of funding from GO bonds.
- Expenses for a variety of street and bridge construction were moved into construction in progress at the end of FY16 for a total balance of \$23,163,000. This construction in progress includes \$8,482,000 for the Iowa City Gateway Project, which will reconstruct and elevate Dubuque Street and Park Road Bridge to provide flood protection. This also includes construction in progress of \$9,187,000 for the 1<sup>st</sup> Avenue/IAIS Railroad Crossing Improvements, which will lower 1<sup>st</sup> Avenue under the IAIS Railroad including a railroad bridge, retaining wall and utilities.

Additional information on the City's capital assets can be found in Note 4 to the financial statements.

**Debt Administration:** At the end of the fiscal year, the City had total bonded debt outstanding of \$96,295,000. Of this amount, \$55,350,000 comprises debt backed by the full faith and credit of the City. However, \$295,000 or .5% of the general obligation bonds is debt that serves enterprise funds and is abated by their charges for services and \$4,159,000 or 7.5% of these bonds is debt that will be paid with Tax Increment Financing revenues. \$40,945,000 represents revenue bonds secured solely by specific revenue sources.



**City of Iowa City's Outstanding Debt**  
**General Obligation and Revenue Bonds**

(amounts expressed in thousands)

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 55,055	\$ 58,750	\$ 295	\$ 590	\$ 55,350	\$ 59,340
Revenue bonds	<u>2,525</u>	<u>2,655</u>	<u>38,420</u>	<u>44,950</u>	<u>40,945</u>	<u>47,605</u>
Total	<u>\$ 57,580</u>	<u>\$ 61,405</u>	<u>\$ 38,715</u>	<u>\$ 45,540</u>	<u>\$ 96,295</u>	<u>\$ 106,945</u>

The City issued \$9,405,000 General Obligation bonds during FY16 and during the current fiscal year the City's total bonded debt decreased by \$10,650,000 because of retirement of debt.

The City continues to have the same excellent bond rating on its General Obligation bonds that it has had for the past several years. This rating is given to those bonds judged to be of the best quality and carrying the smallest degree of investment risks. The City's bond ratings by Moody's Investors Services, Inc. as of June 30, 2016 were as follows:

General obligation bonds	Aaa
Wastewater treatment revenue bonds	Aa2
Water revenue bonds	Aa2

The City continues to operate well under the State debt capacity debt limitations. State statute limits the amount of debt outstanding to 5% of the assessed value of all taxable property in Iowa City. Debt subject to the debt limit includes general obligation debt and revenue bonds issued pursuant to Iowa Code Chapter 403 (tax increment). The current debt limitation for the City is \$247,528,000. With outstanding debt applicable to this limit of \$71,963,000 we are utilizing 29.1% of this limit.

More detailed information on debt administration is provided in Note 5 of the financial statements.

**Economic Factors and Next Year's Budget and Rates**

During the 2009 session, the Iowa State Legislature passed a law allowing cities to utilize franchise fee tax as a revenue alternative to property tax. The Iowa City Council passed a local franchise fee tax of 1% on natural gas and electricity that became effective April 1, 2010. This revenue is being utilized to support additional public safety initiatives, including operating a fourth fire station. In FY16, the City collected \$874,000 in local franchise fee.

The City expects continued constraints by the State's property tax formula. The State passed property tax reform, which will negatively affect the City's general operating funds. Without the potential for new revenue sources, like those mentioned above, the City's opportunities for new initiatives are limited. The Council has established a balanced budget in the General Fund for FY17 that strives to maintain current service delivery levels. The tax levy rate per \$1,000 of assessed valuation for FY17 is provided below:

General Levy	\$	8.100
Debt Service Levy		3.829
Employee Benefits Levy		3.144
Transit Levy		0.950
Liability Insurance Levy		0.290
Library Levy		<u>0.270</u>
Total City Levy	\$	<u>16.583</u>

### **Requests for Information**

This report is designed to provide a general overview of the City of Iowa City's finances for all of those with an 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 City of Iowa City, Finance Department, 410 East Washington Street, Iowa City, IA, 52240.



**CITY OF IOWA CITY, IOWA**

**STATEMENT OF NET POSITION**

June 30, 2016  
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Equity in pooled cash and investments	\$ 84,052	\$ 62,377	\$ 146,429
Receivables:			
Property tax	55,482	-	55,482
Accounts and unbilled usage	953	3,164	4,117
Interest	284	246	530
Notes	16,252	588	16,840
Internal balances	(13,688)	13,688	-
Due from other governments	5,987	2,448	8,435
Prepaid item	10	-	10
Inventories	688	731	1,419
Assets held for resale	582	73	655
Restricted assets:			
Equity in pooled cash and investments	36,914	32,844	69,758
Other post employment benefits asset	40	4	44
Capital assets:			
Land and construction in progress	48,275	38,235	86,510
Other capital assets (net of accumulated depreciation)	158,947	281,691	440,638
Total assets	<u>394,778</u>	<u>436,089</u>	<u>830,867</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>7,192</u>	<u>1,217</u>	<u>8,409</u>
<b>Liabilities</b>			
Accounts payable	3,374	1,207	4,581
Contracts payable	2,773	3,269	6,042
Accrued liabilities	4,143	406	4,549
Interest payable	110	847	957
Deposits	1,715	1,379	3,094
Advances from grantors	47	-	47
Due to other governments	402	95	497
Notes payable	582	-	582
Unearned revenue	-	14	14
Noncurrent liabilities:			
Due within one year:			
Employee vested benefits	1,185	394	1,579
Bonds payable	10,384	5,615	15,999
Due in more than one year:			
Employee vested benefits	947	286	1,233
Net pension liability	30,539	7,418	37,957
Other post employment benefits obligation	3,227	1,099	4,326
Notes payable	211	-	211
Bonds payable	48,105	34,632	82,737
Landfill closure/post-closure liability	-	8,268	8,268
Total liabilities	<u>\$ 107,744</u>	<u>\$ 64,929</u>	<u>\$ 172,673</u>

**CITY OF IOWA CITY, IOWA**

**STATEMENT OF NET POSITION (continued)**

June 30, 2016  
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
<b>Deferred inflows of resources</b>			
Pension related deferred inflows	\$ 3,740	\$ 957	\$ 4,697
Succeeding year property taxes	55,330	-	55,330
Notes	11,226	-	11,226
Grants	12	-	12
Total deferred inflows of resources	<u>70,308</u>	<u>957</u>	<u>71,265</u>
<b>Net position</b>			
Net investment in capital assets	163,362	279,679	443,041
Restricted for or by:			
Employee benefits	1,671	-	1,671
Capital projects	31,456	-	31,456
Debt service	6,463	-	6,463
Police	458	-	458
Other purposes	1,657	-	1,657
Bond ordinance	-	12,739	12,739
State statute	-	6,109	6,109
Future improvements	-	486	486
Grant agreement	449	2,935	3,384
Unrestricted	<u>18,402</u>	<u>69,472</u>	<u>87,874</u>
Total net position	<u>\$ 223,918</u>	<u>\$ 371,420</u>	<u>\$ 595,338</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF IOWA CITY, IOWA**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2016  
(amounts expressed in thousands)

<b>Functions/Programs:</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety	\$ 22,029	\$ 4,813	\$ 277	\$ 970
Public works	10,839	628	8,366	2,843
Culture and recreation	14,422	823	25	39
Community and economic development	6,786	1,044	1,273	147
General government	6,240	1,252	-	-
Interest on long-term debt	1,287	-	-	-
<b>Total governmental activities</b>	<b>61,603</b>	<b>8,560</b>	<b>9,941</b>	<b>3,999</b>
Business-type activities:				
Wastewater treatment	11,866	12,266	-	3,415
Water	8,149	9,134	-	254
Sanitation	8,735	9,215	3	-
Housing authority	8,378	300	8,318	-
Parking	4,460	5,438	-	-
Airport	1,597	333	128	260
Stormwater	1,989	1,168	95	370
Transit	7,486	2,099	2,095	308
<b>Total business-type activities</b>	<b>52,660</b>	<b>39,953</b>	<b>10,639</b>	<b>4,607</b>
<b>Total</b>	<b>\$ 114,263</b>	<b>\$ 48,513</b>	<b>\$ 20,580</b>	<b>\$ 8,606</b>

General revenues:

- Property taxes, levied for general purposes
- Hotel/motel tax
- Gas and electric tax
- Utility franchise tax
- Grants and contributions not restricted to specific purposes
- Earnings on investments
- Gain on disposal of capital assets
- Miscellaneous
- Transfers
- Reassignment of Cable Television to governmental activities
- Total general revenues and transfers
- Changes in net position
- Net position beginning of year
- Net position end of year

*The notes to the financial statements are an integral part of this statement.*

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (15,969)	\$ -	\$ (15,969)
998	-	998
(13,535)	-	(13,535)
(4,322)	-	(4,322)
(4,988)	-	(4,988)
(1,287)	-	(1,287)
<u>(39,103)</u>	<u>-</u>	<u>(39,103)</u>
-	3,815	3,815
-	1,239	1,239
-	483	483
-	240	240
-	978	978
-	(876)	(876)
-	(356)	(356)
-	(2,984)	(2,984)
<u>-</u>	<u>2,539</u>	<u>2,539</u>
<u>(39,103)</u>	<u>2,539</u>	<u>(36,564)</u>
53,114	-	53,114
1,079	-	1,079
764	-	764
874	-	874
2,080	-	2,080
1,045	715	1,760
218	2,463	2,681
4,464	362	4,826
(6,395)	6,395	-
82	(82)	-
<u>57,325</u>	<u>9,853</u>	<u>67,178</u>
18,222	12,392	30,614
205,696	359,028	564,724
<u>\$ 223,918</u>	<u>\$ 371,420</u>	<u>\$ 595,338</u>

**CITY OF IOWA CITY, IOWA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2016

(amounts expressed in thousands)

	Special Revenue				Capital Projects	Debt Service	Other Governmental Funds	Total
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Bridge, Street, and Traffic Control Construction			
<b>Assets</b>								
Equity in pooled cash and investments	\$ 30,214	\$ 1,697	\$ 552	\$ 5,590	\$ 8,535	\$ 5,955	\$ 2,226	\$ 54,769
Receivables:								
Property tax	31,825	10,410	-	-	-	12,955	292	55,482
Accounts and unbilled usage	449	-	-	4	150	-	206	809
Interest	163	-	-	-	19	10	19	211
Notes	1,305	-	14,512	-	-	435	-	16,252
Advances to other funds	-	-	18	-	-	138	-	156
Due from other governments	1,758	302	31	648	2,051	-	1,154	5,944
Inventories	-	-	-	217	-	-	-	217
Prepaid item	10	-	-	-	-	-	-	10
Assets held for resale	582	-	-	-	-	-	-	582
Restricted assets:								
Equity in pooled cash and investments	21,277	-	-	1,011	7,875	-	6,751	36,914
<b>Total assets</b>	<b>\$ 87,583</b>	<b>\$ 12,409</b>	<b>\$ 15,113</b>	<b>\$ 7,470</b>	<b>\$ 18,630</b>	<b>\$ 19,493</b>	<b>\$ 10,648</b>	<b>\$ 171,346</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ 1,376	\$ 53	\$ 127	\$ 118	\$ 504	\$ -	\$ 165	\$ 2,343
Contracts payable	-	-	-	-	2,543	-	230	2,773
Accrued liabilities	1,141	1	7	71	12	-	14	1,246
Advances from other funds	-	-	-	138	-	-	-	138
Due to other governments	29	-	-	6	367	-	-	402
Notes payable	582	-	-	-	-	-	-	582
Liabilities payable from restricted assets								
Deposits	1,710	-	-	5	-	-	-	1,715
Advances from grantors	-	-	-	-	-	-	47	47
<b>Total liabilities</b>	<b>4,838</b>	<b>54</b>	<b>134</b>	<b>338</b>	<b>3,426</b>	<b>-</b>	<b>456</b>	<b>9,246</b>
Deferred inflows of resources :								
Unavailable revenues:								
Succeeding year property taxes	31,739	10,382	-	-	-	12,920	289	55,330
Notes	1,305	-	14,530	-	-	-	-	15,835
Grants	15	-	-	16	1,673	-	524	2,228
Other	1,434	302	-	4	360	-	89	2,189
<b>Total deferred inflows of resources</b>	<b>34,493</b>	<b>10,684</b>	<b>14,530</b>	<b>20</b>	<b>2,033</b>	<b>12,920</b>	<b>902</b>	<b>75,582</b>
Fund balances:								
Nonspendable	69	-	-	-	-	-	-	69
Restricted	18,975	1,671	449	7,112	13,171	6,573	9,290	57,241
Committed	4,699	-	-	-	-	-	-	4,699
Assigned	1,143	-	-	-	-	-	-	1,143
Unassigned	23,366	-	-	-	-	-	-	23,366
<b>Total fund balances</b>	<b>48,252</b>	<b>1,671</b>	<b>449</b>	<b>7,112</b>	<b>13,171</b>	<b>6,573</b>	<b>9,290</b>	<b>86,518</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 87,583</b>	<b>\$ 12,409</b>	<b>\$ 15,113</b>	<b>\$ 7,470</b>	<b>\$ 18,630</b>	<b>\$ 19,493</b>	<b>\$ 10,648</b>	<b>\$ 171,346</b>

The notes to the financial statements are an integral part of this statement.



**CITY OF IOWA CITY**

**RECONCILIATION OF THE BALANCE SHEET OF THE  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2016  
(amounts expressed in thousands)

Total governmental fund balances	\$	86,518
Amounts reported for governmental activities in the statement of net position are different because:		
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		35,464
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds: Notes, grants and other receivables - Earned but unavailable.		9,014
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		196,596
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds.		
Deferred outflows of resources	\$ 6,997	
Deferred inflows of resources	<u>(3,596)</u>	3,401
Net pension liabilities are not due and payable in the current period and therefore are not reported in the funds.		(29,391)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(2,029)
Accrued post employment benefit obligations are not due and payable in the current period and therefore are not reported in the funds.		(3,139)
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.		(58,489)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.		(211)
Accrued interest on bonds		(110)
Internal balance due to integration of internal service funds		<u>(13,706)</u>
Total net position of governmental activities	\$	<u>223,918</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF IOWA CITY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016  
(amounts expressed in thousands)

	Special Revenue				Capital Projects	Debt Service	Other Governmental Funds	Total
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Bridge, Street, and Traffic Control Construction			
<b>Revenues</b>								
Taxes	\$ 32,229	\$ 9,805	\$ -	\$ -	\$ -	\$ 12,505	\$ 1,292	\$ 55,831
Licenses and permits	3,056	-	-	-	-	-	-	3,056
Intergovernmental	3,830	383	789	8,750	2,589	484	3,405	20,230
Charges for services	1,543	327	-	1,043	49	-	395	3,357
Fines and forfeits	760	-	-	-	-	-	-	760
Use of money and property	749	-	23	72	24	46	32	946
Miscellaneous	1,430	2	792	46	32	233	378	2,913
Total revenues	<u>43,597</u>	<u>10,517</u>	<u>1,604</u>	<u>9,911</u>	<u>2,694</u>	<u>13,268</u>	<u>5,502</u>	<u>87,093</u>
<b>Expenditures</b>								
Current:								
Public safety	20,967	677	-	-	-	-	57	21,701
Public works	1,312	-	-	5,166	2,256	-	732	9,466
Culture and recreation	12,038	-	-	-	-	-	219	12,257
Community and economic development	2,842	-	1,407	85	-	-	1,012	5,346
General government	5,479	378	-	-	-	48	102	6,007
Debt service:								
Principal	-	-	-	-	-	13,230	-	13,230
Interest	-	-	-	-	-	1,475	-	1,475
Capital outlay	1,651	-	-	662	10,219	-	2,316	14,848
Total expenditures	<u>44,289</u>	<u>1,055</u>	<u>1,407</u>	<u>5,913</u>	<u>12,475</u>	<u>14,753</u>	<u>4,438</u>	<u>84,330</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(692)</u>	<u>9,462</u>	<u>197</u>	<u>3,998</u>	<u>(9,781)</u>	<u>(1,485)</u>	<u>1,064</u>	<u>2,763</u>
<b>Other Financing Sources (Uses)</b>								
Issuance of debt	-	-	-	-	6,310	41	3,054	9,405
Sale of capital assets	252	-	-	-	-	-	-	252
Premiums on issuance of bonds	-	-	-	-	296	2	143	441
Transfers in	10,692	-	-	615	10,576	963	2,287	25,133
Transfers out	(11,129)	(9,384)	(25)	(3,168)	(2,745)	-	(2,051)	(28,502)
Total other financing sources and (uses)	<u>(185)</u>	<u>(9,384)</u>	<u>(25)</u>	<u>(2,553)</u>	<u>14,437</u>	<u>1,006</u>	<u>3,433</u>	<u>6,729</u>
Net change in fund balances	(877)	78	172	1,445	4,656	(479)	4,497	9,492
<b>Fund Balances, Beginning</b>	<u>49,129</u>	<u>1,593</u>	<u>277</u>	<u>5,667</u>	<u>8,515</u>	<u>7,052</u>	<u>4,793</u>	<u>77,026</u>
<b>Fund Balances, Ending</b>	<u>\$ 48,252</u>	<u>\$ 1,671</u>	<u>\$ 449</u>	<u>\$ 7,112</u>	<u>\$ 13,171</u>	<u>\$ 6,573</u>	<u>\$ 9,290</u>	<u>\$ 86,518</u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF IOWA CITY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2016  
(amounts expressed in thousands)

Net change in fund balances - total governmental funds	\$	9,492
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset. Capital outlays and contributed capital assets exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	\$	14,929
Transfers of capital assets (to)\from enterprise funds - net		(3,169)
Reassignment of capital assets to governmental activities		390
Capital assets contributed		553
Depreciation expense		<u>(6,434)</u>
		6,269
Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Debt issued		(9,405)
Premium on bonds issued		(441)
Repayments of debt		13,230
Amortization of premium		<u>167</u>
		3,551
Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues in the governmental funds.		
		(2,419)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Change in accrued compensated absences		(53)
Pension expense		1,433
Change in accrued post employment benefit obligations		(285)
Change in accrued interest on debt		21
In the statement of activities, only the gain on the sale of the capital assets is recognized, whereas in the governmental funds, the proceeds from the sale increased financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital asset sold.		
		(355)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		
		<u>568</u>
Change in net position of governmental activities	\$	<u><u>18,222</u></u>

*The notes to the financial statements are an integral part of this statement.*

**CITY OF IOWA CITY, IOWA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

June 30, 2016  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds								Governmental Activities - Internal Service Funds	
	Parking	Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Transit	Other Enterprise Funds		Total
<b>Assets</b>										
Current assets:										
Equity in pooled cash and investments	\$ 10,944	\$ 18,210	\$ 8,481	\$ 13,326	\$ 1,287	\$ 3,465	\$ 6,178	\$ 486	\$ 62,377	29,283
Receivables:										
Accounts and unbilled usage	10	1,454	919	613	129	2	10	27	3,164	144
Interest	26	81	33	36	4	54	12	-	246	73
Notes	-	-	-	-	-	588	-	-	588	-
Advances to other funds	-	-	-	2,130	-	-	-	-	2,130	-
Due from other governments	-	2,036	1	16	167	10	51	167	2,448	43
Inventories	-	-	451	-	-	-	280	-	731	471
Assets held for resale	-	-	-	-	-	73	-	-	73	-
Total current assets	<u>10,980</u>	<u>21,781</u>	<u>9,885</u>	<u>16,121</u>	<u>1,587</u>	<u>4,192</u>	<u>6,531</u>	<u>680</u>	<u>71,757</u>	<u>30,014</u>
Noncurrent assets:										
Restricted assets:										
Equity in pooled cash and investments	387	9,460	5,026	14,401	-	3,408	51	111	32,844	-
Other post employment benefits asset	-	-	-	-	-	-	-	4	4	40
Capital assets:										
Land	3,746	5,612	6,296	2,264	2,264	620	2,630	12,158	35,590	45
Buildings	26,249	36,858	24,019	5,467	-	5,350	15,399	5,145	118,487	1,541
Improvements other than buildings	328	7,119	2,511	421	-	9	-	396	10,784	50
Machinery and equipment	1,459	7,392	10,783	424	259	116	10,381	281	31,095	20,937
Infrastructure	-	148,382	60,602	16,078	54,578	-	955	17,523	298,118	2,416
Accumulated depreciation	(18,633)	(71,529)	(34,396)	(13,474)	(12,733)	(4,358)	(13,945)	(7,725)	(176,793)	(14,579)
Construction in progress	-	52	749	126	1,501	-	-	217	2,645	216
Total noncurrent assets	<u>13,536</u>	<u>143,346</u>	<u>75,590</u>	<u>25,707</u>	<u>45,869</u>	<u>5,145</u>	<u>15,471</u>	<u>28,110</u>	<u>352,774</u>	<u>10,666</u>
Total assets	<u>24,516</u>	<u>165,127</u>	<u>85,475</u>	<u>41,828</u>	<u>47,456</u>	<u>9,337</u>	<u>22,002</u>	<u>28,790</u>	<u>424,531</u>	<u>40,680</u>
<b>Deferred Outflows of Resources</b>										
Pension related deferred outflows	\$ 137	\$ 195	\$ 223	\$ 218	\$ 18	\$ 80	\$ 339	\$ 7	\$ 1,217	\$ 195
<b>Liabilities</b>										
Current liabilities:										
Accounts payable	\$ 85	\$ 166	\$ 16	\$ 285	169	\$ 21	\$ 460	\$ 5	\$ 1,207	\$ 1,031
Contracts payable	27	2,713	249	91	-	-	-	189	3,269	-
Accrued liabilities	42	62	70	70	8	25	127	2	406	2,897
Employee vested benefits	35	58	72	78	2	31	116	2	394	57
Due to other governments	-	-	18	3	-	30	44	-	95	-
Unearned revenue	-	-	-	-	14	-	-	-	14	-
Interest payable	-	568	279	-	-	-	-	-	847	-
Bonded debt payable (net of unamortized premium and discounts)	-	3,820	1,795	-	-	-	-	-	5,615	-
Total current liabilities	<u>189</u>	<u>7,387</u>	<u>2,499</u>	<u>527</u>	<u>193</u>	<u>107</u>	<u>747</u>	<u>198</u>	<u>11,847</u>	<u>3,985</u>
Noncurrent liabilities:										
Liabilities payable from restricted assets:										
Deposits	2	-	880	8	-	473	6	10	1,379	-
Advances from other funds	2,130	-	-	-	-	18	-	-	2,148	-
Employee vested benefits	25	41	55	58	1	23	82	1	286	46
Bonded debt payable (net of unamortized premium and discounts)	-	21,281	13,351	-	-	-	-	-	34,632	-
Net pension liability	820	1,223	1,385	1,372	85	507	1,986	40	7,418	1,148
Other post employment benefits obligation	148	169	187	239	-	68	288	-	1,099	88
Landfill closure/postclosure liability	-	-	-	8,268	-	-	-	-	8,268	-
Total noncurrent liabilities	<u>3,125</u>	<u>22,714</u>	<u>15,858</u>	<u>9,945</u>	<u>86</u>	<u>1,089</u>	<u>2,362</u>	<u>51</u>	<u>55,230</u>	<u>1,282</u>
Total liabilities	<u>3,314</u>	<u>30,101</u>	<u>18,357</u>	<u>10,472</u>	<u>279</u>	<u>1,196</u>	<u>3,109</u>	<u>249</u>	<u>67,077</u>	<u>5,267</u>
<b>Deferred Inflows of Resources</b>										
Pension related deferred inflows	108	169	178	177	9	72	239	5	957	144
<b>Net Position</b>										
Net investment in capital assets	13,149	108,785	55,418	11,306	45,869	1,737	15,420	27,995	279,679	10,626
Restricted by bond ordinance	-	8,891	3,848	-	-	-	-	-	12,739	-
Restricted by state statute	-	-	-	6,109	-	-	-	-	6,109	-
Restricted for future improvements	386	-	-	-	-	-	-	100	486	-
Restricted by grant agreement	-	-	-	-	-	2,935	-	-	2,935	-
Unrestricted	7,696	17,376	7,897	13,982	1,317	3,477	3,573	448	55,766	24,838
Total net position	<u>\$ 21,231</u>	<u>\$ 135,052</u>	<u>\$ 67,163</u>	<u>\$ 31,397</u>	<u>\$ 47,186</u>	<u>\$ 8,149</u>	<u>\$ 18,993</u>	<u>\$ 28,543</u>	<u>\$ 357,714</u>	<u>\$ 35,464</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.  
Net position of business-type activities

13,706  
\$ 371,420

The notes to the financial statements are an integral part of this statement.

CITY OF IOWA CITY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS

For the Year Ended June 30, 2016  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds								Governmental Activities - Internal Service Funds	
	Parking	Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Transit	Other Enterprise Funds		Total
<b>Operating Revenues:</b>										
Charges for services	\$ 5,438	\$ 12,266	\$ 9,134	\$ 9,215	\$ 1,168	\$ 300	\$ 2,099	\$ 333	\$ 39,953	\$ 16,762
Miscellaneous	40	94	17	62	-	87	59	3	362	-
Total operating revenues	5,478	12,360	9,151	9,277	1,168	387	2,158	336	40,315	16,762
<b>Operating Expenses:</b>										
Personal services	1,781	2,808	3,115	2,733	305	864	3,763	72	15,441	2,106
Commodities	578	1,421	578	160	378	9	691	171	3,986	1,617
Services and charges	1,304	2,284	1,694	4,874	192	7,373	1,985	393	20,099	10,529
	3,663	6,513	5,387	7,767	875	8,246	6,439	636	39,526	14,252
Depreciation	808	4,484	2,295	1,387	1,113	122	1,030	975	12,214	1,714
Total operating expenses	4,471	10,997	7,682	9,154	1,988	8,368	7,469	1,611	51,740	15,966
Operating income (loss)	1,007	1,363	1,469	123	(820)	(7,981)	(5,311)	(1,275)	(11,425)	796
<b>Nonoperating Revenues (Expenses):</b>										
Gain (loss) on disposal of capital assets	2,450	-	8	(229)	-	2	3	-	2,234	294
Operating grants	-	-	-	3	95	8,318	2,095	128	10,639	-
Interest income	37	321	172	123	6	32	19	5	715	99
Interest expense	-	(927)	(528)	-	-	-	-	-	(1,455)	-
Total nonoperating revenues (expenses)	\$ 2,487	\$ (606)	\$ (348)	\$ (103)	\$ 101	\$ 8,352	\$ 2,117	\$ 133	\$ 12,133	\$ 393
Income (loss) before capital contributions and transfers	3,494	757	1,121	20	(719)	371	(3,194)	(1,142)	708	1,189
Capital contributions	-	3,839	674	-	2,695	-	308	260	7,776	-
Transfers in	-	195	985	24	2,191	-	3,108	152	6,655	528
Transfers out	-	(522)	(720)	(334)	(572)	(45)	-	(1,571)	(3,764)	(50)
Reassignment of Cable Television to governmental activities	-	-	-	-	-	-	-	(82)	(82)	-
Change in net position	3,494	4,269	2,060	(290)	3,595	326	222	(2,383)	11,293	1,667
<b>Net Position, Beginning</b>	17,737	130,783	65,103	31,687	43,591	7,823	18,771	30,926		33,797
<b>Net Position, Ending</b>	\$ 21,231	\$ 135,052	\$ 67,163	\$ 31,397	\$ 47,186	\$ 8,149	\$ 18,993	\$ 28,543		\$ 35,464
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds								1,099		
Change in net position of business-type activities								\$ 12,392		

The notes to the financial statements are an integral part of this statement.

**CITY OF IOWA CITY, IOWA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2016  
(amounts expressed in thousands)

	Business-type Activities - Enterprise Fund:								Governmental Activities - Internal Service Funds	
	Parking	Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Transit	Other Enterprise Funds		Total
<b>Cash Flows From Operating Activities</b>										
Receipts from customers and users	\$ 5,192	\$ 12,318	\$ 9,309	\$ 9,329	\$ 1,181	\$ 478	\$ 1,884	\$ 338	\$ 40,029	\$ 16,764
Payments to suppliers	(1,954)	(3,719)	(2,571)	(4,178)	(642)	(7,456)	(2,404)	(574)	(23,498)	(11,575)
Payments to employees	(1,831)	(2,849)	(3,167)	(2,812)	(307)	(881)	(3,812)	(74)	(15,733)	(2,428)
Net cash flows from (used for) operating activities	<u>1,407</u>	<u>5,750</u>	<u>3,571</u>	<u>2,339</u>	<u>232</u>	<u>(7,859)</u>	<u>(4,332)</u>	<u>(310)</u>	<u>798</u>	<u>2,761</u>
<b>Cash Flows From Noncapital Financing Activities</b>										
Grants received	-	18	-	-	165	8,332	2,095	317	10,927	-
Transfers from other funds	-	195	985	24	2,191	-	3,108	152	6,655	528
Transfers to other funds	-	(522)	(720)	(334)	(572)	(45)	-	(1,526)	(3,719)	(50)
Repayment/(payment) of notes receivable	-	-	-	-	-	87	-	-	87	-
Repayment of advances from other funds	(221)	-	-	-	-	-	(30)	(462)	(713)	-
Repayment of advances to other funds	-	-	-	251	-	-	-	-	251	-
Net cash flows from (used for) noncapital financing activities	<u>(221)</u>	<u>(309)</u>	<u>265</u>	<u>(59)</u>	<u>1,784</u>	<u>8,374</u>	<u>5,173</u>	<u>(1,519)</u>	<u>13,488</u>	<u>478</u>
<b>Cash Flows From Capital and Related Financing Activities</b>										
Capital grants received	-	2,050	-	-	-	-	308	907	3,265	-
Acquisition and construction of property and equipment	(6)	(1,545)	(1,813)	(554)	(2,233)	-	(401)	(122)	(6,674)	(3,372)
Proceeds from sale of property	5,503	-	8	-	-	2	4	-	5,517	296
Principal paid on bonded debt	-	(3,708)	(1,806)	-	-	-	-	-	(5,514)	-
Interest paid on bonded debt	-	(1,380)	(542)	-	-	-	-	-	(1,922)	-
Net cash flows from (used for) capital and related financing activities	<u>5,497</u>	<u>(4,583)</u>	<u>(4,153)</u>	<u>(554)</u>	<u>(2,233)</u>	<u>2</u>	<u>(89)</u>	<u>785</u>	<u>(5,328)</u>	<u>(3,076)</u>
<b>Cash Flows From Investing Activities</b>										
Interest on investments	24	308	190	125	6	33	19	5	710	113
Net increase (decrease) in cash and cash equivalents	<u>6,707</u>	<u>1,166</u>	<u>(127)</u>	<u>1,851</u>	<u>(211)</u>	<u>550</u>	<u>771</u>	<u>(1,039)</u>	<u>9,668</u>	<u>276</u>
<b>Cash and Cash Equivalents, Beginning</b>	<u>4,624</u>	<u>26,504</u>	<u>13,634</u>	<u>25,876</u>	<u>1,498</u>	<u>6,323</u>	<u>5,458</u>	<u>1,636</u>	<u>85,553</u>	<u>29,007</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 11,331</u>	<u>\$ 27,670</u>	<u>\$ 13,507</u>	<u>\$ 27,727</u>	<u>\$ 1,287</u>	<u>\$ 6,873</u>	<u>\$ 6,229</u>	<u>\$ 597</u>	<u>\$ 95,221</u>	<u>\$ 29,283</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>										
Operating income (loss)	\$ 1,007	\$ 1,363	\$ 1,469	\$ 123	\$ (820)	\$ (7,981)	\$ (5,311)	\$ (1,275)	\$ (11,425)	\$ 796
Adjustments to reconcile operating income (loss) to net cash flows from (used for) operating activities:										
Depreciation expense	808	4,484	2,295	1,387	1,113	122	1,030	975	12,214	1,714
Changes in:										
Receivables:										
Accounts and unbilled usage	(7)	(41)	26	60	(1)	(1)	(1)	1	36	(45)
Due from other governments	-	(1)	5	(9)	-	-	3	-	(2)	47
Inventories	-	-	(94)	-	-	-	(7)	-	(101)	37
Assets held for resale	-	-	-	-	-	(73)	-	-	(73)	-
Accounts payable	(72)	(14)	(188)	161	(72)	(10)	271	(10)	66	534
Accrued liabilities	-	8	9	(1)	3	4	22	-	45	(260)
Employee vested benefits	(23)	(13)	6	1	3	(4)	7	(1)	(24)	3
Due to other governments	-	-	(17)	-	-	9	8	-	-	-
Unearned revenue	(280)	-	-	-	14	(11)	(276)	-	(553)	-
Deposits	1	-	127	1	-	103	-	1	233	-
Net pension liability	125	181	213	210	14	74	315	6	1,138	180
Deferred outflows of resources	1	7	12	14	(3)	3	5	-	39	1
Deferred inflows of resources	(168)	(245)	(288)	(284)	(19)	(100)	(425)	(8)	(1,537)	(241)
Other post employment benefits asset/obligation	15	21	(4)	(19)	-	6	27	1	47	(5)
Landfill closure/postclosure liability	-	-	-	695	-	-	-	-	695	-
Total adjustments	<u>400</u>	<u>4,387</u>	<u>2,102</u>	<u>2,216</u>	<u>1,052</u>	<u>122</u>	<u>979</u>	<u>965</u>	<u>12,223</u>	<u>1,965</u>
Net cash flows from (used for) operating activities	<u>\$ 1,407</u>	<u>\$ 5,750</u>	<u>\$ 3,571</u>	<u>\$ 2,339</u>	<u>\$ 232</u>	<u>\$ (7,859)</u>	<u>\$ (4,332)</u>	<u>\$ (310)</u>	<u>\$ 798</u>	<u>\$ 2,761</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>										
Contributions of capital assets from government and others	\$ -	\$ 643	\$ 674	\$ -	\$ 2,695	\$ -	\$ -	\$ -	\$ 4,012	\$ -

The notes to the financial statements are an integral part of this statement.

**CITY OF IOWA CITY**

**STATEMENT OF FIDUCIARY  
ASSETS AND LIABILITIES**

June 30, 2016

(amounts expressed in thousands)

	<u>Agency Funds</u>
<b>Assets</b>	
Equity in pooled cash and investments	\$ 175
Total assets	<u>\$ 175</u>
<b>Liabilities</b>	
Accounts payable	\$ 10
Due to agency	165
Total liabilities	<u>\$ 175</u>

*The notes to the financial statements are an integral part of this statement.*

# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016

### 1. Accounting Policies

The City of Iowa City, Iowa, (the City) was incorporated April 6, 1853, and operates under the Council/Manager form of government. The City provides a broad range of services to its citizens including general government, public safety, streets, parks, and cultural facilities. It also operates an airport, a mass transportation system, parking facilities, water treatment, wastewater treatment, storm water collection, sanitation collection and disposal (including landfill operations), cable television, and a housing authority.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

### The Reporting Entity

For financial reporting purposes, the City includes all of its funds, organizations, 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. There were no component units required to be included.

### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.



# CITY OF IOWA CITY, IOWA

## NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### Description of Funds

These financial statements include all funds owned or administered by the City or for which the City acts as custodian.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The fund categories are governmental, proprietary, and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenditures or expenses, as appropriate. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

### Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its “measurement focus.” The government-wide financial statements and proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Agency funds do not have a measurement focus and use the accrual basis of accounting. Under the accrual method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

All governmental funds are accounted for using a current financial resources measurement focus, which generally includes only current assets and current liabilities on the balance sheet. The modified accrual basis of accounting is used for these funds. Under the modified accrual basis, revenue is recognized when susceptible to accrual, which is in the period in which it becomes both available (collectible within the current period or soon thereafter to be used to pay liabilities of the current period) and measurable (the amount of the transaction can be determined). Revenue accrued includes property taxes, intergovernmental revenue, and interest earned on investments (if they are collected within 60 days after the year-end). Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The *General Fund* is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Employee Benefits Fund* is used to account for the employee benefits related to those employees who are paid through governmental fund types, which are funded by a separate property tax levy.

The *Community Development Block Grant Fund* accounts for revenue from the U.S. Department of Housing and Urban Development’s Community Development Block Grant programs.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

The *Other Shared Revenue and Grants Fund* accounts for revenue from various sources, primarily road use tax monies from the State of Iowa and reimbursable programs funded by federal and state grants.

The *Bridge, Street, and Traffic Control Construction Fund* accounts for the construction or replacement of infrastructure fixed assets, such as streets, bridges, dams, sidewalks, and lighting systems.

The *Debt Service Fund* accounts for the accumulation of resources for the payment of general long-term debt principal, interest, and related costs.

The City reports the following major proprietary funds:

The *Parking Fund* is used to account for the operation and maintenance of the “on” and “off” street public parking facilities.

The *Wastewater Treatment Fund* is used to account for the operation and maintenance of the wastewater treatment facility and sanitary sewer system.

The *Water Fund* is used to account for the operation and maintenance of the water system.

The *Sanitation Fund* is used to account for the operation and maintenance of the solid waste collection system and landfill.

The *Stormwater Fund* is used to account for the operation and maintenance of the stormwater utility system.

The *Housing Authority Fund* is used to account for the operations and activities of the City’s low and moderate income housing assistance and public housing programs.

The *Transit Fund* is used to account for the operation and maintenance of the public transportation system.

Additionally, the City reports internal service funds to account for goods and services provided by one department to other City departments on a cost reimbursement basis. The funds in this category are the *Equipment Maintenance Fund*, *Central Services Fund*, *Loss Reserve Fund*, and the *Information Technology Fund*.

The City also reports fiduciary funds which are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one fiduciary fund which is maintained as an agency fund, with no attempt to create an ongoing fund balance. The fund in this category is *Project Green*, which accounts for donations that are received to plant and develop yards and lawns, both public and private, within Iowa City.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues 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 revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Uses of Estimates**

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenditures and expenses, as appropriate, during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of other post employment benefit obligation, net pension liability, landfill closure and post-closure care costs, total capacity of the landfill at closure, and calculation of the costs of claims incurred, but not reported.

**Cash and Investments**

The City maintains one primary demand deposit account through which the majority of its cash resources are processed. Substantially all investment activity is carried on by the City in an investment pool, except for those funds required to maintain their investments separately. The earnings on the pooled investments are allocated to the funds on a systematic basis. All investments are stated at fair value except for the Iowa Public Agency Investment Trust (IPAIT) which is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

For the purpose of the Statement of Cash Flows, restricted and non-restricted investments with a maturity of three months or less when purchased are considered cash equivalents.

**Receivables and Revenue Recognition**

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

Federal and state grants are recorded as receivables and the revenue is recognized during the period in which the City fulfills the requirements for receiving the grant awards, as long as the susceptible to accrual criteria are met.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

Income from investments in all fund types and from charges for services in proprietary fund types is recognized when earned. Licenses and permits, fines and forfeitures, fees and refunds, charges for services (in governmental fund types), miscellaneous, and other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

**Inventories**

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. For the City, these are the Other Shared Revenue and Grants Fund, Transit Fund, Water Fund, and the Equipment Maintenance Fund. Inventories of materials and supplies are determined by actual count and priced on the FIFO method.

**Capital Assets**

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, water mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City follows the policy of not requiring capitalization of an asset with an initial, individual cost of less than \$50,000 for infrastructure, \$25,000 for buildings and improvements, and \$5,000 for equipment assets. Such assets are recorded at original purchase cost or at acquisition value at the date of donation when received as donated properties.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Infrastructure	3 – 100 years
Buildings and structures	20 – 50 years
Improvements other than buildings	10 – 50 years
Vehicles	2 – 20 years
Other equipment	3 – 30 years

**Deferred Outflows of Resources**

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

**Bond Premiums and Discounts**

Debt issued at a premium or discount is recorded net of the unamortized premium or discount. In the governmental funds, premiums and discounts are recorded entirely as other financing sources or uses in the year of issuance. In the proprietary funds and the government-wide statements, they are amortized over the life of the bonds.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**Compensated Absences**

Permanent City employees accumulate vacation and sick leave hours for subsequent use or for payment upon death, resignation, or retirement. The City pays its employees (except firefighters) one-half of the accumulated sick leave at the time of termination on the basis of the employee's then effective hourly base salary, provided that the dollar amount of the payment may be up to, but not exceed, the amount that an employee would be paid if the employee had terminated on June 28, 1985. Employees hired on or after June 29, 1985, are not eligible for payment of accumulated sick leave upon termination, death, or retirement.

**Pensions**

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

**Landfill Closing Costs**

Costs expected to be incurred in ultimately closing the present landfill site are being systematically provided for through charges to expense over the estimated useful life of the landfill on the basis of capacity used (see Note 7).

**Deferred Inflows of Resources**

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which they are levied, notes receivable that will not be recognized as revenue until the year for which the payment is received and the unamortized portion of pension related items.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**Budgetary and Legal Appropriation and Amendment Policies**

The City prepares and adopts an annual function budget, as prescribed by Iowa statutes, for all funds except internal service and agency funds. This is formalized in a separate budgetary report, the Financial Plan. This budget is adopted on or before March 15 of each year to become effective July 1, and constitutes the City's appropriation for each program and purpose specified therein until amended. The adopted budget must include the following:

- a. Expenditures for each function:
  - Public safety
  - Public works
  - Health and social services
  - Culture and recreation
  - Community and economic development
  - General government
  - Debt service
  - Capital projects
  - Business-type/enterprise
- b. The amount to be raised by property taxation
- c. Income from sources other than property taxation
- d. Transfers in and transfers out

The legal level of control (the level at which expenditures may not legally exceed appropriations) is the function level for all funds combined, rather than at the individual fund level. Management can transfer appropriations within a function, within a fund type, and between fund types, without the approval of the governing body so long as the total budget by function area will not be exceeded. It is necessary, therefore, to aggregate the expenditures of the budgeted activities within the governmental fund types with the expenditures of the budgeted activities within the enterprise funds on a function basis, and to compare such function totals to function budgeted totals in order to demonstrate legal compliance with the budget. The City's budget for revenue focuses on aggregated totals by revenue source.

The City formally adopts budgets for several funds that are not required by state law to be included in the annual function budget. Annual operating budgets are adopted for the internal service funds for management control purposes. Such budgets, however, are not legally required to be adopted under state statutes.

A City budget for the current fiscal year may be amended for any of the following purposes as prescribed by Iowa statute:

- a. To permit the appropriation and expenditure of unexpended, unencumbered cash balances on hand at the end of the preceding fiscal year.
- b. To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation.
- c. To permit transfers between funds.
- d. To permit transfers between programs.

A budget amendment must be prepared and adopted in the same manner as the original budget. The City's budget was amended as prescribed, and the effects of those amendments are shown in the accompanying budgetary comparison schedule. The original budget was increased by \$18,047,566 in revenues and other financing sources and by \$41,082,734 in expenditures and other financing uses. Appropriations, as adopted or amended, lapse at the end of the fiscal year.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

As allowed by GASB Statement No. 41, Budgetary Comparison Schedules – Perspective Differences, the City presents budgetary comparison schedules as required supplementary information based on the program structure of nine functional areas as required by state statute for its legally adopted budget.

**Restricted Assets**

Assets within the individual funds, which can be designated by the City Council for any use within the fund’s purpose, are considered to be unrestricted assets. Assets, which are restricted for specific uses by bonded debt requirements, grant provisions, or other requirements, are classified as restricted assets. Liabilities, which are payable from restricted assets, are classified as such.

**Classification of Fund Balances**

Fund balances for the governmental funds are reported in classifications based on the nature of any limitations requiring the use of resources for specific purposes (see Note 9).

**2. Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2016 were entirely covered by federal depository insurance, national credit union administration, 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 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 Iowa depository institutions approved by City Council and secured pursuant to the limitations set forth in Chapter 12C of the Code of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; Iowa Public Agency Investment Trust (IPAIT); certain registered open–end management investment companies registered with the Securities & Exchange Commission under the federal Investment Company Act of 1940; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016 the City had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Bank Note	\$2,040,000	December 2016
United States Treasury Note	503,750	May 2018
	<u>\$2,543,750</u>	

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

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

The recurring fair value measurement for the Federal Home Loan Bank securities of \$2,040,000 and the United States Treasury securities of \$503,750 were determined using the last reported sales price at current exchange rates (Level 1 inputs).

In addition, the City had investments in the Iowa Public Agency Investment Trust (IPAIT), which are valued at an amortized cost of \$1,500,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Interest rate risk - The City's investment policy limits the investment of general and operating funds to one year, unless a temporary extension of maturities is approved by the City Council. In such cases, the average maturity of each fund's portfolio shall not exceed 397 days. Funds not identified as operating funds may be invested in instruments whose maturities do not exceed five years at the time of purchase.

Credit risk. State law limits investments to commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. It is the City's policy to comply with rating restrictions. The investment in Iowa Public Agency Investment Trust is not rated by Moody's Investors service as it is a state security that is backed by the full faith and credit of the issuing government and is not subject to credit risk.

Concentration of credit risk. The City investment policy limits the amount that may be invested in any one issuer to a maximum amount approved by the City Council.

The aforementioned Iowa Public Agency Investment Trust (IPAIT) represents an investment in a pool managed by others. IPAIT is a common trust established under Iowa law pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to safely and effectively invest their available operating and reserve funds. IPAIT is registered under the Investment Company Act of 1940.

The IPAIT portfolios have followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception and were registered with the Securities and Exchange Commission (SEC).

Due to legal and budgetary reasons, the General Fund is assigned a portion of the investment earnings associated with other funds. These funds are the employee benefits, other shared revenue, and sanitation funds.



**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**3. Interfund Balances and Transfers**

Interfund balances for the year ended June 30, 2016, consisted of the following:

	Advances from			
	Community Development Block Grant	Debt Service	Sanitation	Total
<u>Advances to:</u>				
Parking	\$ -	\$ -	\$ 2,129,525	\$ 2,129,525
Housing Authority	18,000	-	-	18,000
Other Shared Revenue and Grants	-	137,817	-	137,817
 Total	\$ 18,000	\$ 137,817	\$ 2,129,525	\$ 2,285,342

Interfund balances at June 30, 2016, include advances due to/from other funds, which represent amounts for construction loans and a revenue bond redemption loan. \$1,901,161 of the \$2,129,525 advance to the Parking Fund is not expected to be repaid within the next year. None of the \$18,000 advance to Housing Authority is expected to be repaid within the next year. \$124,595 of the \$137,817 advance to the Other Shared Revenue and Grants Fund is not expected to be repaid within the next year.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

Interfund transfers for the year ended June 30, 2016, consisted of the following:

	Transfer from					
	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Capital Projects Bridge, Street and Traffic Control Construction	Nonmajor Governmental
<u>Transfer to:</u>						
General	\$ -	\$ 8,987,501	\$ -	\$ 78,624	\$ -	\$ 9,106
Debt Service	201,017	-	-	-	-	762,103
Other Shared Revenue and Grants	218,879	396,132	-	-	-	-
Capital Projects Bridge, Street and Traffic Control Construction	6,304,315	-	-	2,609,188	-	320,444
Nonmajor Governmental	1,111,492	-	25,000	479,969	150,000	20,972
Wastewater Treatment	-	-	-	-	139,850	55,000
Water	-	-	-	-	971,064	13,634
Sanitation	-	-	-	-	-	23,830
Stormwater	-	-	-	-	1,474,879	716,390
Transit	3,108,169	-	-	-	-	-
Nonmajor Enterprise	121,929	-	-	-	-	29,469
Internal Service	63,294	-	-	-	9,460	99,752
<b>Total Transfer to</b>	<u>\$ 11,129,095</u>	<u>\$ 9,383,633</u>	<u>\$ 25,000</u>	<u>\$ 3,167,781</u>	<u>\$ 2,745,253</u>	<u>\$ 2,050,700</u>

(continued)

Transfers are used to move revenues and bond proceeds from the fund that State statutes or the budget requires to collect them to the fund that the State statutes or the budget requires to expend them.

In the fund financial statements, total transfers in and transfers out of \$32,315,742 are less than total transfers of \$35,484,379 because of the treatment of transfers of capital assets from the governmental activities capital assets.

During the year, construction in progress related to construction along Moss Ridge Road with a value of \$423,960 was transferred from governmental activities capital assets to Wastewater Treatment. No amounts were reported in the governmental funds, as the amounts did not involve the transfer of financial resources. However, Wastewater Treatment did report a capital contribution for the capital resources received.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

Transfer from							
Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Nonmajor Enterprise	Internal Service	Total Transfer from
\$ -	\$ -	\$ -	\$ -	\$ 45,184	\$ 1,571,324	\$ -	\$ 10,691,739
-	-	-	-	-	-	-	963,120
-	-	-	-	-	-	-	615,011
500,000	719,562	-	121,945	-	-	-	10,575,454
-	-	-	450,000	-	-	50,000	2,287,433
-	-	-	-	-	-	-	194,850
-	-	-	-	-	-	-	984,698
-	-	-	-	-	-	-	23,830
-	-	-	-	-	-	-	2,191,269
-	-	-	-	-	-	-	3,108,169
-	-	-	-	-	-	-	151,398
22,143	-	334,122	-	-	-	-	528,771
\$ 522,143	\$ 719,562	\$ 334,122	\$ 571,945	\$ 45,184	\$ 1,571,324	\$ 50,000	32,315,742
							Transfers from governmental activities capital assets to an enterprise fund
							3,168,637
							\$ 35,484,379

During the year, construction in progress related to construction along Moss Ridge Road with a value of \$419,867 was transferred from governmental activities capital assets to Water. No amounts were reported in the governmental funds, as the amounts did not involve the transfer of financial resources. However, Water did report a capital contribution for the capital resources received.

During the year, construction in progress related to construction along Moss Ridge Road and the Rocky Shore Lift Station with values of \$587,746 and \$1,737,064 was transferred from governmental activities capital assets to Stormwater. No amounts were reported in the governmental funds, as the amounts did not involve the transfer of financial resources. However, Stormwater did report a capital contribution for the capital resources received.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**4. Capital Assets**

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

	Beginning July 1, 2015	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 23,470,212	\$ 611,182	\$ -	\$ 24,081,394
Construction in progress	24,562,170	11,872,690	12,241,121	24,193,739
Total capital assets, not being depreciated	<u>48,032,382</u>	<u>12,483,872</u>	<u>12,241,121</u>	<u>48,275,133</u>
Capital assets, being depreciated:				
Buildings	59,797,278	5,075,593	560,598	64,312,273
Improvements other than buildings	6,725,348	638,907	6,250	7,358,005
Machinery and equipment	40,679,178	4,446,279	3,383,709	41,741,748
Infrastructure	131,866,384	6,113,679	-	137,980,063
Total capital assets being depreciated	<u>239,068,188</u>	<u>16,274,458</u>	<u>3,950,557</u>	<u>251,392,089</u>
Less accumulated depreciation for:				
Buildings	21,559,428	1,974,044	347,665	23,185,807
Improvements other than buildings	2,987,909	281,395	3,125	3,266,179
Machinery and equipment	25,825,844	3,332,606	3,242,161	25,916,289
Infrastructure	37,074,523	3,001,254	-	40,075,777
Total accumulated depreciation	<u>87,447,704</u>	<u>8,589,299</u>	<u>3,592,951</u>	<u>92,444,052</u>
Total capital assets, being depreciated, net	<u>151,620,484</u>	<u>7,685,159</u>	<u>357,606</u>	<u>158,948,037</u>
Governmental activities capital assets, net	<u>\$ 199,652,866</u>	<u>\$ 20,169,031</u>	<u>\$ 12,598,727</u>	<u>\$ 207,223,170</u>

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

	Beginning July 1, 2015	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2016
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 33,789,882	\$ 4,852,938	\$ 3,052,522	\$ 35,590,298
Construction in progress	11,388,980	2,197,260	10,939,196	2,647,044
Total capital assets, not being depreciated	45,178,862	7,050,198	13,991,718	38,237,342
Capital assets, being depreciated:				
Buildings	119,258,446	-	771,471	118,486,975
Improvements other than buildings	10,552,725	244,442	13,722	10,783,445
Machinery and equipment	30,715,999	512,092	132,134	31,095,957
Infrastructure	285,222,339	13,515,252	620,000	298,117,591
Total capital assets being depreciated	445,749,509	14,271,786	1,537,327	458,483,968
Less accumulated depreciation for:				
Buildings	55,207,928	3,011,767	368,752	57,850,943
Improvements other than buildings	5,626,863	467,892	13,722	6,081,033
Machinery and equipment	21,138,235	1,493,309	131,478	22,500,066
Infrastructure	83,524,567	7,242,782	404,342	90,363,007
Total accumulated depreciation	165,497,593	12,215,750	918,294	176,795,049
Total capital assets, being depreciated, net	280,251,916	2,056,036	619,033	281,688,919
Business-type activities capital assets, net	\$ 325,430,778	\$ 9,106,234	\$ 14,610,751	\$ 319,926,261
Depreciation expense was charged to functions as follows:				
Governmental activities:				
Public safety				\$ 1,473,455
Public works				3,424,828
Culture and recreation				2,756,974
Community and economic development				55,056
General government				437,715
Total depreciation expense - governmental activities				\$ 8,148,028
Business-type activities:				
Parking				\$ 807,601
Transit				1,030,329
Wastewater treatment				4,485,498
Water				2,294,914
Sanitation				1,387,157
Stormwater				1,113,015
Housing authority				121,289
Nonmajor enterprise				975,947
Total depreciation expense - business-type activities				\$ 12,215,750

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**5. Long Term Debt**

**Changes in Debt for Bonds**

Bond debt activity for the year ended June 30, 2016, was as follows:

	<u>July 1, 2015</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 58,750,000	\$ 9,405,000	\$ 13,100,000	\$ 55,055,000	\$ 10,130,000
Plus: Unamortized					
Premium	671,203	441,257	169,068	943,392	126,304
Total general obligation bonds	<u>59,421,203</u>	<u>9,846,257</u>	<u>13,269,068</u>	<u>55,998,392</u>	<u>10,256,304</u>
Revenue bonds	2,655,000	-	130,000	2,525,000	130,000
Less: Unamortized					
Discounts	36,108	-	2,124	33,984	2,124
Total revenue bonds	<u>2,618,892</u>	<u>-</u>	<u>127,876</u>	<u>2,491,016</u>	<u>127,876</u>
	<u>\$ 62,040,095</u>	<u>\$ 9,846,257</u>	<u>\$ 13,396,944</u>	<u>\$ 58,489,408</u>	<u>\$ 10,384,180</u>
Business-type activities:					
General obligation bonds	\$ 590,000	\$ -	\$ 295,000	\$ 295,000	\$ 295,000
Less: Unamortized					
Discounts	-	-	-	-	-
Total general obligation bonds	<u>590,000</u>	<u>-</u>	<u>295,000</u>	<u>295,000</u>	<u>295,000</u>
Revenue bonds	44,950,000	13,010,000	19,540,000	38,420,000	5,090,000
Plus: Unamortized					
Premium	616,903	1,144,715	229,957	1,531,661	229,957
Total revenue bonds	<u>45,566,903</u>	<u>14,154,715</u>	<u>19,769,957</u>	<u>39,951,661</u>	<u>5,319,957</u>
	<u>\$ 46,156,903</u>	<u>\$ 14,154,715</u>	<u>\$ 20,064,957</u>	<u>\$ 40,246,661</u>	<u>\$ 5,614,957</u>

**General Obligation Bonds**

Various issues of general obligation bonds totaling \$55,350,000 are outstanding as of June 30, 2016. The bonds have interest rates ranging from 1.0% to 4.0% and mature in varying annual amounts ranging from \$240,000 to \$2,185,000 per issue, with the final maturities due in the year ending June 30, 2026. Interest and principal payments on all general obligation bonds, except tax abated portions recorded in the enterprise funds, are accounted for through the Debt Service Fund.

Portions of several general obligation bond issues have been used to acquire or expand the enterprise fund facilities. In some instances, revenue generated by the enterprise funds is used to pay the general long-term debt principal and interest. The liability for those bonds that are expected to be paid by enterprise funds is included in those funds.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 10,130,000	\$ 1,343,550	\$ 295,000	\$ 5,900
2018	9,340,000	1,115,481	-	-
2019	7,985,000	872,031	-	-
2020	7,410,000	663,144	-	-
2021	6,150,000	459,779	-	-
2022-2026	14,040,000	712,450	-	-
<b>Total</b>	<b>\$ 55,055,000</b>	<b>\$ 5,166,435</b>	<b>\$ 295,000</b>	<b>\$ 5,900</b>

**Revenue Bonds**

As of June 30, 2016, the following unmatured revenue bond issues are outstanding:

	Wastewater Treatment	Water	Taxable Urban Renewal
Original issue amount	\$ 57,380,000	\$ 25,465,000	\$ 2,655,000
Interest rates	3.0% to 5.0%	1.5% to 5.0%	1.0% to 3.9%
Annual maturities	\$ 505,000 to	\$ 380,000 to	\$ 130,000 to
	\$ 2,010,000	\$ 835,000	\$ 200,000
Amount outstanding	\$ 23,910,000	\$ 14,510,000	\$ 2,525,000

The City of Iowa City defeased the remaining \$6,605,000 of its 2009 parking revenue bonds on November 12, 2014 by prepaying all remaining outstanding bonds and interest from cash on hand. The total defeased outstanding as of June 30, 2016 is \$6,045,000. The total amount of interest that was paid was \$574,186. Liabilities for the defeased bonds are not included in the City's financial statements.

On June 16, 2016, the City issued \$9,360,000 of sewer revenue bonds for a current refunding of \$10,515,000 of sewer revenue bonds on July 1, 2016. As a result, the sewer revenue bonds from that issue are considered to be defeased and the liability has been removed from the financial statements. The refunding was undertaken to reduce total future debt service payments. The result of the transaction is a reduction of \$1,679,360 in future debt service payments and an economic gain of \$1,133,595.

On June 16, 2016, the City issued \$3,650,000 of water revenue bonds for a current refunding of \$4,085,000 of water revenue bonds on July 1, 2016. As a result, the water revenue bonds from that issue are considered to be defeased and the liability has been removed from the financial statements. The refunding was undertaken to reduce total future debt service payments. The result of the transaction is a reduction of \$640,265 in future debt service payments and an economic gain of \$485,963.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 130,000	\$ 74,035	\$ 5,090,000	\$ 1,503,102
2018	135,000	72,345	5,035,000	1,214,990
2019	135,000	70,185	5,250,000	1,016,303
2020	140,000	67,485	5,460,000	806,453
2021	140,000	64,545	5,360,000	592,246
2022-2026	760,000	267,955	12,225,000	1,050,416
2027-2031	885,000	139,280	-	-
2032-2036	200,000	7,800	-	-
<b>Total</b>	<b>\$ 2,525,000</b>	<b>\$ 763,630</b>	<b>\$ 38,420,000</b>	<b>\$ 6,183,510</b>

The revenue bond ordinances required that wastewater treatment, water revenues, and urban renewal tax revenues be set aside into separate and special accounts as they are received. The use and the amounts to be included in the accounts are as follows:

Account	Amount
(a) Revenue Bond and Interest Sinking Reserve	Amount sufficient to pay current bond and interest maturities.
(b) Revenue Debt Service Reserve	Amount required to be deposited in the Revenue Bond and Interest Reserve until the reserve fund equals: Water Revenue and Taxable Urban Renewal Revenue bonds – maximum debt service due on the bonds in any succeeding fiscal year. Wastewater Revenue bonds – 125% of the average principal and interest payments over the life of all the Wastewater Revenue bonds.
(c) Improvement Reserve	\$20,000 per month until the reserve balance equals or exceeds \$2,000,000 for Wastewater Revenue bonds and \$5,000 per month until the reserve balance equals or exceeds \$450,000 for Water Revenue bonds, with no further deposits once the minimum balance is reached. If the reserve falls below the required minimum, monthly transfers in the aforementioned amounts will resume.

In fiscal year ended June 30, 2016, the Wastewater Treatment Fund had net revenue of \$6,168,000 and the amount of principal and interest due was \$4,695,000. In fiscal year ended June 30, 2016, the Water Fund had net revenues of \$3,936,000 and the amount of principal and interest due was \$2,294,000.



**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**Summary of Bond Issues**

General obligation and revenue bonds payable at June 30, 2016, are comprised of the following issues:

	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2016
<b>General Obligation Bonds:</b>					
Refunded Multi-Purpose (1)	Oct. 2008	17,005,000	3.0 - 3.75	6/18	\$ 3,055,000
Multi-Purpose	June 2009	6,685,000	2.5 - 4.0	6/19	2,210,000
Multi-Purpose	Aug. 2010	7,420,000	2.0 - 2.75	6/20	3,115,000
Multi-Purpose	June 2011	7,925,000	2.0 - 3.625	6/21	3,940,000
Refunded Multi-Purpose and Library Construction (2)	June 2011	10,930,000	2.0 - 3.625	6/21	6,235,000
Multi-Purpose	June 2012	9,070,000	2.0 - 2.25	6/22	5,680,000
Multi-Purpose	July 2013	7,230,000	1.0 - 2.0	6/23	5,750,000
Refunded Multi-Purpose (3)	June 2014	11,980,000	2.0 - 3.0	6/24	8,870,000
Multi-Purpose	June 2015	7,785,000	2.0 - 2.25	6/25	7,090,000
Multi-Purpose	June 2016	8,795,000	2.0 - 3.0	6/26	8,795,000
Multi-Purpose	June 2016	610,000	2.0	6/17	610,000
Total General Obligation Bonds					\$ 55,350,000
	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2016
<b>Revenue Bonds:</b>					
Refunded Wastewater Treatment Bonds (4)	Oct. 2008	24,280,000	3.0 - 5.0	7/22	\$ 1,945,000
Refunded Wastewater Treatment Bonds (5)	May 2009	8,660,000	3.5 - 5.0	7/25	6,275,000
Refunded Wastewater Treatment Bonds (6)	Apr. 2010	15,080,000	3.0 - 4.0	7/20	6,330,000
Refunded Wastewater Treatment Bonds (7)	June 2016	9,360,000	3.0 - 4.0	7/21	9,360,000
Refunded Water Bonds (8)	Oct. 2008	7,115,000	3.0 - 4.375	7/24	425,000
Refunded Water Bonds (9)	May 2009	9,750,000	4.0 - 4.5	7/25	6,870,000
Refunded Water Bonds (10)	June 2012	4,950,000	1.5 - 2.1	7/22	3,565,000
Refunded Water Bonds (11)	June 2016	3,650,000	1.5 - 5.0	7/24	3,650,000
Taxable Urban Renewal	Nov. 2012	2,655,000	1.0 - 3.9	6/32	2,525,000
Total Revenue Bonds					40,945,000
					\$ 96,295,000

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

- (1) This bond issue refunded the April 1998, March 1999, and July 2000 General Obligation Bonds.
- (2) This bond issue refunded the May 2002 General Obligation Bonds.
- (3) This bond issue is an advance refunding of portions of the September 2006 and May 2007 General Obligation Bonds.
- (4) This bond issue refunded the March 1996, May 1997, and January 1999 Wastewater Revenue Bonds.
- (5) This bond issue refunded the October 2000 Wastewater Revenue Bonds.
- (6) This bond issue refunded the December 2001 and April 2002 Wastewater Revenue Bonds.
- (7) This bond issue refunded the October 2008 Wastewater Revenue Bond.
- (8) This bond issue refunded the May 1999 Water Revenue Bonds.
- (9) This bond issue refunded the December 2000 Water Revenue Bonds.
- (10) This bond issue refunded the October 2002 Water Revenue Bonds.
- (11) This bond issue refunded the October 2008 Water Revenue Bonds.

**Conduit Debt Obligations**

From time to time, the City has issued Industrial Development Revenue Bonds, Facility Refunding Revenue Bonds, and Midwestern Disaster Area Revenue Bonds to provide financial assistance to private sector entities for the acquisition, construction, and renovation of industrial and commercial facilities deemed to be in the public interest. The bonds are collateralized by the property financed and are payable solely from payments received on the underlying mortgage loans. All payments on the bonds are made by the private sector entities directly to a bond trustee, who is a third party financial institution, and in turn, disburses the payment to the respective bond holders. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2016, there were four series of Industrial Development Revenue Bonds, Facility Refunding Revenue Bonds, and Midwest Disaster Area Revenue Bonds outstanding, with an aggregate principal amount payable of \$33,714,416.

**Debt Legal Compliance**

Legal Debt Margin:

As of June 30, 2016, the general obligation debt issued by the City did not exceed its legal debt limit computed as follows (amounts expressed in thousands):

Assessed valuation:

Real property	\$ 4,862,831
Utilities	<u>87,728</u>

Total valuation \$ 4,950,559

Debt limit, 5% of total assessed valuation \$ 247,528

Debt applicable to debt limit:

General obligation bonds	55,350
Urban renewal revenue bonds	2,525
Letters of credit	582
Other legal indebtedness (TIF rebates)	<u>13,506</u>
Total net debt applicable to limit	<u>71,963</u>

Legal debt margin \$ 175,565

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**6. Pension and Retirement Systems**

**Municipal Fire and Police Retirement System of Iowa (MFPRSI)**

**Plan Description**

MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org).

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits**

Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50 percent surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

**Disability and Death Benefits**

Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50 percent of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25 percent of average final compensation for those with less than 5 years of service.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

**Contributions**

Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2016.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 27.77% for the year ended June 30, 2016.

The City's contributions to MFPRSI for the year ended June 30, 2016 was \$2,779,259.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67).

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2016.

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

At June 30, 2016, the City reported a liability of \$17,406,489 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2015, the City's proportion was 3.704972% which was a decrease of .073165% from its proportions measured as of June 30, 2014.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

For the year ended June 30, 2016, the City recognized pension expense of \$1,679,060. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 438,142	\$ -
Change of assumptions	1,309,699	-
Net difference between projected and actual earnings on pension plan investments	-	1,791,677
Changes in proportion and differences between City contributions and proportionate share of contributions	465,939	304,786
City contributions subsequent to the measurement date	2,779,259	-
Total	\$ 4,993,039	\$ 2,096,463

\$2,779,259 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Total
June 30, 2017	\$ (354,249)
June 30, 2018	(354,249)
June 30, 2019	(354,249)
June 30, 2020	1,089,287
June 30, 2021	90,777
	\$ 117,317

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**Actuarial Assumptions**

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

Rate of inflation	3.00 percent per annum
Salary increases	4.50 to 15.00 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 1/12 of the 1971 GAM table and 11/12 of the 1994 GAM table with no projection of future mortality improvement.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	7.0 %	3.8 %
Emerging Markets Debt	3.0	6.5
Domestic Equities	12.5	6.0
Master Limited Partnerships (MLP)	5.0	8.5
International Equities	<u>12.5</u>	7.0
Core Investments	40.0 %	
Tactical Asset Allocation	35.0	6.0
Private Equity	15.0	9.8
Private Non-Core Real Estate	5.0	9.3
Private Core Real Estate	<u>5.0</u>	6.8
Real Estate	<u>10.0</u>	
Total	<u><u>100.0 %</u></u>	

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40 percent of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.5 percent) or 1-percent higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability:	\$ 30,305,216	\$ 17,406,489	\$ 6,689,156

**Pension Plan Fiduciary Net Position**

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

**Payables to the Pension Plan**

At June 30, 2016, there were no amounts due to MFPRSI.

**Iowa Public Employees Retirement System (IPERS)**

**Plan Description**

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

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

## CITY OF IOWA CITY, IOWA

### NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

#### **Pension Benefits**

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

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

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

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

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

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

#### **Contributions**

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.



**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's total contributions to IPERS for the year ended June 30, 2016 were \$2,540,448.

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

At June 30, 2016, the City reported a liability of \$20,548,735 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was .4159256% which was a decrease of .0219648% from its proportions measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$1,508,882. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 310,465	\$ -
Change of assumptions	565,758	-
Net difference between projected and actual earnings on pension plan investments	-	1,710,193
Changes in proportion and differences between City contributions and proportionate share of contributions	-	891,372
City contributions subsequent to the measurement date	<u>2,540,448</u>	<u>-</u>
Total	<u>\$ 3,416,671</u>	<u>\$ 2,601,565</u>

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

\$2,540,448 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Total
June 30, 2017	\$ (795,189)
June 30, 2018	(795,189)
June 30, 2019	(795,189)
June 30, 2020	691,294
June 30, 2021	(31,069)
	\$ (1,725,342)

**Actuarial Assumptions**

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

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Salary increases (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50 percent, net of pension plan investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00 percent per annum based on 3.00 inflation and 1.00 real wage inflation

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

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

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

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

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

**Discount Rate**

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

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

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the city’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.5 percent) or 1-percent higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability:	\$ 35,977,139	\$ 20,548,735	\$ 7,526,056

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**Pension Plan Fiduciary Net Position**

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

**Payables to the Pension Plan**

At June 30, 2016, there were no amounts due to IPERS.

**7. Other Long-term Liabilities**

**Changes in Long-Term Liabilities - Notes Payable**

Note Payable activity for the year ended June 30, 2016, was as follows:

	July 1, 2015	Issues	Retirements	June 30, 2016	Due Within One Year
Governmental activities:	\$ 211,000	\$ -	\$ -	\$ 211,000	\$ -

A note payable was issued to Greater Iowa City Housing Fellowship for the purchase of an 11 unit apartment building for low income and disabled housing in the Peninsula Neighborhood. The terms of the loan are 1%, interest only payments for twenty years with a final balloon payment of \$211,000 due on August 1, 2025.

**Changes in Long-Term Liabilities - Employee Vested Benefits**

Employee Vested Benefits activity for the year ended June 30, 2016, was as follows:

	July 1, 2015	Issues	Retirements	June 30, 2016	Due Within One Year
Governmental activities:	\$ 2,076,751	\$ 1,204,680	\$ 1,148,252	\$ 2,133,179	\$ 1,185,014
Business-type activities:	\$ 721,686	\$ 370,596	\$ 413,309	\$ 678,973	\$ 392,471

For the governmental activities, employee vested benefits are generally liquidated by the General Fund, Community Development Block Grant Fund and Other Shared Revenue and Grants Fund.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**Changes in Long-Term Liabilities - Landfill Closure Post-closure Care Costs**

Landfill Closure Post-closure care activity for the year ended June 30, 2016, was as follows:

	July 1, 2015	Issues	Retirements	June 30, 2016	Due Within One Year
Business-type activities:	\$ 7,573,257	\$ 695,137	\$ -	\$ 8,268,394	\$ -

In August 1993, the GASB issued Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs* (the Statement). Under these rules, in addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year.

The estimated liability for landfill closure and post-closure care costs as of June 30, 2016, is \$8,268,394, which is based on 50.4% usage (filled) of the landfill and is included in accrued liabilities within the Sanitation Fund. It is estimated that an additional amount of approximately \$8,137,149 will be recognized as closure and post-closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity by the year ended June 30, 2025. The estimated total current cost of the landfill closure and post-closure care costs at June 30, 2016, was determined by a licensed professional engineer and approximated at \$16,405,543. It is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2016. These amounts are based on an estimated post-closure care and monitoring period of 30 years, consistent with current State Department of Natural Resources regulations. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City is required by federal and state laws and regulations to provide some form of financial assurance to finance closure and post-closure care. The City will meet its financial assurance obligations through the issuance of general obligation bonds. As of June 30, 2016, the Sanitation Fund had \$13,074,225 in related equity in pooled cash and investments, at fair value designated for satisfaction of closure and post-closure costs. The City estimates that these cash reserves will only provide a fraction of the dollars needed to close and monitor the landfill. The remaining portion of post-closure care costs, anticipated future inflation costs and additional costs that might arise from changes in post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users as well as City taxpayers.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**Changes in Long-Term Liabilities - Other Postemployment Benefits**

	July 1, 2015	Net OPEB Obligation Current Year	June 30, 2016
Governmental activities:	\$ 2,912,986	\$ 274,351	\$ 3,187,337
Business-type activities:	\$ 1,056,655	\$ 38,547	\$ 1,095,202

**Plan Description:** The City operates one self-funded medical and dental plan for all employees, which is offered to current and retired employees and their dependents. All full-time employees who retire or terminate/resign and their eligible dependents are offered the following post-employment benefit options:

Health insurance and dental insurance – The option of continuing with the City’s health insurance plan at the individual’s expense. These benefits cease upon Medicare eligibility.

Life insurance – The option of converting the employee’s City-paid policy to an individual policy at the individual’s expense with the City’s life insurance carrier.

Long-term disability – For employees who terminate/resign and have been on the plan for a minimum of one year, the option of converting the employee’s City-paid group policy to a personal policy at the individual’s expense with the City’s long-term disability insurance carrier.

The above options, while at the individual’s own expense, are included within the City’s overall insurance package, which results in an implicit rate subsidy and an OPEB liability.

**Funding Policy:** The plan member’s contribution requirements are established and may be amended by the City. The City currently finances the benefit plans on a pay-as-you-go basis. For governmental activities, this liability is expected to be liquidated by the General Fund.

**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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

The following table shows the components of the City’s annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plans, and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 670,882
Interest on net OPEB obligation	138,937
Adjustment to annual required contribution	<u>(136,952)</u>
Annual OPEB costs	672,867
Contributions made	<u>(359,969)</u>
Increase in net OPEB obligation	312,898
Net OPEB obligation beginning of year	<u>3,969,641</u>
Net OPEB obligation end of year	<u><u>\$ 4,282,539</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed from City</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 649,497	52.5%	\$3,614,449
June 30, 2015	\$ 573,338	38.0%	\$3,969,641
June 30, 2016	\$ 672,867	53.5%	\$4,282,539

**Funded Status and Funding Progress:** As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$5,150,697, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,150,697. The covered payroll (annual payroll of active employees covered by the plans) was \$35,972,442 and the ratio of the UAAL to covered payroll was 14.3%. As of June 30, 2016, there were no trust fund assets.

**Actuarial Methods and Assumptions:** Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumption about future employments, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual review as actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations of the OPEB plan reflect a long-term perspective.

The required schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

As of the July 1, 2014 actuarial valuation date, the actuarial cost method used is the entry-age normal method. The actuarial assumption includes a 3.5% discount rate and an inflation rate of 3% per annum. The projected annual medical trend rate is 9.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is decreased to 8.5% for year two and then reduced by 0.5% each year until reaching the 5.0% ultimate trend rate.

Mortality rates for active employees and retirees are from the SOA RPH-2014 Total Dataset Mortality table fully generational using Scale MP-2014. Annual retirement and termination probabilities were developed from the retirement probabilities from the MFPRSI and IPERS pension plan turnover tables, adjusted to be consistent with expected first fiscal year retirements.

Projected claim costs of the health plan is \$758.33 per month for retirees and \$683.33 for their spouses. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expenses over 30 years on an open basis.

**8. Short Term Debt**

**Changes in Short-Term Liabilities - Notes Payable**

Notes Payable activity for the year ended June 30, 2016, was as follows:

	July 1, 2015	Issues	Retirements	June 30, 2016	Due Within One Year
Governmental activities:	\$ 2,004,500	\$ 420,000	\$ 1,842,500	\$ 582,000	\$ 582,000

During FY16, the City entered into additional multiple short term loans totaling \$420,000 and repaid multiple short term loans totaling \$1,842,500. The outstanding loans mature one year from the date of the loan and bear interest rates ranging from 2% to 3.50%. The loans were used to fund the acquisition and rehabilitation of single family homes as part of the UniverCity Neighborhood Partnership Program (UniverCity). UniverCity is a cooperative effort of the City of Iowa City and the University of Iowa dedicated to ensuring that the University of Iowa Campus and surrounding neighborhoods remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners. The short term loans have been repaid and will be repaid with the proceeds from the sale of the rehabilitated homes.



**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**9. Fund Equity**

Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

- The Nonspendable classification contains amounts not in spendable form or legally or contractually required to be maintained intact.
- Restricted amounts contain restraint on their use externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed amounts can only be used for specific purposes imposed by formal action of the government's highest level of decision-making authority. The highest level of decision-making authority is the City Council and it takes a resolution to establish, modify or rescind a fund balance commitment.
- Amounts intended to be used for specific purposes are Assigned. Assignments should not cause deficits in the Unassigned fund balance. The Finance Director has been delegated authority by the City Council through a resolution to assign amounts to be used for specific purposes.
- Unassigned fund balance is the residual classification for the General Fund. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

The City would use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**Components of Fund Balance**

	General	Employee Benefits	Community Development Block Grant	Other Shared Revenue and Grants	Bridge, Street and Traffic Control Construction	Debt Service	Other Governmental Funds	Total
<b>Nonspendable:</b>								
Perpetual Care Principal	\$ 69,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,000
Total Nonspendable	<u>69,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,000</u>
<b>Restricted for:</b>								
Public Safety	458,083	-	-	-	-	-	-	458,083
Local Option Sales Tax	18,262,595	-	-	-	-	-	-	18,262,595
Debt Service	-	-	-	-	-	6,572,880	-	6,572,880
GO Bond Projects	62,314	-	-	-	13,171,217	-	8,748,625	21,982,156
State Funding	-	-	-	5,834,682	-	-	-	5,834,682
Grant Agreement	-	-	448,892	152,415	-	-	-	601,307
Affordable Housing	-	-	-	1,000,000	-	-	-	1,000,000
Public Safety Employee Benefits	-	1,670,848	-	-	-	-	-	1,670,848
Other Restricted	191,760	-	-	124,888	-	-	541,910	858,558
Total Restricted	<u>18,974,752</u>	<u>1,670,848</u>	<u>448,892</u>	<u>7,111,985</u>	<u>13,171,217</u>	<u>6,572,880</u>	<u>9,290,535</u>	<u>57,241,109</u>
<b>Committed to:</b>								
Emergency Fund	4,698,779	-	-	-	-	-	-	4,698,779
Total Committed	<u>4,698,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,698,779</u>
<b>Assigned to:</b>								
Library Programs	756,858	-	-	-	-	-	-	756,858
Senior Center Programs	13,810	-	-	-	-	-	-	13,810
Replacement and Acquisition Reserves	338,661	-	-	-	-	-	-	338,661
Other Assigned	34,082	-	-	-	-	-	-	34,082
Total Assigned	<u>1,143,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,143,411</u>
<b>Unassigned:</b>								
	23,365,978	-	-	-	-	-	-	23,365,978
Total Fund Balances	<u>\$ 48,251,920</u>	<u>\$ 1,670,848</u>	<u>\$ 448,892</u>	<u>\$ 7,111,985</u>	<u>\$ 13,171,217</u>	<u>\$ 6,572,880</u>	<u>\$ 9,290,535</u>	<u>\$ 86,518,277</u>

**10. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; workplace accidents, errors and omissions; and natural disasters. During fiscal year 1988 the City established the Loss Reserve Fund, an internal service fund, to account for and finance its uninsured risks of loss. During the year ended June 30, 2016 the City purchased property, liability, and workers' compensation insurance under the program that provides for a \$100,000 self-insured retention per occurrence on property losses, a \$500,000 self-insured retention per occurrence on liability, and a \$500,000 self-insured retention on workers' compensation losses. The liability insurance provides coverage for claims in excess of the aforementioned self-insured retention up to a maximum of \$21,000,000 annual aggregate of losses paid. Settled claims have not exceeded this commercial coverage in any of the past twenty eight fiscal years. The operating funds pay annual premiums to the Loss Reserve Fund. Accumulated monies in the Loss Reserve Fund are available to cover the self-insured retention amounts and any uninsured losses.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

The Housing Authority Fund is insured under a separate policy with the Assisted Housing Risk Management Association. The remaining funds participate in the Loss Reserve Fund. The funds make payments to the Loss Reserve Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. The Fund's accrued liabilities balance includes a claims liability at June 30, 2016 based on the requirements of GASB Statement No. 10, as amended, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Loss Reserve Fund's claims liability amount for property, liability, and workers' compensation for the years ended June 30, 2016 and 2015 are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2014 – 2015	\$ 2,416,000	\$ 1,133,000	\$ 1,013,000	\$ 2,536,000
2015 – 2016	2,536,000	827,000	874,000	2,489,000

Also, the City is partially self-insured, through stop-loss insurance, for employee health care coverage, which is available to all of its permanent employees. This insurance provides stop-loss coverage for claims in excess of \$125,000 per employee with an aggregate stop-loss of \$9,384,134. The operating funds are charged premiums by the Loss Reserve Fund. The City reimburses a health insurance provider for actual medical costs incurred, plus a claims processing\administrative fee. Changes in the Loss Reserve Fund's claims liability amount for health care coverage for the years ended June 30, 2016 and 2015 are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2014 – 2015	\$ 581,000	\$ 6,980,000	\$ 6,993,000	\$ 568,000
2015 – 2016	568,000	7,035,000	7,253,000	350,000

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**11. Commitments and Contingencies**

**Contractual Commitments**

The total outstanding contractual commitments as of June 30, 2016 are as follows:

<u>Fund</u>	<u>Project</u>	<u>Amount</u>
Bridge, street and traffic control construction	Paving and bridge construction, engineering design and consulting	\$ 46,284,145
Other construction	Public works, culture & recreation, Economic Dev., Fire & Police, construction	32,220
Parking	Garage improvements and repair & maintenance	50,133
Wastewater	Sewer construction and south plant expansion	158,133
Water	Water main construction	10,279
Sanitation	Landfill cell reconstruction	227,369
Airport	Runway grading and paving	25,731
		<u>\$ 46,788,010</u>

**Developer Commitments**

In order to encourage development within designated TIF districts, the City Council has approved developer grants to 5 different projects. The grants are to be paid only after certain conditions have been met by each project developer, and are to be paid over many years in the form of a rebate of a predetermined percentage of future property taxes generated by the property. Currently, it is estimated that outstanding commitments totaling \$13,506,152 exist, of which \$170,000 may be eligible to be paid in the next fiscal year. These items are expensed in the period in which they are paid. No liability is recognized due to the fact that the agreements are conditional and the payments are to be funded by future property taxes receivable on the project and are subject to the City Council's right of non-appropriation each fiscal year.

**Lease Purchase Agreement**

In June 2015 the City entered into a Lease Purchase Agreement to purchase the Harrison Street Parking Ramp. The purchase price is not to exceed \$16,000,000 and the first lease payment is anticipated to be on June 1, 2018.

**CITY OF IOWA CITY, IOWA**

**NOTES TO FINANCIAL STATEMENTS (continued)**

June 30, 2016

**12. Contingent Liabilities**

**Litigation**

The City is a defendant in a number of lawsuits arising principally from claims against the City for alleged improper actions by City employees, with such lawsuits typically involving claims of improper police action, unlawful taking of property by zoning, negligence, appeals of condemnations, and discrimination. Total damages claimed are substantial; however, it has been the City's experience that such actions are settled for amounts substantially less than claimed amounts. The City's management estimates that the potential claims against the City, not covered by various insurance policies, would not materially affect the financial condition of the City. The City has the authority to levy additional taxes (outside the regular limit) to cover uninsured judgments against the City.

**13. Subsequent Events**

On August 1, 2016, the City of Iowa City called for redemption General Obligation Bonds, Series 2008B, in the amount of \$3,055,000. All outstanding bonds were redeemed with cash on hand.

On September 15, 2016, the City of Iowa City received capital loan notes for Taxable Urban Renewal Revenue Capital Loan Notes, Series 2016E in the amount of \$12,805,000. These notes were issued for an urban renewal project.

**14. New Governmental Accounting Standards Board (GASB) Standards**

The Governmental Accounting Standards Board (GASB) has issued eight statements not yet implemented by the City. The statements, which might impact the City's financial statements, are as follows:

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, will be effective for the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, will be effective for fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Statement No. 77, Tax Abatement Disclosures, will be effective for the fiscal year June 30, 2017. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users.

## CITY OF IOWA CITY, IOWA

### NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2016

Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, will be effective for fiscal year ending June 30, 2017. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Statement No. 79, Certain External Investment Pools and Pool Participants, will be effective for the fiscal year ending June 30, 2017. The objective of this statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting processes.

Statement No. 80, Blending Requirement for Certain Component Units – An amendment of GASB Statement No. 14, will be effective for fiscal years ending June 30, 2017. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*.

Statement No. 81, Irrevocable Split-Interest Agreements, will be effective for fiscal year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 82, Pension Issues – An amendment of GASB Statements No. 67, No. 68 and No. 73, will be effective for fiscal year ending June 30, 2017. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

The City's management has not yet determined the effect these statements will have on the City's financial statements.



**CITY OF IOWA CITY**

**BUDGETARY COMPARISON SCHEDULE  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND ENTERPRISE FUNDS  
BUDGETARY BASIS  
REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

	Governmental Fund Types Actual Budgetary Basis	Enterprise Fund Types Actual Budgetary Basis	Total Actual Budgetary Basis
Revenues:			
Property taxes	\$ 52,021	\$ -	\$ 52,021
Tax increment financing taxes	1,027	-	1,027
Other city taxes	2,783	-	2,783
Special assessments	-	-	-
Licenses and permits	3,056	7	3,063
Intergovernmental	20,838	12,824	33,662
Charges for services	5,820	38,738	44,558
Use of money and property	837	1,469	2,306
Miscellaneous	3,322	661	3,983
<b>Total revenues</b>	<b>89,704</b>	<b>53,699</b>	<b>143,403</b>
Expenditures/Expenses:			
Public safety	22,100	-	22,100
Public works	7,269	-	7,269
Health and social services	297	-	297
Culture and recreation	12,909	-	12,909
Community and economic development	7,794	-	7,794
General government	8,087	-	8,087
Debt service	15,016	-	15,016
Capital outlay	19,479	-	19,479
Business-type	-	49,347	49,347
<b>Total expenditures/expenses</b>	<b>92,951</b>	<b>49,347</b>	<b>142,298</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>(3,247)</b>	<b>4,352</b>	<b>1,105</b>
Other financing sources and uses, net	12,847	19,217	32,064
<b>Net change in fund balances</b>	<b>9,600</b>	<b>23,569</b>	<b>33,169</b>
Balances, beginning of year	76,325	83,475	159,800
Balances, end of year	\$ 85,925	\$ 107,044	\$ 192,969

See Note to Required Supplementary Information.



Budgeted Amounts

Original	Final	Final to Actual Variance - Positive (Negative)
\$ 52,034	\$ 52,034	\$ (13)
1,020	1,020	7
2,786	2,786	(3)
1	1	(1)
1,515	1,515	1,548
30,466	41,166	(7,504)
43,444	44,916	(358)
1,936	1,936	370
2,846	4,870	(887)
136,048	150,244	(6,841)
22,668	22,999	899
7,815	8,321	1,052
284	314	17
13,332	13,781	872
6,486	12,214	4,420
8,835	8,873	786
13,208	15,210	194
36,301	56,598	37,119
49,058	61,379	12,032
157,987	199,689	57,391
(21,939)	(49,445)	50,550
13,876	18,347	13,717
(8,063)	(31,098)	\$ 64,267
136,907	159,800	
\$ 128,844	\$ 128,702	

**CITY OF IOWA CITY**

**BUDGETARY COMPARISON SCHEDULE  
BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2016  
(dollar amounts expressed in thousands)

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 89,704	\$ (2,611)	\$ 87,093
Expenditures	92,951	(8,621)	84,330
Net	(3,247)	6,010	2,763
Other financing sources and uses, net	12,847	(6,118)	6,729
Beginning Fund Balances	76,325	701	77,026
Ending Fund Balances	\$ 85,925	\$ 593	\$ 86,518

	Enterprise Fund Types		
	Budget Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 53,699	\$ 5,746	\$ 59,445
Expenditures	49,347	3,848	53,195
Net	4,352	1,898	6,250
Other financing sources and uses, net	19,217	(14,174)	5,043
Beginning Fund Balances	83,475	262,946	346,421
Ending Fund Balances	\$ 107,044	\$ 250,670	\$ 357,714

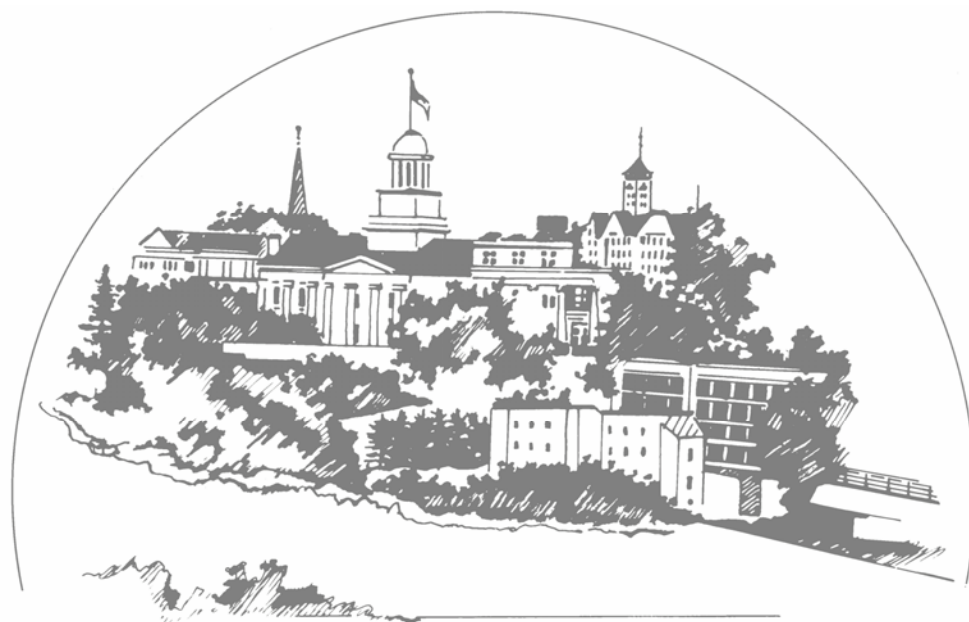
See Note to Required Supplementary Information.

**City of Iowa City, Iowa**  
**Note to Required Supplementary Information - Budgetary Reporting**  
**For the Year Ended June 30, 2016**

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearing which includes all funds, except internal service funds and agency funds. The budget basis of accounting is a modified accrual basis. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital outlay and business-type. The legal level control is at the aggregated function level, not at the fund or fund type level.

During the year, budget amendments increased budgeted revenues by \$14,196,000 and expenditures by \$41,702,000. The budget amendments were primarily due to changes in the breadth and timing of capital improvement projects, which the City budgets in full during the initial year of the projects and amends future year budgets for carryover.



**City of Iowa City, Iowa**

**Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability**

**Municipal Fire and Police Retirement System of Iowa  
Last Fiscal Year\***

(amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	3.704972%	3.778137%
City's proportionate share of the net pension liability	\$ 17,406	\$ 13,696
City's covered-employee payroll	9,716	9,648
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179.15%	141.96%
Plan fiduciary net position as a percentage of the total pension liability	83.04%	86.27%

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

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**City of Iowa City, Iowa**

**Required Supplementary Information - Schedule of the City's Contributions**

**Municipal Fire and Police Retirement System of Iowa  
Last Fiscal Year**

(amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 2,779	\$ 2,955	\$ 2,906	\$ 2,383
Contributions in relation to the statutorily required contribution	<u>(2,779)</u>	<u>(2,955)</u>	<u>(2,906)</u>	<u>(2,383)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 10,008	\$ 9,716	\$ 9,648	\$ 9,122
Contributions as a percentage of covered-employee payroll	27.77%	30.41%	30.12%	26.12%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 2,277	\$ 1,654	\$ 1,336	\$ 1,425	\$ 1,893	\$ 1,954
<u>(2,277)</u>	<u>(1,654)</u>	<u>(1,336)</u>	<u>(1,425)</u>	<u>(1,893)</u>	<u>(1,954)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,197	\$ 8,310	\$ 7,860	\$ 7,601	\$ 7,430	\$ 7,042
24.76%	19.90%	17.00%	18.75%	25.48%	27.75%

**City of Iowa City, Iowa**

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

**Municipal Fire and Police Retirement System of Iowa  
Year ended June 30, 2016**

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.



**City of Iowa City, Iowa**

**Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability**

**Iowa Public Employees' Retirement System  
Last Fiscal Year\***

(amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.4159256%	0.4378904%
City's proportionate share of the net pension liability	\$ 20,549	\$ 17,366
City's covered-employee payroll	28,495	28,654
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

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

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**City of Iowa City, Iowa**

**Required Supplementary Information - Schedule of the City's Contributions**

**Iowa Public Employees' Retirement System  
Last Fiscal Year**

(amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 2,540	\$ 2,545	\$ 2,559	\$ 2,442
Contributions in relation to the statutorily required contribution	<u>(2,540)</u>	<u>(2,545)</u>	<u>(2,559)</u>	<u>(2,442)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 28,448	\$ 28,495	\$ 28,654	\$ 28,170
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 2,327	\$ 1,877	\$ 1,780	\$ 1,659	\$ 1,522	\$ 1,384
<u>(2,327)</u>	<u>(1,877)</u>	<u>(1,780)</u>	<u>(1,659)</u>	<u>(1,522)</u>	<u>(1,384)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 28,833	\$ 27,013	\$ 26,764	\$ 26,133	\$ 25,151	\$ 24,073
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

## City of Iowa City, Iowa

### Notes to Required Supplementary Information - Pension Liability

#### Iowa Public Employees' Retirement System Year ended June 30, 2016

##### Changes of benefit terms:

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

##### Changes of assumptions:

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

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

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

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

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

**City of Iowa City, Iowa**

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

**Iowa Public Employees' Retirement System  
Year ended June 30, 2016**

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**City of Iowa City, Iowa**  
**Required Supplementary Information – Schedule of Funding Progress for Health and Dental Plans**  
**For the Year Ended June 30, 2016**

Actuarial Valuation Date	Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
July 1, 2010	June 30, 2011	\$ -	\$ 6,893,438	\$ 6,893,438	0.00%	\$ 31,505,702	21.9%
July 1, 2012	June 30, 2013	\$ -	\$ 7,163,715	\$ 7,163,715	0.00%	\$ 34,992,423	20.5%
July 1, 2014	June 30, 2015	\$ -	\$ 5,150,697	\$ 5,150,697	0.00%	\$ 35,972,442	14.3%

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues derived from specific sources that are required to be accounted for as separate funds. The funds in this category and their purpose are as follows:

**Economic Development Fund** – accounts for revenue and expenditures of economic development activities.

**Metropolitan Planning Organization of Johnson County Fund** – accounts for the financial activities of the metropolitan/rural cooperative planning organization.

## CAPITAL PROJECT FUND

Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities and other major fixed assets, with the exception of those that are financed by proprietary fund monies. The fund in this category is as follows:

**Other Construction Fund** - accounts for the construction or replacement of other City general fixed assets, such as administrative buildings with various funding sources, including general obligation bonds, intergovernmental revenues, and contributions.

**CITY OF IOWA CITY**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2016  
(amounts expressed in thousands)

	Special Revenue		Capital Projects	
	Economic Development	Metropolitan Planning Organization of Johnson County	Other Construction	Total
<b>Assets</b>				
Equity in pooled cash and investments	\$ 237	\$ 272	\$ 1,717	\$ 2,226
Receivables:				
Property tax	292	-	-	292
Accounts and unbilled usage	-	-	206	206
Interest	1	1	17	19
Due from other governments	-	49	1,105	1,154
Restricted assets:				
Equity in pooled cash and investments	44	-	6,707	6,751
 Total assets	 <u>\$ 574</u>	 <u>\$ 322</u>	 <u>\$ 9,752</u>	 <u>\$ 10,648</u>
 <b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 46	\$ 6	\$ 113	\$ 165
Contracts payable	-	-	230	230
Accrued liabilities	-	14	-	14
Liabilities payable from restricted assets:				
Advances from grantors	-	-	47	47
 Total liabilities	 <u>46</u>	 <u>20</u>	 <u>390</u>	 <u>456</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property taxes	289	-	-	289
Grants	-	-	524	524
Other	-	-	89	89
Total deferred inflows of resources	<u>289</u>	<u>-</u>	<u>613</u>	<u>902</u>
Fund balances:				
Restricted	<u>239</u>	<u>302</u>	<u>8,749</u>	<u>9,290</u>
 Total fund balances	 <u>239</u>	 <u>302</u>	 <u>8,749</u>	 <u>9,290</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 574</u>	 <u>\$ 322</u>	 <u>\$ 9,752</u>	 <u>\$ 10,648</u>



**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016  
(amounts expressed in thousands)

	Special Revenue		Capital Projects	Total
	Economic Development	Metropolitan Planning Organization of Johnson County	Other Construction	
<b>Revenues</b>				
Property taxes	\$ 1,292	\$ -	\$ -	\$ 1,292
Intergovernmental	30	293	3,082	3,405
Charges for services	-	-	395	395
Use of money and property	3	2	27	32
Miscellaneous	-	4	374	378
Total revenues	<u>1,325</u>	<u>299</u>	<u>3,878</u>	<u>5,502</u>
<b>Expenditures</b>				
Current:				
Public safety	-	-	57	57
Public works	-	-	732	732
Culture and recreation	-	-	219	219
Community and economic development	295	559	158	1,012
General government	-	-	102	102
Capital outlay	-	-	2,316	2,316
Total expenditures	<u>295</u>	<u>559</u>	<u>3,584</u>	<u>4,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,030</u>	<u>(260)</u>	<u>294</u>	<u>1,064</u>
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	-	3,054	3,054
Premium on issuance of bonds	-	-	143	143
Transfers in	-	270	2,017	2,287
Transfers out	(792)	-	(1,259)	(2,051)
Total other financing sources and (uses)	<u>(792)</u>	<u>270</u>	<u>3,955</u>	<u>3,433</u>
Net change in fund balances	238	10	4,249	4,497
<b>Fund Balances, Beginning</b>	<u>1</u>	<u>292</u>	<u>4,500</u>	<u>4,793</u>
<b>Fund Balances, Ending</b>	<u>\$ 239</u>	<u>\$ 302</u>	<u>\$ 8,749</u>	<u>\$ 9,290</u>



# NONMAJOR ENTERPRISE FUNDS

Enterprise Funds account for operations and activities of the City that are financed and operated in a manner similar to a private business enterprise, and where the costs of providing services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The funds in this category are as follows:

**Airport Fund** – accounts for the operation and maintenance of the airport facility.

**Cable Television Fund** – accounts for the operation and maintenance of the Broadband Telecommunications Commission that oversees the franchise agreement with the cable television company, including production and broadcasting on the government television channels.

**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS**

June 30, 2016

(amounts expressed in thousands)

	Airport	Cable Television	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets</b>			
Current assets:			
Equity in pooled cash and investments	\$ 486	\$ -	\$ 486
Receivables:			
Accounts and unbilled usage	27	-	27
Due from other governments	167	-	167
Total current assets	<u>680</u>	<u>-</u>	<u>680</u>
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and investments	111	-	111
Other post employment benefits asset	4	-	4
Capital assets:			
Land	12,158	-	12,158
Buildings	5,145	-	5,145
Improvements other than buildings	396	-	396
Machinery and equipment	281	-	281
Infrastructure	17,523	-	17,523
Accumulated depreciation	(7,725)	-	(7,725)
Construction in progress	217	-	217
Total noncurrent assets	<u>28,110</u>	<u>-</u>	<u>28,110</u>
Total assets	<u>28,790</u>	<u>-</u>	<u>28,790</u>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	<u>7</u>	<u>-</u>	<u>7</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	5	-	5
Contracts payable	189	-	189
Accrued liabilities	2	-	2
Employee vested benefits	2	-	2
Total current liabilities	<u>198</u>	<u>-</u>	<u>198</u>
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Deposits	10	-	10
Employee vested benefits	1	-	1
Net pension liability	40	-	40
Total noncurrent liabilities	<u>51</u>	<u>-</u>	<u>51</u>
Total liabilities	<u>249</u>	<u>-</u>	<u>249</u>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	<u>5</u>	<u>-</u>	<u>5</u>
<b>Net Position</b>			
Net investment in capital assets	27,995	-	27,995
Restricted for future improvements	100	-	100
Unrestricted	<u>448</u>	<u>-</u>	<u>448</u>
Total net position	<u>\$ 28,543</u>	<u>\$ -</u>	<u>\$ 28,543</u>

**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2016  
(amounts expressed in thousands)

	Airport	Cable Television	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 333	\$ -	\$ 333
Miscellaneous	3	-	3
Total operating revenues	<u>336</u>	<u>-</u>	<u>336</u>
<b>Operating Expenses:</b>			
Personal services	72	-	72
Commodities	171	-	171
Services and charges	393	-	393
	<u>636</u>	<u>-</u>	<u>636</u>
Depreciation	975	-	975
Total operating expenses	<u>1,611</u>	<u>-</u>	<u>1,611</u>
Operating loss	<u>(1,275)</u>	<u>-</u>	<u>(1,275)</u>
<b>Nonoperating Revenues:</b>			
Operating grants	128	-	128
Interest income	5	-	5
Total nonoperating revenues	<u>133</u>	<u>-</u>	<u>133</u>
Loss before capital contributions and transfers	(1,142)	-	(1,142)
Capital contributions	260	-	260
Transfers in	152	-	152
Transfers out	-	(1,571)	(1,571)
Reassignment of Cable Television to governmental activities	-	(82)	(82)
Change in net position	(730)	(1,653)	(2,383)
<b>Net Position, Beginning</b>	<u>29,273</u>	<u>1,653</u>	<u>30,926</u>
<b>Net Position, Ending</b>	<u>\$ 28,543</u>	<u>\$ -</u>	<u>\$ 28,543</u>

**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended June 30, 2016

(amounts expressed in thousands)

	<u>Airport</u>	<u>Cable Television</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 338	\$ -	\$ 338
Payments to suppliers	(574)	-	(574)
Payments to employees	(74)	-	(74)
Net cash flows used for operating activities	<u>(310)</u>	<u>-</u>	<u>(310)</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Operating grants received	317	-	317
Transfers from other funds	152	-	152
Transfers to other funds	-	(1,526)	(1,526)
Repayment of advances from other funds	(462)	-	(462)
Net cash flows from (used for) noncapital financing activities	<u>7</u>	<u>(1,526)</u>	<u>(1,519)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Capital grants received	907	-	907
Acquisition and construction of property and equipment	(122)	-	(122)
Net cash flows from capital and related financing activities	<u>785</u>	<u>-</u>	<u>785</u>
<b>Cash Flows From Investing Activities</b>			
Interest on investments	<u>5</u>	<u>-</u>	<u>5</u>
Net increase (decrease) in cash and cash equivalents	487	(1,526)	(1,039)
<b>Cash and Cash Equivalents, Beginning</b>	<u>110</u>	<u>1,526</u>	<u>1,636</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 597</u>	<u>\$ -</u>	<u>\$ 597</u>
<b>Reconciliation of operating loss to net cash flows used for operating activities:</b>			
Operating loss	\$ (1,275)	\$ -	\$ (1,275)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Depreciation expense	975	-	975
Changes in:			
Receivables:			
Accounts and unbilled usage	1	-	1
Accounts payable	(10)	-	(10)
Employee vested benefits	(1)	-	(1)
Deposits	1	-	1
Net pension liability	6	-	6
Deferred inflows of resources	(8)	-	(8)
Other post employment benefits asset/obligation	1	-	1
Total adjustments	<u>965</u>	<u>-</u>	<u>965</u>
Net cash flows used for operating activities	<u>\$ (310)</u>	<u>\$ -</u>	<u>\$ (310)</u>

# INTERNAL SERVICE FUNDS

Internal Service Funds account for goods and services provided by one department to other City departments on a cost-reimbursement basis. The funds in this category are:

**Equipment Maintenance Fund** – accounts for the provision of maintenance for City vehicles and equipment and vehicle rental to other City departments from a central vehicle pool.

**Central Services Fund** – accounts for the support services of photocopying, mail, overnight shipping, and two-way radios provided to other City departments.

**Loss Reserve Fund** – accounts for the property, liability, Workers' Compensation and health insurance premiums and claims activity for City departments, including the self-insured retention portion.

**Information Technology Fund** – accounts for the accumulation and allocation of costs associated with telecommunications and data processing, including the operation and replacement of equipment.

**CITY OF IOWA CITY**

**COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS**

June 30, 2016

(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
<b>Assets</b>					
Current assets:					
Equity in pooled cash and investments	\$ 12,513	\$ 673	\$ 13,447	\$ 2,650	\$ 29,283
Receivables:					
Accounts and unbilled usage	-	-	144	-	144
Interest	30	2	34	7	73
Due from other governments	43	-	-	-	43
Inventories	471	-	-	-	471
Total current assets	<u>13,057</u>	<u>675</u>	<u>13,625</u>	<u>2,657</u>	<u>30,014</u>
Noncurrent assets:					
Restricted assets:					
Other post employment benefits asset	19	-	21	-	40
Capital assets:					
Land	45	-	-	-	45
Buildings	1,298	-	-	243	1,541
Improvements other than buildings	50	-	-	-	50
Machinery and equipment	17,628	812	24	2,473	20,937
Infrastructure	-	31	-	2,385	2,416
Accumulated depreciation	(11,496)	(260)	(23)	(2,800)	(14,579)
Construction in progress	179	-	-	37	216
Total noncurrent assets	<u>7,723</u>	<u>583</u>	<u>22</u>	<u>2,338</u>	<u>10,666</u>
Total assets	<u>20,780</u>	<u>1,258</u>	<u>13,647</u>	<u>4,995</u>	<u>40,680</u>
<b>Deferred Outflows of Resources</b>					
Pension related deferred outflows	83	3	18	91	195
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	810	7	165	49	1,031
Accrued liabilities	27	1	2,845	24	2,897
Employee vested benefits	35	1	3	18	57
Total current liabilities	<u>872</u>	<u>9</u>	<u>3,013</u>	<u>91</u>	<u>3,985</u>
Noncurrent liabilities:					
Employee vested benefits	27	1	3	15	46
Net pension liability	494	17	95	542	1,148
Other post employment benefits obligator	-	6	-	82	88
Total noncurrent liabilities	<u>521</u>	<u>24</u>	<u>98</u>	<u>639</u>	<u>1,282</u>
Total liabilities	<u>1,393</u>	<u>33</u>	<u>3,111</u>	<u>730</u>	<u>5,267</u>
<b>Deferred Inflows of Resources</b>					
Pension related deferred inflows	61	2	10	71	144
<b>Net Position</b>					
Net investment in capital assets	7,704	583	1	2,338	10,626
Unrestricted	11,705	643	10,543	1,947	24,838
Total net position	<u>\$ 19,409</u>	<u>\$ 1,226</u>	<u>\$ 10,544</u>	<u>\$ 4,285</u>	<u>\$ 35,464</u>



**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2016  
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
<b>Operating Revenues:</b>					
Charges for services	\$ 5,577	\$ 241	\$ 9,083	\$ 1,861	\$ 16,762
Total operating revenues	<u>5,577</u>	<u>241</u>	<u>9,083</u>	<u>1,861</u>	<u>16,762</u>
<b>Operating Expenses:</b>					
Personal services	876	35	202	993	2,106
Commodities	1,435	5	62	115	1,617
Services and charges	602	174	9,202	551	10,529
	<u>2,913</u>	<u>214</u>	<u>9,466</u>	<u>1,659</u>	<u>14,252</u>
Depreciation	1,389	65	2	258	1,714
Total operating expenses	<u>4,302</u>	<u>279</u>	<u>9,468</u>	<u>1,917</u>	<u>15,966</u>
Operating income (loss)	<u>1,275</u>	<u>(38)</u>	<u>(385)</u>	<u>(56)</u>	<u>796</u>
<b>Nonoperating Revenues:</b>					
Gain on disposal of capital assets	291	-	-	3	294
Interest income	42	3	46	8	99
Total nonoperating revenues	<u>333</u>	<u>3</u>	<u>46</u>	<u>11</u>	<u>393</u>
Income (loss) before transfers	1,608	(35)	(339)	(45)	1,189
Transfers in	401	-	-	127	528
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50)</u>	<u>(50)</u>
Change in net position	2,009	(35)	(339)	32	1,667
<b>Net Position, Beginning</b>	<u>17,400</u>	<u>1,261</u>	<u>10,883</u>	<u>4,253</u>	<u>33,797</u>
<b>Net Position, Ending</b>	<u>\$ 19,409</u>	<u>\$ 1,226</u>	<u>\$ 10,544</u>	<u>\$ 4,285</u>	<u>\$ 35,464</u>

**CITY OF IOWA CITY, IOWA**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS**

For the Year Ended June 30, 2016  
(amounts expressed in thousands)

	<u>Equipment Maintenance</u>	<u>Central Services</u>	<u>Loss Reserve</u>	<u>Information Technology</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>					
Receipts from customers and users	\$ 5,665	\$ 241	\$ 8,997	\$ 1,861	\$ 16,764
Payments to suppliers	(1,443)	(177)	(9,186)	(769)	(11,575)
Payments to employees	(904)	(36)	(472)	(1,016)	(2,428)
Net cash flows from (used for) operating activities	<u>3,318</u>	<u>28</u>	<u>(661)</u>	<u>76</u>	<u>2,761</u>
<b>Cash Flows From Noncapital Financing Activities</b>					
Transfers from other funds	401	-	-	127	528
Transfers to other funds	-	-	-	(50)	(50)
Net cash flows from noncapital financing activities	<u>401</u>	<u>-</u>	<u>-</u>	<u>77</u>	<u>478</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Acquisition and construction of property and equipment	(2,673)	(20)	-	(679)	(3,372)
Proceeds from sale of property	293	-	-	3	296
Net cash flows used for capital and related financing activities	<u>(2,380)</u>	<u>(20)</u>	<u>-</u>	<u>(676)</u>	<u>(3,076)</u>
<b>Cash Flows From Investing Activities</b>					
Interest on investments	45	3	54	11	113
Net increase (decrease) in cash and cash equivalents	1,384	11	(607)	(512)	276
<b>Cash and Cash Equivalents, Beginning</b>	<u>11,129</u>	<u>662</u>	<u>14,054</u>	<u>3,162</u>	<u>29,007</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 12,513</u>	<u>\$ 673</u>	<u>\$ 13,447</u>	<u>\$ 2,650</u>	<u>\$ 29,283</u>
<b>Reconciliation of operating income (loss) to net cash flows from (used for) operating activities:</b>					
Operating income (loss)	\$ 1,275	\$ (38)	\$ (385)	\$ (56)	\$ 796
Adjustments to reconcile operating income (loss) to net cash flows from (used for) operating activities:					
Depreciation expense	1,389	65	2	258	1,714
Changes in:					
Receivables:					
Accounts and unbilled usage	41	-	(86)	-	(45)
Due from other governments	47	-	-	-	47
Inventories	37	-	-	-	37
Accounts payable	557	2	78	(103)	534
Accrued liabilities	5	-	(265)	-	(260)
Employee vested benefits	7	(1)	-	(3)	3
Net pension liability	78	3	16	83	180
Deferred outflows of resources	2	-	(1)	-	1
Deferred inflows of resources	(104)	(4)	(21)	(112)	(241)
Other post employment benefits asset/obligation	(16)	1	1	9	(5)
Total adjustments	<u>2,043</u>	<u>66</u>	<u>(276)</u>	<u>132</u>	<u>1,965</u>
Net cash flows from (used for) operating activities	<u>\$ 3,318</u>	<u>\$ 28</u>	<u>\$ (661)</u>	<u>\$ 76</u>	<u>\$ 2,761</u>

# AGENCY FUND

The Agency Fund accounts for assets held by the City in a trustee or custodial capacity for other entities, such as individuals, private organizations, or other governmental units. The fund in this category is:

**Project Green Fund** – accounts for donations that are received to plant and develop yards and lawns, both public and private, within Iowa City.

**CITY OF IOWA CITY**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

For the Year Ended June 30, 2016  
(amounts expressed in thousands)

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Project Green</b>				
<b>Assets</b>				
Equity in pooled cash and investments	\$ 151	\$ 77	\$ 53	\$ 175
Total assets	<u>\$ 151</u>	<u>\$ 77</u>	<u>\$ 53</u>	<u>\$ 175</u>
<b>Liabilities</b>				
Accounts payable	\$ 5	\$ 10	\$ 5	\$ 10
Due to agency	146	67	48	165
Total liabilities	<u>\$ 151</u>	<u>\$ 77</u>	<u>\$ 53</u>	<u>\$ 175</u>

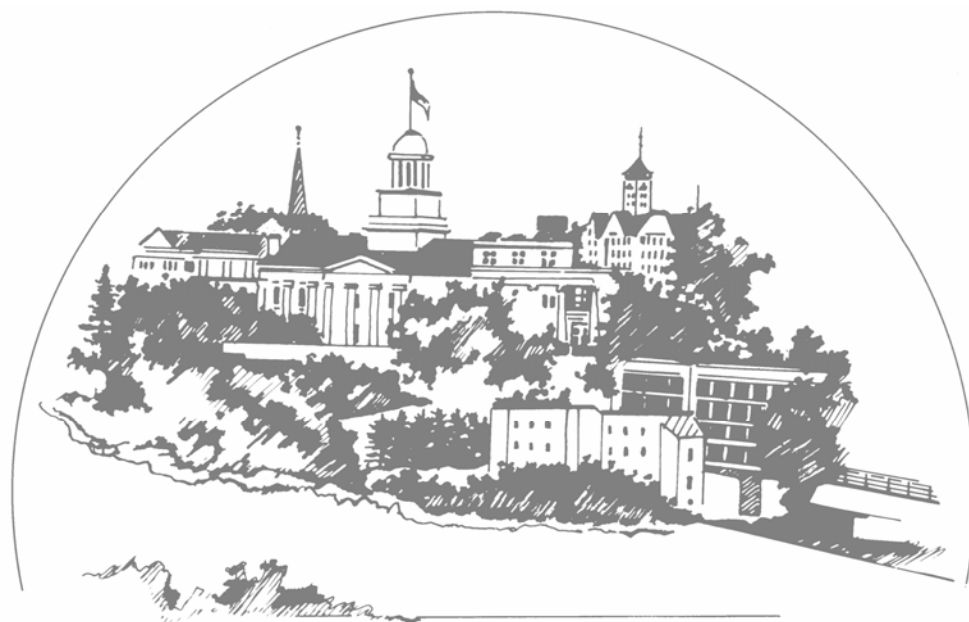
# Statistical Section Tabs

# Statistical Section

This part of the City of Iowa City’s comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	115
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	120
Debt Capacity These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	130
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	140
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	142

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.*



**CITY OF IOWA CITY, IOWA**

**NET POSITION BY COMPONENT**

Last Ten Fiscal Years  
(Accrual basis of accounting)

(amounts expressed in thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013<sup>1</sup></u>	<u>2014</u>	<u>2015</u>	<u>2016<sup>2</sup></u>
Governmental activities										
Net investment in capital assets	\$ 101,027	\$ 104,833	\$ 100,741	\$ 111,703	\$ 123,935	\$ 135,998	\$ 133,989	\$ 138,482	\$ 153,729	\$ 163,362
Restricted	8,181	23,741	26,586	25,588	31,179	35,021	22,867	39,958	36,447	42,154
Unrestricted	11,043	1,119	17,938	32,478	36,862	38,906	50,744	39,758	15,520	18,402
Total governmental activities net position	<u>\$ 120,251</u>	<u>\$ 129,693</u>	<u>\$ 145,265</u>	<u>\$ 169,769</u>	<u>\$ 191,976</u>	<u>\$ 209,925</u>	<u>\$ 207,600</u>	<u>\$ 218,198</u>	<u>\$ 205,696</u>	<u>\$ 223,918</u>
Business-type activities										
Net investment in capital assets	\$ 172,518	\$ 156,075	\$ 162,211	\$ 172,601	\$ 186,177	\$ 195,073	\$ 253,617	\$ 264,727	\$ 279,272	\$ 279,679
Restricted	23,893	21,320	19,159	17,588	20,658	20,176	19,033	19,438	22,389	22,269
Unrestricted	33,695	60,225	63,842	65,725	61,032	58,850	74,370	71,542	57,367	69,472
Total business-type activities net position	<u>\$ 230,106</u>	<u>\$ 237,620</u>	<u>\$ 245,212</u>	<u>\$ 255,914</u>	<u>\$ 267,867</u>	<u>\$ 274,099</u>	<u>\$ 347,020</u>	<u>\$ 355,707</u>	<u>\$ 359,028</u>	<u>\$ 371,420</u>
Primary government										
Net investment in capital assets	\$ 273,545	\$ 260,908	\$ 262,952	\$ 284,304	\$ 310,112	\$ 331,071	\$ 387,606	\$ 403,209	\$ 433,001	\$ 443,041
Restricted	32,074	45,061	45,025	43,176	51,837	55,197	41,900	59,396	58,836	64,423
Unrestricted	44,738	61,344	82,500	98,203	97,894	97,756	125,114	111,300	72,887	87,874
Total primary government net position	<u>\$ 350,357</u>	<u>\$ 367,313</u>	<u>\$ 390,477</u>	<u>\$ 425,683</u>	<u>\$ 459,843</u>	<u>\$ 484,024</u>	<u>\$ 554,620</u>	<u>\$ 573,905</u>	<u>\$ 564,724</u>	<u>\$ 595,338</u>

<sup>1</sup> The City of Iowa City reclassified the Mass Transportation Fund from the General fund to an Enterprise Fund effective the fiscal year ending June 30, 2013.

<sup>2</sup> The City of Iowa City reclassified the Cable Fund from an Enterprise Fund to the General Fund effective July 1, 2015.



**CITY OF IOWA CITY, IOWA**

**CHANGES IN NET POSITION**

Last Ten Fiscal Years  
(Accrual basis of accounting)

(amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013 <sup>1</sup>	2014	2015	2016 <sup>2</sup>
<b>Expenses</b>										
<b>Governmental activities:</b>										
Public safety	\$ 16,694	\$ 20,504	\$ 20,730	\$ 19,955	\$ 18,867	\$ 21,186	\$ 20,989	\$ 22,721	\$ 21,193	\$ 22,029
Public works	13,560	13,727	15,177	16,806	19,145	17,556	10,240	8,258	11,037	10,839
Culture and recreation	11,970	13,460	9,574	12,238	10,811	13,107	14,481	16,586	14,049	14,422
Community and economic development	4,680	1,850	8,726	16,913	16,501	16,305	10,596	10,059	7,093	6,786
General government	7,258	7,433	7,600	7,549	7,356	7,591	7,513	7,687	7,752	6,240
Debt service	3,459	3,517	3,264	2,970	2,841	2,400	2,237	1,797	1,517	1,287
Total governmental activities expenses	<u>57,621</u>	<u>60,491</u>	<u>65,071</u>	<u>76,431</u>	<u>75,521</u>	<u>78,145</u>	<u>66,056</u>	<u>67,108</u>	<u>62,641</u>	<u>61,603</u>
<b>Business-type activities:</b>										
Wastewater	11,537	11,757	11,925	11,274	10,971	11,069	10,464	21,139	12,131	11,866
Water	8,823	8,804	9,185	8,309	8,523	8,781	9,074	8,723	8,403	8,149
Sanitation	6,684	6,868	7,296	7,705	7,461	8,315	7,279	8,402	8,114	8,735
Housing authority	6,884	7,374	7,238	7,838	7,448	7,911	7,658	7,703	7,873	8,378
Parking	4,403	3,913	4,489	4,536	4,135	4,167	4,579	4,093	4,678	4,460
Airport	418	560	693	724	1,049	1,127	1,086	1,209	1,612	1,597
Stormwater	932	1,072	1,223	1,187	1,418	1,304	1,318	1,314	2,091	1,989
Cable television	525	598	633	645	638	689	692	781	704	-
Transit	-	-	-	-	-	-	6,998	7,795	7,379	7,486
Total business-type activities expenses	<u>40,206</u>	<u>40,946</u>	<u>42,682</u>	<u>42,218</u>	<u>41,643</u>	<u>43,363</u>	<u>49,148</u>	<u>61,159</u>	<u>52,985</u>	<u>52,660</u>
<b>Total primary government expenses</b>	<u>\$ 97,827</u>	<u>\$ 101,437</u>	<u>\$ 107,753</u>	<u>\$ 118,649</u>	<u>\$ 117,164</u>	<u>\$ 121,508</u>	<u>\$ 115,204</u>	<u>\$ 128,267</u>	<u>\$ 115,626</u>	<u>\$ 114,263</u>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services										
Public safety	\$ 3,088	\$ 3,019	\$ 2,968	\$ 2,980	\$ 3,279	\$ 3,401	\$ 4,098	\$ 3,626	\$ 3,926	\$ 4,813
Public works	1,229	1,047	1,392	1,061	1,117	1,112	52	61	388	628
Culture and recreation	712	680	715	773	872	825	775	808	801	823
Community and economic development	-	-	-	-	-	-	-	45	50	1,044
General government	1,569	1,633	1,626	2,574	2,931	2,817	2,763	3,030	2,975	1,252
Operating grants and contributions	3,215	3,611	8,185	15,554	13,517	8,682	4,731	3,231	8,701	9,941
Capital grants and contributions	4,283	1,747	3,773	8,291	6,048	6,078	6,876	5,580	11,556	3,999
Total governmental activities program revenues	<u>14,096</u>	<u>11,737</u>	<u>18,659</u>	<u>31,233</u>	<u>27,764</u>	<u>22,915</u>	<u>19,295</u>	<u>16,381</u>	<u>28,397</u>	<u>22,500</u>
<b>Business-type activities:</b>										
Charges for services:										
Wastewater	12,535	12,318	12,557	12,637	12,836	12,670	12,832	12,559	12,189	12,266
Water	8,240	8,195	8,107	7,957	8,054	8,419	8,583	8,443	8,527	9,134
Sanitation	7,204	7,853	8,286	8,096	8,259	8,115	8,181	8,467	9,015	9,215
Housing authority	132	149	181	180	208	207	205	213	237	300
Parking	4,704	4,673	5,438	5,377	5,234	4,743	5,043	5,294	5,502	5,438
Airport	234	258	248	289	293	306	314	328	349	333
Stormwater	622	616	622	617	641	811	974	1,093	1,147	1,168
Cable Television	726	814	788	790	809	824	816	773	750	-
Transit <sup>4</sup>	-	-	-	-	-	-	2,117	2,185	2,289	2,099

(continued)

**CITY OF IOWA CITY, IOWA**  
**CHANGES IN NET POSITION (continued)**

Last Ten Fiscal Years  
(Accrual basis of accounting)

(amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013 <sup>1</sup>	2014	2015	2016 <sup>2</sup>
Capital grants and contributions: Wastewater	1,539	577	266	2,115	2,394	3,223	30,181	7,105	1,370	3,415
Capital grants and contributions: Water	845	314	132	572	973	977	494	539	581	254
Capital grants and contributions: Sanitation	-	-	-	6	-	2	-	-	-	-
Capital grants and contributions: Airport	1,231	1,580	3,239	3,311	358	1,576	2,452	5,214	137	260
Capital grants and contributions: Stormwater	1,251	302	68	541	140	436	226	711	792	370
Capital grants and contributions: Housing authority	-	17	-	25	11	-	-	-	-	-
Capital grants and contributions: Parking	-	8	-	-	269	4	-	-	-	-
Capital grants and contributions: Transit	-	-	-	-	-	-	898	243	-	308
Operating grants and contributions: Housing authority	7,165	6,281	6,668	7,765	7,438	6,782	6,968	6,721	7,628	8,318
Operating grants and contributions: Water	-	-	15	6	-	-	442	6	2	-
Operating grants and contributions: Airport	-	-	2	-	-	-	11	56	232	128
Operating grants and contributions: Sanitation	6	-	607	6	10	-	23	27	25	3
Operating grants and contributions: Wastewater	1	-	1	-	-	-	-	62	21	-
Operating grants and contributions: Stormwater	-	-	-	-	-	-	13	13	279	95
Operating grants and contributions: Transit	-	-	-	-	-	-	1,767	2,118	2,082	2,095
Total business-type activities program revenues	46,435	43,955	47,225	50,290	47,927	49,095	82,540	62,170	53,154	55,199
Total primary government revenues	\$ 60,531	\$ 55,692	\$ 65,884	\$ 81,523	\$ 75,691	\$ 72,010	\$ 101,835	\$ 78,551	\$ 81,551	\$ 77,699
Net (Expense) / Revenues										
Governmental activities	\$ (43,525)	\$ (48,754)	\$ (46,412)	\$ (45,198)	\$ (47,757)	\$ (55,230)	\$ (46,761)	\$ (50,727)	\$ (34,244)	\$ (39,103)
Business-type activities	6,229	3,009	4,543	8,072	6,284	5,732	33,392	1,011	169	2,539
Total primary government net expense	\$ (37,296)	\$ (45,745)	\$ (41,869)	\$ (37,126)	\$ (41,473)	\$ (49,498)	\$ (13,369)	\$ (49,716)	\$ (34,075)	\$ (36,564)
General Revenues and Other Changes in Net Position										
Governmental activities:										
General revenues:										
Property taxes	\$ 41,492	\$ 43,400	\$ 47,085	\$ 49,467	\$ 48,011	\$ 50,516	\$ 51,017	\$ 50,551	\$ 52,205	\$ 53,114
Road use tax <sup>3</sup>	5,305	5,432	5,254	5,525	6,068	6,394	6,589	6,745	-	-
Local Sales Option tax	-	-	-	8,141	8,911	8,644	8,858	466	-	-
Other taxes	1,412	1,435	1,489	1,535	2,464	2,491	2,609	2,778	2,810	2,717
Grants and contributions not restricted to specific purposes	-	-	-	-	-	-	-	-	1,048	2,080
Earnings on investments	4,045	3,932	3,057	1,766	1,539	1,823	841	973	1,188	1,045
Miscellaneous	3,656	3,516	4,894	3,893	6,230	4,228	4,390	4,353	5,518	4,464
Gain on sale of assets	281	(7)	-	-	761	2,950	1,312	1,651	135	218
Transfers	(5,321)	488	205	(625)	(4,020)	(3,867)	(10,485)	(6,192)	(10,057)	(6,395)
Reassignments	-	-	-	-	-	-	-	-	-	82
Total governmental activities	50,870	58,196	61,984	69,702	69,964	73,179	65,131	61,325	52,847	57,325
Business-type activities:										
General revenues:										
Earnings on investments	3,606	3,279	2,577	1,311	954	813	671	494	707	715
Gain on sale of assets	591	1,260	360	230	314	336	293	725	856	2,463
Miscellaneous	343	454	317	464	381	484	918	265	374	362
Transfers	5,321	(488)	(205)	625	4,020	3,867	10,485	6,192	10,057	6,395
Reassignments	-	-	-	-	-	-	-	-	-	(82)
Special items	-	-	-	-	-	-	-	-	(574)	-
Extraordinary items	-	-	-	-	-	(5,000)	-	-	-	-
Total business-type activities	9,861	4,505	3,049	2,630	5,669	500	12,367	7,676	11,420	9,853
Total primary government	\$ 60,731	\$ 62,701	\$ 65,033	\$ 72,332	\$ 75,633	\$ 73,679	\$ 77,498	\$ 69,001	\$ 64,267	\$ 67,178
Change in Net Position										
Governmental activities	\$ 7,345	\$ 9,442	\$ 15,572	\$ 24,504	\$ 22,207	\$ 17,949	\$ 18,370	\$ 10,598	\$ 18,603	\$ 18,222
Business-type activities	16,090	7,514	7,592	10,702	11,953	6,232	45,759	8,687	11,589	12,392
Total primary government	\$ 23,435	\$ 16,956	\$ 23,164	\$ 35,206	\$ 34,160	\$ 24,181	\$ 64,129	\$ 19,285	\$ 30,192	\$ 30,614

<sup>1</sup> The City of Iowa City reclassified the Mass Transportation Fund from the General Fund to an Enterprise Fund effective the fiscal year ending June 30, 2013.

<sup>2</sup> The City of Iowa City reclassified the Cable Fund from an Enterprise Fund to the General Fund effective July 1, 2015.

<sup>3</sup> The City of Iowa City reclassified Road Use Tax from General Revenues to Operating Grants effective for the fiscal year ending June 30, 2015.

**CITY OF IOWA CITY, IOWA**

**FUND BALANCES, GOVERNMENTAL FUNDS**

Last Ten Fiscal Years  
(Modified accrual basis of accounting)

(amounts expressed in thousands)

	2007	2008	2009	2010	2011 <sup>1</sup>	2012	2013 <sup>2</sup>	2014	2015	2016 <sup>3</sup>
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 331	\$ 314	\$ 69	\$ 69	\$ 69	\$ 69
Restricted	-	-	-	-	16,268	23,779	25,689	26,533	25,291	18,975
Assigned	-	-	-	-	3,542	5,191	1,744	3,400	-	4,699
Reserved	568	446	555	406	-	-	-	-	4,483	1,143
Unassigned	-	-	-	-	15,931	14,273	17,113	17,907	19,286	23,366
Unreserved	18,528	14,488	15,362	26,101	-	-	-	-	-	-
Total general fund	<u>\$ 19,096</u>	<u>\$ 14,934</u>	<u>\$ 15,917</u>	<u>\$ 26,507</u>	<u>\$ 36,072</u>	<u>\$ 43,557</u>	<u>\$ 44,615</u>	<u>\$ 47,909</u>	<u>\$ 49,129</u>	<u>\$ 48,252</u>
All other Governmental Funds										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 34,889	\$ 34,853	\$ 28,108	\$ 31,285	\$ 27,897	\$ 38,266
Reserved	1,984	3,107	5,339	3,903	-	-	-	-	-	-
Designated for long-term debt	4,289	8,691	11,759	13,952	-	-	-	-	-	-
Unassigned	-	-	-	-	(1,741)	(366)	(5,844)	(9)	-	-
Unreserved, reported in:										
Special revenue funds	3,366	2,571	(1,852)	(1,674)	-	-	-	-	-	-
Capital projects funds	7,894	11,118	10,960	8,043	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 17,533</u>	<u>\$ 25,487</u>	<u>\$ 26,206</u>	<u>\$ 24,224</u>	<u>\$ 33,148</u>	<u>\$ 34,487</u>	<u>\$ 22,264</u>	<u>\$ 31,276</u>	<u>\$ 27,897</u>	<u>\$ 38,266</u>

<sup>1</sup> The City of Iowa City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, effective the fiscal year ending June 30, 2011. This Statement establishes new standards for fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

<sup>2</sup> The City of Iowa City reclassified the Mass Transportation Fund from the General fund to an Enterprise Fund effective the fiscal year ending June 30, 2013.

<sup>3</sup> The City of Iowa City reclassified the Cable Fund from an Enterprise Fund to the General Fund effective July 1, 2015.

**CITY OF IOWA CITY, IOWA**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**

Last Ten Fiscal Years  
(modified accrual basis of accounting)

(amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013 <sup>1</sup>	2014	2015	2016 <sup>2</sup>
<b>Revenues:</b>										
Property taxes and assessments	\$ 42,905	\$ 44,835	\$ 48,572	\$ 59,143	\$ 59,387	\$ 61,649	\$ 62,483	\$ 53,797	\$ 55,014	\$ 55,831
Licenses and permits	1,404	1,270	1,284	1,211	1,412	1,307	1,784	1,660	1,806	3,056
Intergovernmental	13,455	12,764	19,521	31,404	29,870	21,952	19,941	17,636	21,086	20,230
Charges for services	2,423	2,228	2,498	2,433	2,515	2,614	1,800	1,819	2,204	3,357
Fines and forfeits	-	-	-	-	-	-	-	-	-	760
Use of money and property	3,378	3,206	2,645	1,599	1,479	1,768	782	909	1,080	946
Miscellaneous	3,858	3,977	5,302	4,784	7,749	5,750	6,325	6,040	7,045	2,913
Total governmental activities revenues	\$ 67,423	\$ 68,280	\$ 79,822	\$ 100,574	\$ 102,412	\$ 95,040	\$ 93,115	\$ 81,861	\$ 88,235	\$ 87,093
<b>Expenditures</b>										
Current										
Public safety	\$ 16,412	\$ 18,705	\$ 18,752	\$ 19,108	\$ 18,717	\$ 20,091	\$ 20,648	\$ 21,370	\$ 21,996	\$ 21,701
Public works	12,452	12,108	12,405	13,311	14,766	15,462	8,503	8,432	12,071	9,466
Culture and recreation	10,261	10,703	10,849	11,266	12,498	13,075	13,000	13,087	11,821	12,257
Community and economic development	3,445	4,437	8,037	10,520	8,878	8,037	8,219	8,196	5,711	5,346
General government	7,194	7,207	7,300	7,191	7,695	7,553	7,286	7,184	7,608	6,007
Debt service										
Principal	6,700	7,323	8,418	9,354	10,386	13,294	16,465	13,560	12,564	13,230
Interest	3,464	3,556	3,364	3,064	2,889	2,543	2,339	1,903	1,669	1,475
Capital projects	13,000	11,811	17,096	17,690	21,873	16,006	17,861	14,528	14,762	14,848
Total expenditures	\$ 72,928	\$ 75,850	\$ 86,221	\$ 91,504	\$ 97,702	\$ 96,061	\$ 94,321	\$ 88,260	\$ 88,202	\$ 84,330
Excess (deficiency) of revenues over (under) expenditures	\$ (5,505)	\$ (7,570)	\$ (6,399)	\$ 9,070	\$ 4,710	\$ (1,021)	\$ (1,206)	\$ (6,399)	\$ 33	\$ 2,763
<b>Other financing sources (uses):</b>										
Issuance of long-term debt	\$ 8,870	\$ 9,150	\$ 30,035	\$ -	\$ 16,165	\$ 9,690	\$ 2,655	\$ 19,730	\$ 7,785	\$ 9,405
Issuance of refunding debt	-	-	-	-	10,930	-	-	-	-	-
Sale of capital assets	470	111	554	222	845	3,619	1,369	1,684	165	252
Insurance Recoveries	-	-	-	20	594	53	-	-	-	-
Premium (discount) on issuance of bonds	-	16	552	-	394	165	(42)	385	199	441
Payment of refunded bonds	-	-	(23,140)	-	(11,085)	-	-	-	-	-
Transfers in	21,552	25,413	16,486	16,742	18,658	19,499	25,198	13,040	13,089	25,133
Transfers out	(20,711)	(23,328)	(16,386)	(17,446)	(22,722)	(23,181)	(35,493)	(16,134)	(23,430)	(28,502)
Total other financing sources (uses)	\$ 10,181	\$ 11,362	\$ 8,101	\$ (462)	\$ 13,779	\$ 9,845	\$ (6,313)	\$ 18,705	\$ (2,192)	\$ 6,729
<b>Net change in fund balances</b>	\$ 4,676	\$ 3,792	\$ 1,702	\$ 8,608	\$ 18,489	\$ 8,824	\$ (7,519)	\$ 12,306	\$ (2,159)	\$ 9,492
<b>Debt service as a percentage of noncapital expenditures</b>	17.0%	16.6%	17.0%	15.3%	16.2%	18.6%	24.0%	20.7%	19.8%	21.2%

<sup>1</sup> The City of Iowa City reclassified the Mass Transportation Fund from the General fund to an Enterprise Fund effective the fiscal year ending June 30, 2013

<sup>2</sup> The City of Iowa City reclassified the Cable Fund from an Enterprise Fund to the General Fund effective July 1, 2015

**CITY OF IOWA CITY, IOWA**

**GENERAL GOVERNMENT TAX REVENUES BY SOURCE**

Last Ten Fiscal Years  
(Modified accrual basis of accounting)

(amounts expressed in thousands)

<b>Fiscal Year</b>	<b><u>Property Tax</u></b>	<b><u>Road Use Tax</u></b>	<b><u>Hotel/Motel Tax</u></b>	<b><u>Local Option Sales Tax<sup>1</sup></u></b>	<b><u>Utility Franchise Fee<sup>2</sup></u></b>	<b><u>Total</u></b>
2007	42,221	5,305	683	-	-	48,209
2008	44,101	5,432	734	-	-	50,267
2009	47,861	5,254	713	-	-	53,828
2010	50,256	5,525	699	8,141	47	64,668
2011	48,831	6,068	776	8,912	868	65,455
2012	51,374	6,394	811	8,644	822	68,045
2013	51,836	6,589	872	8,858	918	69,073
2014	51,331	6,745	967	466	1,031	60,540
2015	53,056	7,231	1,057	-	902	62,246
2016	53,878	8,320	1,079	-	874	64,151

<sup>1</sup> 1% Local Option Sales Tax went into effect 7/1/09 and will be effective through 6/30/13.

<sup>2</sup> 1% Utility Franchise Fee went into effect 4/1/10.

**CITY OF IOWA CITY, IOWA**  
**ASSESSED AND TAXABLE VALUE OF PROPERTY**

Last Ten Fiscal Years

(amounts expressed in thousands)

<b>Collection Year Ended June 30</b>		<b>Residential</b>	<b>Agricultural (Taxed at Ag Rate)</b>	<b>Commercial, Industrial &amp; Utilities (excluding Gas &amp; Electric)</b>	<b>Military Exemptions</b>	<b>Net Valuation</b>	<b>Incremental Value (Debt Service Levy Only)</b>	<b>Gas &amp; Electric Utilities (excise tax)</b>	<b>Total Value</b>	<b>Residential Rollback Percentage</b>	<b>Taxable Value as a Percentage of Assessed Value</b>	<b>Total Direct Rate</b>
2007	Assessed	2,636,228	1,582	1,044,739	3,463	\$ 3,679,086	77,785	50,311	\$ 3,807,182			
	Taxable	1,208,405	1,582	1,035,929	3,463	\$ 2,242,453	77,785	42,641	\$ 2,362,879	45.996	62.064	17.302
2008	Assessed	2,722,754	1,534	1,058,580	3,424	\$ 3,779,444	94,864	54,053	\$ 3,928,361			
	Taxable	1,234,872	1,534	1,058,580	3,424	\$ 2,291,562	94,864	41,542	\$ 2,427,968	45.560	61.806	17.297
2009	Assessed	2,991,702	1,565	1,108,123	3,396	\$ 4,097,994	111,540	54,081	\$ 4,263,615			
	Taxable	1,307,511	1,410	1,105,109	3,396	\$ 2,410,634	111,540	44,597	\$ 2,566,771	44.080	60.202	17.717
2010	Assessed	3,065,279	1,499	1,133,818	3,324	\$ 4,197,272	117,813	61,066	\$ 4,376,151			
	Taxable	1,384,088	1,407	1,133,818	3,324	\$ 2,515,989	117,813	45,157	\$ 2,678,959	45.589	61.217	17.853
2011	Assessed	3,122,875	2,315	1,223,304	3,239	\$ 4,345,255	25,409	79,196	\$ 4,449,860			
	Taxable	1,464,644	1,534	1,223,304	3,239	\$ 2,686,243	25,409	46,333	\$ 2,757,985	46.909	61.979	17.757
2012	Assessed	3,182,636	2,264	1,231,756	3,163	\$ 4,413,493	25,409	81,240	\$ 4,520,142			
	Taxable	1,544,261	1,562	1,231,756	3,163	\$ 2,774,416	25,409	48,338	\$ 2,848,163	48.530	63.010	17.842
2013	Assessed	3,284,249	2,516	1,236,609	3,097	\$ 4,520,277	11,712	83,538	\$ 4,615,527			
	Taxable	1,666,036	1,448	1,236,609	3,097	\$ 2,900,996	11,712	47,404	\$ 2,960,112	50.752	64.134	17.269
2014	Assessed	3,367,052	2,656	1,200,457	3,060	\$ 4,567,105	14,114	87,100	\$ 4,668,319			
	Taxable	1,776,096	1,592	1,200,457	3,060	\$ 2,975,085	14,114	46,813	\$ 3,036,012	52.817	65.034	16.805
2015	Assessed	3,488,113	3,681	1,238,018	2,939	\$ 4,726,873	21,132	78,643	\$ 4,826,648			
	Taxable	1,894,080	1,598	1,175,921	2,939	\$ 3,068,660	21,132	47,005	\$ 3,136,797	54.400	64.989	16.705
2016	Assessed	3,603,744	3,554	1,216,054	2,828	\$ 4,820,524	42,307	87,728	\$ 4,950,559			
	Taxable	2,008,493	1,588	1,095,272	2,828	\$ 3,102,525	33,331	46,785	\$ 3,182,641	55.734	64.289	16.651

**Sources:**

Iowa Department of Management

**Notes:**

Property is reassessed in the odd numbered years to make adjustments to all property values, according to current market values. As per the Code of Iowa, all real property subject to taxation shall be valued at its actual value and, except as otherwise provided, shall be reassessed at 100% of its actual value.

**CITY OF IOWA CITY, IOWA**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

Last Ten Fiscal Years  
(per \$1,000 assessed valuation)

<b>Collection Year</b>	<b>City of Iowa City</b>			<b>Overlapping Rates</b>				<b>Total Direct &amp; Overlapping Rates</b>
	<b>Operating Millage</b>	<b>Debt Service Millage</b>	<b>Total City Millage</b>	<b>Johnson County<sup>1</sup></b>	<b>Iowa City School District</b>	<b>Kirkwood Community College</b>	<b>State of Iowa</b>	
2007	13.423	3.879	17.302	6.415	13.632	0.872	0.004	38.225
2008	13.511	3.786	17.297	6.823	13.852	0.855	0.004	38.831
2009	13.414	4.303	17.717	7.803	14.192	0.852	0.004	40.568
2010	13.634	4.219	17.853	7.708	14.191	0.840	0.003	40.595
2011	13.319	4.438	17.757	7.540	14.690	0.926	0.003	40.916
2012	13.193	4.649	17.842	7.320	14.591	0.999	0.003	40.755
2013	12.826	4.443	17.269	7.075	14.073	1.079	0.003	39.499
2014	12.775	4.030	16.805	7.077	13.688	1.065	0.003	38.638
2015	12.575	4.130	16.705	7.062	13.700	1.058	0.003	38.528
2016	12.822	3.829	16.651	7.228	13.868	1.061	0.003	38.811

**Source:** "Tax Levies for Johnson County, Iowa," compiled by the Johnson County Auditor.

**Note:**

<sup>1</sup>Includes Johnson County, City of Iowa City Assessor, and Agricultural Extension levies.

Tax rates are per \$1,000 of assessed value.

**CITY OF IOWA CITY, IOWA**

**PROPERTY TAX BUDGETS AND COLLECTIONS**

Last Ten Fiscal Years  
(Cash basis of accounting)

(amounts expressed in thousands)

<b>Collection Year</b>	<b>Total Tax Levied</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections<sup>1</sup></b>	<b>Total Tax Collections</b>	<b>Total as a Percent of Levy</b>
2007	39,094	38,947	99.6	13	38,960	99.7
2008	39,973	39,768	99.5	70	39,838	99.7
2009	43,168	43,118	99.9	18	43,136	99.9
2010	45,393	45,318	99.8	17	45,335	99.9
2011	47,789	47,826	100.1	8	47,834	100.1
2012	49,595	49,543	99.9	1	49,544	99.9
2013	50,407	50,139	99.5	3	50,142	99.5
2014	50,307	49,835	99.1	1	49,836	99.1
2015	51,609	51,292	99.4	3	51,295	99.4
2016	56,076	52,074	92.9	0	52,074	92.9

**Source:** Certificate of City Taxes and Johnson County Treasurer's Office

**Note:** This schedule is presented on a cash basis of accounting. Taxes are collected by the Johnson County Treasurer and submitted to the City in the following month. Because of the month delay, some years will show Current Tax Collections in excess of the Total Tax Levied.

<sup>1</sup> Delinquent tax collection is presented by collection year, rather than levy year, because information is not available from Johnson County Treasurer by levy year.



**CITY OF IOWA CITY, IOWA**

**PRINCIPAL TAXPAYERS**

Current Year and Nine Years Ago

(amounts expressed in thousands)

<u>Ten largest taxpayers<sup>1</sup></u>	<u>Type of Business</u>	<u>2007</u>			<u>2016</u>		
		<u>Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Taxable Valuation</u>	<u>Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Taxable Valuation</u>
ACT Inc (Am College Testing Prgrm)	Educational Testing Service	\$ 31,215	2	0.70 %	\$ 47,639	1	1.52 %
Mid-American Energy Company	Public Gas and Electric Utility	41,455	1	0.92	42,664	2	1.36
Ann Gerdin Trust (formerly Russell Gerdin)	Warehousing	-	-	N/A	22,803	3	0.73
Dealer Properties IC LLC (Billion Auto)	Car Dealerships	-	-	N/A	18,889	4	0.60
Proctor & Gamble LLC	Manufacturing Company	-	-	N/A	16,414	5	0.52
Christian Retirement Services	Retirement Community	-	-	N/A	15,667	6	0.50
Midwestone Bank	Finanacial	-	-	N/A	15,014	7	0.48
Vesper Iowa City LLC	Real Estate Developer	-	-	N/A	14,027	8	0.45
Alpha Inc.	Industrial	-	-	N/A	13,860	9	0.44
National Computer Systems (Pearson)	Information Services	16,016	6	0.36	12,815	10	0.41
Jame A and Lorretta Clark	Apartments	27,586	3	0.62	-	-	N/A
Kobrin Deve Co Inc (Southgate Dev Co)	Real Estate Developer	21,765	4	0.49	-	-	N/A
Plaza Towers LLC	Condo/Hotel/Commercial space	16,137	5	0.36	-	-	N/A
MEHSM LC (Sycamore Mall)	Shopping Mall	14,610	7	0.33	-	-	N/A
United Natural Foods	Wholesale Distribution Company	12,948	8	0.29	-	-	N/A
Russell Gerdin	Trucking Company	11,164	9	0.25	-	-	N/A
University View Partners	Apartments	11,088	10	0.25	-	-	N/A
<b>Total</b>		<b>\$ 203,984</b>		<b>4.55 %</b>	<b>\$ 219,792</b>		<b>7.01 %</b>

**Sources:**

<sup>1</sup>City of Iowa City Assessor's Office - 2015 Annual Report



**CITY OF IOWA CITY, IOWA**

**PRINCIPAL WATER SYSTEM CUSTOMERS**

Current Year and Nine Years Ago

<u>Customer Name</u>	<u>2007</u>			<u>2016</u>		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
Proctor & Gamble	\$ 635,147	1	7.55 %	\$ 673,690	1	7.69 %
Vets	138,495	2	1.65	104,250	2	1.19
Mercy Hospital	75,140	3	0.89	64,349	3	0.73
Campus Apartments	38,298	5	0.46	61,112	4	0.70
Mark IV Apts	45,574	8	0.54	53,473	5	0.61
Dolphin Lake Point (Rus Properties Mngmt)	62,170	6	0.74	50,139	6	0.57
University of Iowa (Mayflower Apartments)	-	-	N/A	46,061	7	0.53
Iowa City Community School District	-	-	N/A	43,465	8	0.50
CCAL 100 Hawk Ridge Drive	-	-	N/A	39,301	9	0.45
Oaknoll Retirement Residence	-	-	N/A	37,955	10	0.43
Pollution Control	68,315	4	0.81	-	-	N/A
Roberts	54,615	7	0.65	-	-	N/A
Lear Corp	44,200	9	0.53	-	-	N/A
Seville Apartments	35,448	10	0.42	-	-	N/A
	<u>\$ 1,197,402</u>		<u>14.23 %</u>	<u>\$ 1,173,795</u>		<u>13.40 %</u>
 Total Water System Charges	 \$ 8,414,310			 \$ 8,758,683		

**Sources:**

City of Iowa City Revenue Division

## CITY OF IOWA CITY, IOWA

### SALES HISTORY AND TOTAL WATER CHARGES

Last Ten Fiscal Years

<b><u>Fiscal Year</u></b>	<b><u>Water Sales Cubic Feet Sold</u></b>	<b><u>Water System Charges</u></b>
2007	261,072,632	8,414,310
2008	249,361,929	7,976,536
2009	234,804,167	7,497,903
2010	234,342,825	7,568,378
2011	236,838,370	7,661,898
2012	246,618,257	7,953,738
2013	254,616,773	8,194,467
2014	239,790,719	7,778,364
2015	240,423,612	8,161,522
2016	255,524,943	8,758,683

**Sources:**

City of Iowa City Revenue Department

**CITY OF IOWA CITY, IOWA**

**PRINCIPAL SEWER SYSTEM CUSTOMERS**

Current Year and Nine Years Ago

<u>Customer Name</u>	<u>2007</u>			<u>2016</u>		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	\$ 2,173,296	1	19.61 %	\$ 1,900,317	1	15.81 %
Proctor & Gamble	1,237,851	2	11.17	893,069	2	7.43
Iowa City Landfill	57,572	10	0.52	219,432	3	1.83
Vets Hosiptal	193,077	3	1.74	119,193	4	0.99
Mercy Hospital	124,590	5	1.12	102,693	5	0.85
Dolphin Lake Point (Rus Properties Mngmt)	102,653	6	0.93	76,609	6	0.64
University of Iowa Mayflower	68,318	8	0.62	73,827	7	0.61
Campus Apartments	90,091	7	0.81	72,228	8	0.60
CCAL 100 Hawk Ridge Drive	-	-	N/A	68,909	9	0.57
Mark IV Apts	-	-	N/A	58,512	10	0.49
Roberts Dairy	130,549	4	1.18	-	-	N/A
Sheraton Hotel	60,021	9	0.54	-	-	N/A
	<u>\$ 4,238,018</u>		<u>38.23 %</u>	<u>\$ 3,584,789</u>		<u>29.82 %</u>
Total Sewer System Charges	\$ 11,084,369			\$ 12,022,203		

**Sources:**

City of Iowa City Revenue Department

**CITY OF IOWA CITY, IOWA**

**SALES HISTORY AND TOTAL SEWER CHARGES**

Last Ten Fiscal Years

<b><u>Fiscal Year</u></b>	<b><u>Sewer Sales Cubic Feet Sold</u></b>	<b><u>Sewer System Charges</u></b>
2007	315,199,203	11,084,369
2008	285,492,596	12,221,769
2009	276,455,246	12,499,949
2010	265,375,857	12,541,905
2011	280,303,237	12,748,695
2012	282,134,840	12,784,321
2013	285,472,392	12,883,641
2014	269,494,125	12,382,031
2015	266,830,947	12,278,153
2016	270,547,701	12,022,203

**Sources:**

City of Iowa City Revenue Department

**CITY OF IOWA CITY, IOWA**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income<sup>2</sup></b>	<b>Per Capita<sup>2</sup></b>
	<b>General Obligation Bonds<sup>1</sup></b>	<b>Revenue Bonds<sup>1</sup></b>	<b>Capital Loan Note</b>	<b>General Obligation Bonds<sup>1</sup></b>	<b>Revenue Bonds<sup>1</sup></b>			
2007	80,441,894	-	211,000	5,458,633	99,892,337	186,003,864	3.28	2,774
2008	82,268,532	-	211,000	4,885,710	94,549,386	181,914,628	3.00	2,682
2009	81,222,533	-	211,000	4,317,787	87,875,855	173,627,175	2.81	2,513
2010	71,791,737	-	211,000	3,731,167	79,281,888	155,015,792	2.47	2,284
2011	77,743,957	-	211,000	3,130,849	75,857,306	156,943,112	2.32	2,276
2012	74,225,654	-	211,000	1,483,473	69,059,307	144,979,434	2.03	2,103
2013	57,688,803	2,614,644	211,000	1,182,315	62,764,738	124,461,500	1.69	1,775
2014	64,132,510	2,616,768	211,000	886,157	57,568,517	125,414,952	1.68	1,752
2015	59,421,203	2,618,892	211,000	590,000	45,566,903	108,407,998	1.45	1,514
2016	55,998,392	2,491,016	211,000	295,000	39,951,661	98,947,069	1.23	1,333

**Notes:**

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> Bonds reported net of related premiums and discounts.

<sup>2</sup> Population and personal income information can be found on page 140.

**CITY OF IOWA CITY, IOWA**

**RATIOS OF GENERAL OBLIGATION BONDED DEBT<sup>1</sup>  
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita)

<b>Fiscal Year</b>	<b>Property Assessed Value<sup>2</sup></b>	<b>Debt Payable from Governmental</b>	<b>Debt Payable from Proprietary</b>	<b>Gross Bonded Debt</b>	<b>Debt Service Fund Balance</b>	<b>Net General Obligation Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita<sup>3</sup></b>
2007	3,807,182	80,442	5,459	85,901	4,289	81,612	21.44 : 1000	1,217
2008	3,928,361	82,268	4,886	87,154	8,691	78,463	19.97 : 1000	1,157
2009	4,263,615	81,222	4,318	85,540	11,759	73,781	17.30 : 1000	1,068
2010	4,376,151	71,792	3,731	75,523	13,952	61,571	14.07 : 1000	907
2011	4,449,860	77,744	3,131	80,875	13,151	67,724	15.22 : 1000	982
2012	4,520,142	74,226	1,483	75,709	11,009	64,700	14.31 : 1000	938
2013	4,615,527	57,689	1,182	58,871	6,527	52,344	11.34 : 1000	746
2014	4,668,319	64,133	886	65,019	6,872	58,147	12.46 : 1000	812
2015	4,826,648	59,421	590	60,011	7,052	52,959	10.97 : 1000	740
2016	4,950,559	55,998	295	56,293	6,573	49,720	11.66 : 1000	670

**Notes:**

<sup>1</sup> General Obligation bonds, net of related premiums and discounts.

<sup>2</sup> City of Iowa City Budget Book.

<sup>3</sup> Population data can be found on page 140.



**CITY OF IOWA CITY, IOWA**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES<sup>1</sup>**

Last Ten Fiscal Years

(amounts expressed in thousands)

<b>Fiscal Year Ended June 30</b>	<b><u>Principal</u><sup>2</sup></b>	<b><u>Interest</u><sup>2</sup></b>	<b><u>Total Debt Service</u></b>	<b><u>Total General Governmental Expenditures and Transfers</u></b>	<b><u>Ratio of Debt Service to General Expenditures</u></b>
2007	6,700	3,464	10,164	93,639	.11 : 1.00
2008	7,323	3,556	10,879	99,178	.11 : 1.00
2009	8,418	3,364	11,782	102,607	.11 : 1.00
2010	9,354	3,064	12,418	108,950	.11 : 1.00
2011	10,386	2,889	13,275	120,424	.11 : 1.00
2012	13,294	2,543	15,837	119,242	.13 : 1.00
2013	16,465	2,339	18,804	129,814	.14 : 1.00
2014	13,560	1,903	15,463	104,394	.15 : 1.00
2015	12,564	1,669	14,233	111,632	.13 : 1.00
2016	13,230	1,475	14,705	112,832	.13 : 1.00

**Notes:**

<sup>1</sup> General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

<sup>2</sup> Beginning in FY13, Taxable Urban Renewal Revenue Bonds are also included.

**CITY OF IOWA CITY, IOWA**

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

June 30, 2016

(amounts expressed in thousands, except per capita)

<u>Name of Governmental Unit</u>	<u>Total General Long-Term Direct Debt Outstanding</u>	<u>Percent Applicable to the City of Iowa City</u>	<u>Amount Applicable to the City of Iowa City</u>	<u>Debt/Actual Market Value<sup>2</sup></u>	<u>Per Capita<sup>3</sup></u>
City of Iowa City	\$ 58,700	100.00 %	\$ 58,700	1.19 %	\$ 790.8974
Iowa City Community School District <sup>1</sup>	6,320	56.83	3,591	0.07	48.3895
Johnson County <sup>1</sup>	12,690	42.23	5,359	0.11	72.1985
Clear Creek- Amana <sup>1</sup>					
Community School District <sup>1</sup>	61,465	0.05	28	0.00	0.3815
Kirkwood Comm. College <sup>1</sup>	<u>87,311</u>	13.69	<u>11,950</u>	0.24	<u>161.0026</u>
Total	<u>\$ 226,486</u>		<u>\$ 79,628</u>		<u>\$ 1,072.8695</u>
Per capita assessed value					<u>\$ 66,701</u>

<sup>1</sup> Long term debt outstanding includes only GO debt.

<sup>2</sup> City Property Assessed Value of 4,950,559 came from the Iowa Department of Management

<sup>3</sup> Population for FY16 of 74,220 came from the US Census Bureau

**Source:** Johnson County Auditor's Office.

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Iowa City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**CITY OF IOWA CITY, IOWA**

**LEGAL DEBT MARGIN INFORMATION**

Last Ten Fiscal Years

(amounts expressed in thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Fiscal Year 2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Limit	\$ 190,359	\$ 196,418	\$ 213,181	\$ 218,808	\$ 222,493	\$ 226,007	\$ 230,776	\$ 233,416	\$ 241,332	\$ 247,528
Total net debt applicable to limit	85,840	87,090	84,995	75,050	80,575	75,320	61,205	67,075	77,506	71,963
Legal debt margin	<u>\$ 104,519</u>	<u>\$ 109,328</u>	<u>\$ 128,186</u>	<u>\$ 143,758</u>	<u>\$ 141,918</u>	<u>\$ 150,687</u>	<u>\$ 169,571</u>	<u>\$ 166,341</u>	<u>\$ 163,826</u>	<u>\$ 175,565</u>
Total net debt applicable to the limit as a percentage of debt limit	45.09%	44.34%	39.87%	34.30%	36.21%	33.33%	26.52%	28.74%	32.12%	29.07%

**Legal Debt Margin Calculation for Fiscal Year 2016**

Total Assessed Valuation	\$ 4,950,559
Debt Limit - 5% of Total Assessed Valuation	247,528
Less: Amount of Debt Applicable to Debt Limit	71,963
Legal Debt Margin	<u>\$ 175,565</u>

**Note:** Under Iowa code, the city's outstanding general obligation debt should not exceed 5 percent of total assessed property value.

**CITY OF IOWA CITY, IOWA**

**GENERAL OBLIGATION DEBT ANNUAL MATURITY SCHEDULE**

<b>Fiscal Year</b>	<b>Payments</b>			<b>Funding Source(s)</b>			<b>Principal Outstanding at Beginning of Fiscal Year</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Property Tax Revenue</b>	<b>Tax Increment Financing</b>	<b>Water Revenue</b>	
2016	13,395,000	1,411,071	14,806,071	13,899,604	599,667	306,800	59,340,000
2017	10,425,000	1,349,450	11,774,450	10,875,438	598,112	300,900	55,350,000
2018	9,340,000	1,115,481	10,455,481	9,857,004	598,477	-	44,925,000
2019	7,985,000	872,031	8,857,031	8,259,816	597,215	-	35,585,000
2020	7,410,000	663,144	8,073,144	7,477,444	595,700	-	27,600,000
2021	6,150,000	459,779	6,609,779	6,014,055	595,724	-	20,190,000
2022	4,585,000	303,400	4,888,400	4,293,027	595,373	-	14,040,000
2023	3,665,000	208,900	3,873,900	3,336,557	537,343	-	9,455,000
2024	2,865,000	120,950	2,985,950	2,602,119	383,831	-	5,790,000
2025	1,890,000	58,500	1,948,500	1,873,556	74,944	-	2,925,000
2026	1,035,000	20,700	1,055,700	1,055,700	-	-	1,035,000
<b>Total</b>	<b>\$ 68,745,000</b>	<b>\$ 6,583,406</b>	<b>\$ 75,328,406</b>	<b>\$ 69,544,320</b>	<b>\$ 5,176,386</b>	<b>\$ 607,700</b>	

**CITY OF IOWA CITY, IOWA**  
**SCHEDULE OF REVENUE BOND COVERAGE**

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended <u>June 30</u>	<u>Revenue</u>	<u>Expenses</u> <sup>1</sup>	Net Revenue Available for <u>Debt Service</u>	Annual Debt Service <sup>2</sup>			Ratio of <u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
<b>Parking Revenue<sup>3</sup></b>							
2007	5,035	2,973	2,062	335	626	961	2.15
2008	4,995	2,454	2,541	355	606	961	2.64
2009	5,630	3,024	2,606	370	584	954	2.73
2010 <sup>6</sup>	5,509	3,149	2,360	390	504	894	2.64
2011	5,389	2,920	2,469	420	391	811	3.04
2012	4,945	3,034	1,911	500	339	839	2.28
2013	5,122	3,549	1,573	515	324	839	1.87
2014	5,365	2,969	2,396	530	308	838	2.86
2015 <sup>7</sup>	5,620	3,828	1,792	540	254	794	2.26
2016	-	-	-	-	-	-	-
<b>Wastewater Treatment Revenue<sup>4</sup></b>							
2007	13,708	4,236	9,472	3,905	3,234	7,139	1.33
2008 <sup>6</sup>	13,332	4,581	8,751	4,105	3,071	7,176	1.22
2009 <sup>6</sup>	13,462	5,202	8,260	4,260	2,813	7,073	1.17
2010 <sup>6</sup>	13,174	5,050	8,124	4,205	2,307	6,512	1.25
2011 <sup>6</sup>	13,281	5,477	7,804	1,840	2,054	3,894	2.00
2012	13,175	5,663	7,512	4,615	1,693	6,308	1.19
2013	13,301	5,340	7,961	4,865	1,547	6,412	1.24
2014	12,835	5,708	7,127	3,250	1,428	4,678	1.52
2015	12,620	6,574	6,046	3,370	1,305	4,675	1.29
2016	12,681	6,513	6,168	3,520	1,175	4,695	1.31
<b>Water Revenue<sup>5</sup></b>							
2007	9,220	5,356	3,864	915	1,268	2,183	1.77
2008 <sup>6</sup>	9,258	5,348	3,910	955	1,229	2,184	1.79
2009 <sup>6</sup>	8,833	5,726	3,107	995	1,171	2,166	1.43
2010 <sup>6</sup>	8,336	5,153	3,183	680	1,055	1,735	1.83
2011	8,354	5,464	2,890	1,110	902	2,012	1.44
2012 <sup>6</sup>	8,649	5,653	2,996	1,200	861	2,061	1.45
2013 <sup>6</sup>	9,342	6,348	2,994	845	758	1,603	1.87
2014 <sup>6</sup>	8,613	5,818	2,795	1,335	650	1,985	1.41
2015	8,715	5,632	3,083	1,380	610	1,990	1.55
2016	9,323	5,387	3,936	1,715	579	2,294	1.72

**Notes:**

<sup>1</sup> Excludes depreciation and interest.

<sup>2</sup> Includes principal and interest of revenue bonds only.

<sup>3</sup> Parking Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.25.

<sup>4</sup> Wastewater Treatment Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.10.

<sup>5</sup> Water Revenue bonds ratio of "Net Revenue Available for Debt Service" to "Total Annual Debt Service" is required to be at least 1.10.

<sup>6</sup> Refunded Revenue Bonds paid are excluded from the principal of Annual Debt Service.

<sup>7</sup> Parking Revenue Bonds defeased are excluded from the principal and interest of Annual Debt Service.

**CITY OF IOWA CITY, IOWA**

**REVENUE DEBT ANNUAL MATURITY SCHEDULE**

<b>Fiscal Year</b>	<b>Payments</b>			<b>Funding Source(s)</b>			<b>Principal Outstanding at Beginning of Fiscal Year</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Sewer Revenue</b>	<b>Water Revenue</b>	<b>Tax Increment Financing</b>	
2016	19,670,000 <sup>1</sup>	1,817,669	21,487,669	15,210,119	6,072,215	205,335	47,605,000
2017	5,220,000	1,577,137	6,797,137	4,610,265	1,982,837	204,035	40,945,000
2018	5,170,000	1,287,335	6,457,335	4,342,175	1,907,815	207,345	35,725,000
2019	5,385,000	1,086,488	6,471,488	4,354,400	1,911,903	205,185	30,555,000
2020	5,600,000	873,938	6,473,938	4,353,888	1,912,565	207,485	25,170,000
2021	5,500,000	656,791	6,156,791	4,033,437	1,918,809	204,545	19,570,000
2022	4,295,000	472,778	4,767,778	2,645,663	1,915,790	206,325	14,070,000
2023	2,570,000	344,215	2,914,215	792,375	1,913,995	207,845	9,775,000
2024	2,130,000	250,958	2,380,958	793,250	1,383,763	203,945	7,205,000
2025	2,220,000	167,164	2,387,164	797,250	1,385,169	204,745	5,075,000
2026	1,770,000	83,258	1,853,258	794,375	853,788	205,095	2,855,000
2027	165,000	39,975	204,975	-	-	204,975	1,085,000
2028	170,000	34,365	204,365	-	-	204,365	920,000
2029	175,000	28,245	203,245	-	-	203,245	750,000
2030	185,000	21,770	206,770	-	-	206,770	575,000
2031	190,000	14,925	204,925	-	-	204,925	390,000
2032	200,000	7,800	207,800	-	-	207,800	200,000
<b>Total</b>	<b>\$ 60,615,000</b>	<b>\$ 8,764,811</b>	<b>\$ 69,379,811</b>	<b>\$ 42,727,197</b>	<b>\$ 23,158,649</b>	<b>\$ 3,493,965</b>	

**Notes:**

<sup>1</sup> Additional principal payments above the funding sources for 2016 were funded through the refunding of bonds issued June 2016.

**CITY OF IOWA CITY, IOWA**  
**REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE**

<b>Sewer</b>			
Fiscal Year	Principal	Outstanding Interest	Total
2016	\$ 14,035,000	\$ 1,175,119	\$ 15,210,119
2017	3,625,000	985,265	4,610,265
2018	3,580,000	762,175	4,342,175
2019	3,740,000	614,400	4,354,400
2020	3,895,000	458,888	4,353,888
2021	3,730,000	303,437	4,033,437
2022	2,460,000	185,663	2,645,663
2023	665,000	127,375	792,375
2024	700,000	93,250	793,250
2025	740,000	57,250	797,250
2026	775,000	19,375	794,375
2027	-	-	-
Total	\$ 37,945,000	\$ 4,782,197	\$ 42,727,197

(continued)

<b>Water</b>			
Fiscal Year	Principal	Outstanding Interest	Total
2016	\$ 5,505,000	\$ 567,215	\$ 6,072,215
2017	1,465,000	517,837	1,982,837
2018	1,455,000	452,815	1,907,815
2019	1,510,000	401,903	1,911,903
2020	1,565,000	347,565	1,912,565
2021	1,630,000	288,809	1,918,809
2022	1,690,000	225,790	1,915,790
2023	1,755,000	158,995	1,913,995
2024	1,280,000	103,763	1,383,763
2025	1,325,000	60,169	1,385,169
2026	835,000	18,788	853,788
2027	-	-	-
Total	\$ 20,015,000	\$ 3,143,649	\$ 23,158,649

**CITY OF IOWA CITY, IOWA**

**REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE (continued)**

**Taxable Urban Renewal**

Fiscal Year	Outstanding		Total
	Principal	Interest	
2016	\$ 130,000	\$ 75,335	\$ 205,335
2017	130,000	74,035	204,035
2018	135,000	72,345	207,345
2019	135,000	70,185	205,185
2020	140,000	67,485	207,485
2021	140,000	64,545	204,545
2022	145,000	61,325	206,325
2023	150,000	57,845	207,845
2024	150,000	53,945	203,945
2025	155,000	49,745	204,745
2026	160,000	45,095	205,095
2027	165,000	39,975	204,975
2028	170,000	34,365	204,365
2029	175,000	28,245	203,245
2030	185,000	21,770	206,770
2031	190,000	14,925	204,925
2032	200,000	7,800	207,800
2033	-	-	-
Total	<u>\$ 2,655,000</u>	<u>\$ 838,965</u>	<u>\$ 3,493,965</u>



**CITY OF IOWA CITY, IOWA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**

Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population</u> <sup>6</sup>	<u>Personal Income</u> <sup>1</sup>	<u>Per Capita Personal Income</u> <sup>1</sup>	<u>Average Increase</u>	<u>School Enrollment</u> <sup>2</sup>	<u>Unemployment Rate</u> <sup>3</sup>	<u>Retail Sales</u> <sup>4</sup>
2007	67,062	5,677,628	38,854	6.13	12,824	2.9	934,971,428
2008	67,831	6,062,777	40,745	4.87	12,911	3.1	958,509,729
2009	69,086	6,180,244	40,779	0.08	13,049	4.3	905,139,461
2010	67,862	6,280,167	41,048	0.66	13,319	5.0	725,329,723
2011	68,947	6,779,334	43,631	6.29	13,638	4.8	741,407,021
2012	68,947	7,155,456	45,222	3.65	13,862	4.1	767,122,555
2013	70,133	7,361,108	45,673	1.00	14,057	3.8	793,201,342
2014	71,591	7,483,942	45,535	-0.30	14,162	3.5	649,794,164
2015 <sup>5</sup>	73,415	7,790,020	47,397	4.09	14,495	2.9	838,853,686
2016 <sup>5</sup>	74,220	8,038,105	48,907	3.18	15,186	3.2	853,258,347

**Sources and Notes:**

<sup>1</sup> Personal Income and Per Capita Personal Income based on metropolitan Iowa City / Coralville and based on figures from Bureau of Economic Analysis. Personal Income expressed in thousands.

<sup>2</sup> Iowa City Community School District and local private schools

<sup>3</sup> Iowa Workforce Development Center

<sup>4</sup> Iowa Retail Sales & Use Report, Iowa Department of Revenue and Finance. Fiscal year ending March 31.

<sup>5</sup> Personal Income and Per Capita Personal Income for 2015 and 2016 not available. Amounts projected based on average increase over previous 9 years.

<sup>6</sup> US Census Bureau

**CITY OF IOWA CITY, IOWA**

**PRINCIPAL EMPLOYERS**

Current Year and Nine Years Ago

<u>Employers</u>	<u>2007</u>		<u>2016</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	25,493	1	27,354	1	26.9 %
Iowa City Community School District	1,200	5	2,346	2	2.3
Veterans Administration Medical Center	1,232	4	1,562	3	1.5
Mercy Hospital	1,262	3	1,559	4	1.5
ACT Inc. (formerly American College Testing Program)	1,426	2	1,350	5	1.3
NCS Pearson	1,101	6	1,200	6	1.2
Hy-Vee	977	7	1,166	7	1.1
City of Iowa City	625	9	1,108	8	1.1
Systems Unlimited	-	-	890	9	0.9
International Automotive Components (formerly Lear Corp)	772	8	750	10	0.7
Proctor & Gamble	514	10	-	-	N/A
	<u>34,602</u>		<u>39,285</u>		<u>38.8 %</u>
<b>Total Employees</b>			101,500		

**Sources:**

Iowa City Area Development Group

**Note:**

Total number of employees is not available for 2007; percentage of total city employment by employer is not presented.

**CITY OF IOWA CITY, IOWA**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**

Last Ten Fiscal Years

Full-Time Equivalent Employees as of June 30

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety							
Police	96.25	96.25	103.25	103.25	98	97	103
Animal Shelter <sup>1</sup>	6	6	6	6	6	6	-
Fire	57	57	57	57	66	65	65
Inspection Services	14.88	15.38	15.55	15.55	15.55	15.55	15.55
Public Works							
Public Works Admin	2	2	2	2	2	2	2
Engineering	11.6	11.35	11.35	11.35	12.1	12.1	12.1
Flood Recovery	-	-	-	-	0.4	0.4	0.4
Culture and Recreation							
Parks and Rec Admin	2	2	2	2	2	2	2
Recreation	15.42	15.42	15.42	15.42	15.42	15.42	15.42
Parks	13	13	13	13	13	13	13
Forestry	3	3	3	3	3	3	3
Cemetery	3	3	3	3	3	3	3
CBD Maintenance	3	3	3	3	3	3	3
Library	42.89	43.14	43.14	43.14	43.14	43.64	43.63
Senior Center	6.31	6.31	6.31	6.31	6.31	6.5	6.5
Community and Economic Development	8.45	8.95	9.05	9.05	9.1	9.1	8.4
General Government							
City Council	7	7	7	7	7	7	7
City Clerk	4	4	4	4	4	4	4
City Attorney	6.6	6.6	6	6	5.6	5.6	5.6
City Manager <sup>2</sup>	3	3	3	3	3	3	5
Personnel	4	4	4	4	4	4	4
Human Rights	2.5	2.5	2.5	2.5	2.5	2.5	2
Finance	26.75	26.5	26.3	26.3	26.24	27.53	23.47
Government Buildings	4.96	4.96	4.96	4.96	4.96	4.83	4.83
Energy Conservation	0.5	0.25	0.25	0.25	-	-	-
Transit <sup>3</sup>	50.5	54.75	58.5	58.5	56.25	56.25	-
Special Revenue							
Employee Benefits	0.39	0.29	0.29	0.29	0.26	0.55	0.55
CIP / Roads	2	1	2	2	-	-	-
Flood Mitigation Grants	-	-	-	-	1.6	1.6	-
Community Development	4.35	3.98	3.88	3.88	3.83	3.83	3.33
UniverCity Program	-	-	-	-	-	-	0.2
Traffic Engineering	4.15	4.15	4.15	4.15	4.15	4.15	4.15
Streets	23.5	23.5	25.5	25.5	25.5	25.5	25.5
MPOJC (formerly JCCOG)	6.6	6.6	6.6	6.6	6.6	6.6	5.6
Other Shared Revenues	-	-	-	-	-	-	1.6
Library Development	1	1	1	1	1	1	1
Capital Project Administration	-	-	-	-	3	5	6
Internal Service Funds							
Information Technology	12	12.3	12.3	12.3	11.3	11.8	10.86
Equipment	11.26	11.26	11.26	11.26	11.26	11.26	10.75
Central Services	0.75	0.75	0.75	0.75	0.75	0.75	0.76
Risk Management	1.38	1.73	1.93	1.93	2.01	1.8	1.8
Business-Type Activities							
Parking	32.75	32.75	33.25	33.25	32.75	32.75	29.25
Mass Transit <sup>3</sup>	-	-	-	-	-	-	51.75
Wastewater Treatment	25.5	25.5	25.6	25.6	25.6	25.4	25.4
Water	32	32.75	32.75	32.75	32.75	32.75	32.75
Sanitation	33.85	34.85	34.85	35.85	35.85	37.85	37.85
Airport	1.6	1.6	1.75	1.75	1.75	1.75	1
Cable Television <sup>4</sup>	6.19	6.19	6.44	6.44	6.69	6.63	6.63
Stormwater	1	2	1.9	1.9	1.9	2.1	2.1
Housing Authority	13.25	13.25	13.25	13.25	13.25	13.25	13.18
<b>Total</b>	<b>608.13</b>	<b>614.81</b>	<b>629.03</b>	<b>630.03</b>	<b>633.37</b>	<b>637.74</b>	<b>623.91</b>

Source: City's Financial Plan

<u>2014</u>	<u>2015</u>	<u>2016</u>
105	105	105
-	-	-
65	64	64
13.55	13.55	12.85
2	2	2
12.1	12.1	12
0.38	-	-
2	2	2
15.42	15.42	14.42
13	13	13
3	3	3
3	3	3
3	3	3
45.13	45.13	44.77
6.5	6.5	6.5
8.95	8.95	10.8
7	7	7
4	4	4
5.6	5.6	5.5
6	6	10.5
3	3	3
2	2	2
23.97	22.47	23.07
4.83	4.83	5.33
-	-	-
-	-	-
0.55	0.55	0.55
-	-	-
-	-	-
2.98	2.98	2.83
-	-	-
4.15	4.15	3.9
25.5	25.5	25.25
5.6	5.6	4.7
1.62	-	-
-	-	-
6	5	4
9.86	9.86	9.86
10.75	10.75	10.75
0.5	0.5	0.5
1.8	1.8	1.8
26.25	26.25	23.13
51.25	51.25	51.13
24.4	24.65	24.65
31.75	32	32
35.85	35.85	33.35
1	1	1
6.63	5.63	-
2.1	2.6	2.6
12.19	10.19	10.19
<u>615.16</u>	<u>607.66</u>	<u>598.93</u>

<sup>1</sup> Beginning in FY13, Animal Services is reported under Police

<sup>2</sup> Beginning in FY13, Communications Division has been moved from Finance to City Manager

<sup>3</sup> Beginning in FY13, Transit was moved from the General Fund to an Enterprise Fund

<sup>4</sup> Beginning in FY16, Cable was moved from an Enterprise Fund to the General Fund

**CITY OF IOWA CITY, IOWA**

**OPERATING INDICATORS BY FUNCTION**

Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Public Safety</b>										
<b>Police<sup>1</sup></b>										
Physical arrests	6,505	6,434	6,486	5,983	6,590	5,911	4,468	6,192	5,595	4,246
Traffic Violations	6,684	5,827	4,460	4,446	3,403	3,761	2,499	3,718	3,356	2,188
<b>Fire<sup>2</sup></b>										
Number of calls answered	4,136	4,257	4,152	4,472	4,635	5,173	4,713	5,828	6,016	5,473
Inspections conducted	1,495	1,712	1,959	2,145	1,806	1,970	1,431	2,032	1,903	1,975
<b>Parking</b>										
Parking Violations	166,187	147,673	126,050	118,717	109,553	96,117	88,909	60,680	65,196	57,549
<b>Wastewater Treatment</b>										
Daily average treatment in million gallons <sup>3</sup>	9.43	12.81	12.34	12.86	10.37	8.28	9.84	10.02	9.76	10
Maximum daily capacity of plant in million gallons	40.0	41.0	41.0	41.1	41.1	41.1	41.1	41.1	43.3	43.3
Number of sewer system customers	22,481	22,909	23,161	23,344	23,527	23,529	24,059	24,389	24,533	25,085
<b>Water</b>										
Daily average consumption in million gallons	5.52	5.48	5.51	5.48	5.51	5.49	5.54	5.64	5.33	5.32
Maximum daily capacity of plant in million gallons	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7	16.7
<b>Customers by Classification</b>										
Residential	22,973	23,097	23,391	23,657	23,875	24,086	24,442	24,790	23,089	23,638
Commercial	1,448	1,465	1,494	1,481	1,498	1,489	1,491	1,491	1,409	1,415
Industrial	13	14	15	15	15	15	15	15	14	14
Other	137	138	144	153	156	200	204	202	135	131
Total Customers	24,571	24,714	25,044	25,306	25,544	25,790	26,152	26,498	24,647	25,198
<b>Sanitation</b>										
Number of Customers	14,556	14,574	14,700	14,831	14,926	15,030	15,177	15,331	14,811	15,620
Tonnage	8,722	8,834	8,747	8,869	8,969	8,935	8,956	9,160	9,210	9,476
<b>Landfill</b>										
Tonnage	135,315	132,760	140,810	150,369	147,265	148,953	111,445	115,624	123,692	126,875

**Sources:** Various city divisions.

**Notes:**

<sup>1</sup> Numbers are based on a calendar year and 2016 figures are compiled through 10/05/16.

<sup>2</sup> Numbers are based on a calendar year and 2016 figures are compiled through 10/12/16.

<sup>3</sup> Numbers for FY07 and after are based on both the North and South Wastewater Plants.

**CITY OF IOWA CITY, IOWA**

**CAPITAL ASSETS BY FUNCTION**

Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Public Safety</b>										
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	17	17	18	18	18	18	20	20	20
<b>Fire</b>										
Stations	3	3	3	3	3	4	4	4	4	4
Fire apparatus	8	9	9	9	9	11	11	11	11	10
<b>Public Works</b>										
<b>Streets</b>										
Miles	268	269	270	272	272	275	276	279	281	283
Street lights	3,395	3,403	3,408	3,410	3,412	3,412	3,412	3,412	3,412	3,412
<b>Culture and Recreation</b>										
<b>Library</b>	1	1	1	1	1	1	1	1	1	1
<b>Cemetery</b>	1	1	1	1	1	1	1	1	1	1
Acreage	40	40	40	40	40	40	40	40	40	40
<b>Parks</b>	61	61	61	40	41	41	42	43	46	46
Acreage	1,600	1,603	1,603	1,335	1,354	1,441	1,506	1,897	1,897	1,902
<b>Recreation</b>										
Recreation centers	2	2	2	2	2	2	2	2	2	2
Swimming pools	3	3	3	3	3	3	3	3	3	3
Ball diamonds	29	31	30	30	30	30	27	27	27	27
Tennis courts	12	12	12	12	12	12	12	12	12	12
Soccer fields	25	25	20	20	20	20	20	20	20	20
<b>Parking</b>										
<b>Facilities</b>	5	5	5	5	5	5	5	5	5	5
Spaces	3,100	3,085	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086
<b>Wastewater Treatment</b>										
Miles of sanitary sewer	286	288	289	291	292	294	295	298	300	301
Miles of storm sewer	117	118	120	122	124	127	128	131	133	136
Number of treatment plants	2	2	2	2	2	2	2	1	1	1
Number of service connectors	22,481	22,576	22,875	23,093	23,308	23,529	23,851	24,175	24,533	25,085
<b>Water</b>										
Miles of water mains	260	262	263	264	264	266	268	271	273	275
Number of city owned fire hydrants	2,569	2,575	2,635	2,662	2,680	2,735	3,330	3,385	3,415	3,447
<b>Sanitation</b>										
<b>Landfills</b>	1	1	1	1	1	1	1	1	1	1
Acreage	200	395	395	395	395	411	411	411	418	418

**Sources:** Various city divisions.



# Compliance Section Tab



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

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2016.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part IV of the accompanying Schedule of Findings and Questioned Costs. 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.

### **Purpose of this Report**

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



Dubuque, Iowa  
December 12, 2016

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

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

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

We have audited the City of Iowa City, Iowa's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City of Iowa City, Iowa, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Dubuque, Iowa  
December 12, 2016

City of Iowa City, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Agriculture:				
Pass-through program from:				
Iowa Department of Agriculture:				
Specialty Crop Block Grant Program - Farm Bill	10.170	15SCBGPIA0001	\$ 8,189	\$ 8,189
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-1670	1,831	1,831
			<u>10,020</u>	<u>10,020</u>
U.S. Department of Housing and Urban Development:				
Direct program:				
Community Development Block Grants/ Entitlement Grants	14.218		343,080	153,049
Community Development Block Grants/ Entitlement Grants	14.218		341,521	147,657
			<u>684,601</u>	<u>300,706</u>
Pass-through program from:				
Iowa Economic Development Authority:				
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-271	2,033,182	-
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-273	487,825	-
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRIEF-276	403,898	-
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-210	349	-
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-010	201	-
			<u>2,925,455</u>	<u>-</u>

City of Iowa City, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Amounts Passed- Through to Subrecipients</u>
U.S. Department of Housing and Urban Development: (continued)				
Direct program:				
Home Investment Partnerships Program	14.239		\$ 302,116	\$ 218,939
Home Investment Partnerships Program	14.239		216,729	216,429
Home Investment Partnerships Program	14.239		206,505	108,263
Home Investment Partnerships Program	14.239		<u>22,466</u>	<u>10,394</u>
			<u>747,816</u>	<u>554,025</u>
Public and Indian Housing	14.850		133,845	-
Public and Indian Housing	14.850		<u>128,444</u>	<u>-</u>
			<u>262,289</u>	<u>-</u>
Section 8 Housing Choice Vouchers	14.871		<u>7,999,151</u>	<u>-</u>
Public Housing Capital Fund	14.872		41,766	-
Public Housing Capital Fund	14.872		<u>15,225</u>	<u>-</u>
			<u>56,991</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>12,676,303</u>	<u>854,731</u>
U.S. Department of Justice:				
Pass-through program from:				
Iowa Department of Justice:				
Violence Against Women				
Formula Grants	16.588	VW-16-51-CJ	<u>63,583</u>	<u>-</u>
Direct program:				
Bulletproof Vest Partnership Program	16.607		<u>8,827</u>	<u>-</u>
Public Safety Partnership and Community Policing Grants	16.710		<u>11,368</u>	<u>-</u>

City of Iowa City, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Justice: (continued)				
Direct program:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738		\$ 18,235	\$ 12,014
Pass-through program from:				
Governor's Office of Drug Control Policy:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-JAG-111736	102,872	61,724
			<u>121,107</u>	<u>73,738</u>
Methamphetamine Drug Spots Grant Program	17.710	14-HotSpots-01	8,308	6,563
Total U.S. Department of Justice			<u>213,193</u>	<u>80,301</u>
U.S. Department of Transportation:				
Direct program:				
Airport Improvement Program	20.106		107,828	-
Airport Improvement Program	20.106		88,310	-
			<u>196,138</u>	<u>-</u>
Pass-through program from:				
Iowa Department of Transportation:				
Highway Planning and Construction	20.205	STP-U-3715(636) --70-52	1,690,999	-
Highway Planning and Construction	20.205	HDP-3715(652) --71-52	785,955	-
Highway Planning and Construction	20.205	IA-95-X018-371-13	149,631	-
Iowa Department of Transportation and Metropolitan Planning Organization of Johnson County:				
Highway Planning and Construction	20.205	16MPO-MPOJC	137,665	-
			<u>2,764,250</u>	<u>-</u>
Metropolitan Transportation Planning and State and Non- Metropolitan Planning and Research	20.505	16MPO-MPOJC	52,335	-

City of Iowa City, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Transportation: (continued)				
Federal Transit Cluster:				
Direct program:				
Federal Transit – Formula Grants	20.507		\$ 1,494,411	\$ -
Pass-through program from:				
Iowa Department of Transportation:				
Bus and Bus Facilities Formula Program	20.526	IA-34-0002-371-14, #15190	158,984	-
Total Federal Transit Cluster			<u>1,653,395</u>	<u>-</u>
Pass-through program from:				
Iowa Department of Transportation:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	IA-16-X005-371-16	<u>106,628</u>	<u>-</u>
Iowa Department of Public Safety:				
Governor's Traffic Safety Bureau:				
National Priority Safety Programs	20.616	PAP 16-405d- M6OT, Task 21	25,462	-
National Priority Safety Programs	20.616	PAP 15-405d- M6OT, Task 27	13,446	-
			<u>38,908</u>	<u>-</u>
Total U.S. Department of Transportation			<u>4,811,654</u>	<u>-</u>
U.S. Environmental Protection Agency				
Direct program:				
Urban Waters Small Grants	66.440		<u>21,203</u>	<u>-</u>
U.S. Department of Homeland Security:				
Pass-through program from:				
Iowa Homeland Security and Emergency Management Division:				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4119-IA	108,926	-
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4187-IA	2,562	-
			<u>111,488</u>	<u>-</u>
Hazard Mitigation Grant	97.039	DR-4187-0003-01	<u>373,181</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>484,669</u>	<u>-</u>
Total			<u>\$ 18,217,042</u>	<u>\$ 945,052</u>



**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Iowa City, Iowa, and is presented on the modified accrual basis of accounting for governmental funds and the full accrual basis of accounting for proprietary funds. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. The City received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

**Note 2 - Significant Accounting Policies**

Governmental and proprietary fund types account for the City's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources in the governmental fund types and on the full accrual basis – when expenditures are incurred in the proprietary fund types. The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements.

The City has not elected to use the 10% de minimis cost rate.

**Part I: Summary of the Independent Auditor's Results:**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Highway Planning and Construction	20.205
Federal Transit Cluster	
Federal Transit – Formula Grants	20.507
Bus and Bus Facilities Formula Program	20.526

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

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

There were no findings to report.

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

There were no findings and questioned costs to report.

**Part IV: Other Findings Related to Required Statutory Reporting:**

- 2016-IA-A Certified Budget** – Disbursements during the year ended June 30, 2016, did not exceed the amount budgeted.
- 2016-IA-B Questionable Expenditures** – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- 2016-IA-C Travel Expense** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- 2016-IA-D Business Transactions** – No business transactions between the City and City officials or employees were noted.
- 2016-IA-E Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 2016-IA-F Council Minutes** – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- 2016-IA-G Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- 2016-IA-H Revenue Bonds** – No instances of non-compliance with the provisions of the City’s revenue bond resolutions were noted.
- 2016-IA-I Annual Urban Renewal Report** – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

**Prior Audit Findings Related to the Financial Statements:**

There were no prior year financial statement findings.

**Prior Audit Findings and Questioned Costs for Federal Awards:**

There were no prior year federal findings.