

City of Iowa City



Comprehensive Annual Financial Report



For the Fiscal Year Ended
June 30, 2017

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF IOWA CITY, IOWA

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PREPARED BY:

FINANCE DEPARTMENT
CITY OF IOWA CITY, IOWA



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CITY OF IOWA CITY, IOWA

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December 11, 2017



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, 2017 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, 2017. 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 493 full-time and 44 part-time permanent municipal employees and 405 temporary employees, including a police force of 80 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 2017 of 33,564 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. Established firms continue to prosper and expand in Iowa City and there are opportunities for growth of new businesses. Overall, employment has remained steady as evidenced in the unemployment rate for Iowa City, which continues to remain low at 2.9% for the month of June 2017, as compared to 3.2% for the State of Iowa, and 4.4% 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 172 new single-family houses in 2016 as compared to 137 in 2015; multi-family dwelling units added during fiscal year 2016 was 556, compared to 499 in 2015; and mixed commercial/residential developments added 340 dwelling units in 2016 versus 47 residential units in 2015. Altogether these housing additions totaled 1,068 units valued at \$206,478,670 in 2016 versus a total of 683 units valued at \$92,701,042 in 2015.

In addition to an increase in residential construction in 2016, the City also had an increase in commercial construction. The value of permits for commercial construction increased by \$50,415,500 to \$62,656,986 from 2015 to 2016, and the value of remodeling permits for residential and commercial increased by \$62,046,685 to \$93,087,526 from 2015 to 2016.

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 2016 is estimated to be 74,398 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
 - Televisе 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, 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 flooding in 2008 and ideas for improving the district were initiated as part of a combined flood mitigation plan. The new district 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. An \$8.5 million hazard mitigation grant from the State of Iowa assisted the City in removing the public facilities in this area and then converting the area into a riverfront park and wetland. Construction of phases 1 and 2 of the park began in 2017 and are expected to be completed in 2018. On the north side of the Riverfront Crossing area, the University of Iowa recently constructed the Voxman School of Music, and there are also several public and private developments under various stages of 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 also completed construction of a \$15.3 million, 600 space parking garage to service the growth in this area in 2017.

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 and enhancements for the Washington Street corridor were completed in 2017 and reconstruction of Black Hawk mini-park and the downtown pedestrian mall are currently under design and are planned for 2018 and 2019.

Other buildings in the downtown that are undergoing or have recently completed major re-development include the Wilson Building and public space is being 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 estimated to be \$49 million and will be assisted with tax increment financing. This project is currently under construction.

In the Towncrest commercial area, City staff is working to facilitate redevelopment of 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. A 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 under construction as of June 2017.

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. The development of a 4-story, \$16.1 million multi-family/student housing development in the Riverside Drive area was completed in late 2016, and adjacent to this development several new retail spaces including a gas station/marketplace were also constructed. The City is developing a streetscape plan for this area which will include lighting, trails, landscaping, and other amenities and improvements. Construction of the streetscape improvements are expected to begin in 2017. Adjacent to this area is the City's aging public works complex, which is being targeted for replacement and redevelopment. A plan for replacement is underway with construction of a new Public Works Facility being designed during 2017 and construction to begin in 2018.

Long-term Financial Planning

It is our intent to support the major initiatives through budget appropriations, departmental operations, and employee management 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 (FY2017 – FY2019) was the passage of property tax reform (SF295) by the state legislature in 2013. The property tax reform bill had multiple components including a property tax rollback for commercial and industrial property, which reduced the taxable value of these property types. The bill established a State funded “backfill” to reimburse the City for lost property tax revenues due to the commercial and industrial rollback. The State “backfill” payments began in fiscal year 2015 but will be capped at the fiscal year 2017 levels for years thereafter. The cumulative reduction in commercial and industrial property tax revenues due to this rollback are estimated to be \$16,484,000 between fiscal year 2015 to fiscal year 2024, and the maximum reimbursement from the State during that time period would be \$15,789,000 for a net loss in revenues of \$695,000. For fiscal years 2015 through 2017, the City received actual State “backfill” payments for the commercial and industrial rollback totaling \$1,048,359, \$2,080,228, and \$1,582,567 in fiscal years 2015, 2016, and 2017, respectively.

This bill also limited the annual taxable valuation growth of residential and agricultural property to 3 percent, instead of the previous limit of 4 percent. The impact of this provision is that the taxable percentage of residential property is expected grow at a slower pace. Without this change, the estimated taxable percentage of residential property was estimated to be 60.85% in fiscal year 2024. With this provision in place, the estimated taxable percentage in fiscal year 2024 is estimated to 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 \$21,078,000 from fiscal year 2015 to fiscal year 2024. The City will not receive any money from the State due to lost revenue from this provision.

SF295 also established a multi-residential property classification that includes mobile home parks, assisted living facilities, and property primarily intended for human habitation. A gradual rollback will be applied to these properties to eventually tax them similarly to residential property, rather than commercial, by fiscal year 2024. The estimated cumulative loss from fiscal year 2015 to fiscal year 2024 is \$15,684,000, which will not be reimbursed by the State of Iowa. Fiscal year 2017 was the first year for this new class of property, and the estimated lost revenue in fiscal year 2017 from this provision is \$1,200,000.

Due to the passage of SF295, the City estimates its net revenue losses to be \$3,033,000 from fiscal year 2015 through fiscal year 2017. The cumulative net revenue loss from fiscal year 2015 through fiscal year 2024 is estimated to be \$37,457,000. It is possible that this could 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 \$16.533 in fiscal year 2018. This has been a reduction of \$.736 per \$1,000 of assessed value or 4.26% over that time period.

In looking at expenses for the FY17 – FY19 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 607.66 in FY15 to 601.89 in FY18. In addition, public safety pension contribution rates have decreased slightly in FY18 but are projected to increase slightly in FY19. The City has averaged an increase in its health insurance premium rates of approximately 2.5% over the previous five years, and is not projecting any dramatic changes to this trend in FY19. Employee contributions, deductibles, and out-of-pocket maximums are expected to increase in FY18 and FY19.

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, 2016. 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-two 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, 2017. 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 sixth 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, 2017. 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, TaraLynne Atkins and Angie Ogden and Senior 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 dark ink, appearing to read 'D. Bockenstedt', with a large, stylized loop at the end.

Dennis Bockenstedt
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Iowa City
Iowa**

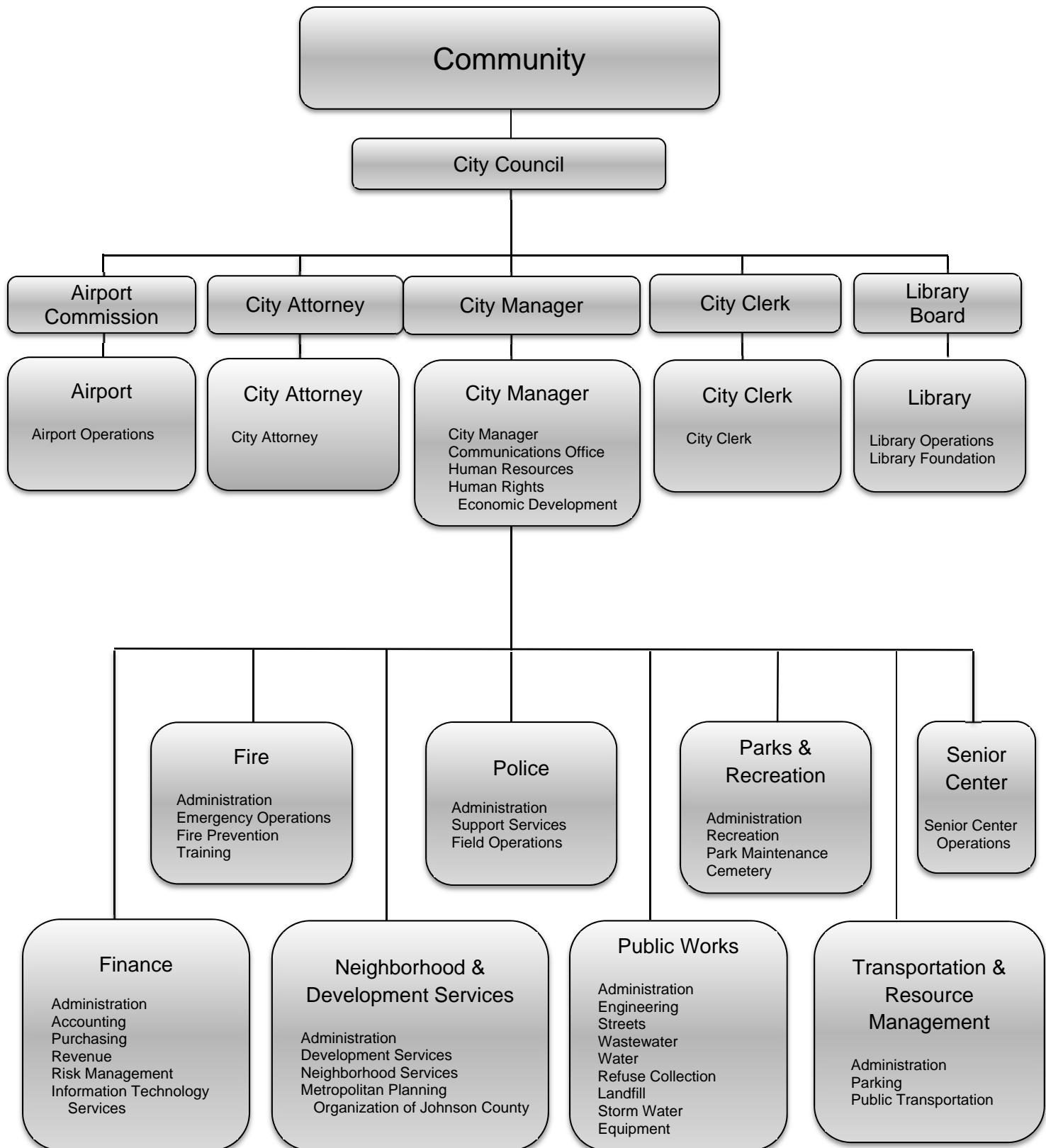
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

City of Iowa City

Organization Chart



CITY OF IOWA CITY, IOWA
LISTING OF CITY OFFICIALS

June 30, 2017

ELECTED OFFICIALS

		<u>Term Expires</u>
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

		<u>Date of Hire</u>
City Manager	Geoff Fruin	November 28, 2011
City Clerk	Kellie Fruehling	July 10, 2000
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
Chief of Police	Jody Matherly	January 23, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2017, 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.

Emphasis of Matter

Fund Balance Restatement

As discussed in Note 14 to the financial statements, the City has elected to change its accounting method for Notes Receivable. Accordingly, adjustments were made to restate beginning fund balances. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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 inquires of management about the methods or 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is 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 our report dated December 11, 2017, 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, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Iowa City, Iowa's 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 11, 2017

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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, 2017. 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, 2017 by \$631,405,000 (net position). Of this amount, \$92,928,000 (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 \$36,067,000 during the fiscal year. Governmental activities increased by \$23,673,000 and business-type activities increased by \$12,394,000.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$106,381,000, an increase of \$15,254,000 in comparison with the prior year. Of this total amount, approximately \$24,793,000 or 23.3% 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 \$24,793,000 or 53.1% 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 30 – 33 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 four major governmental funds: General Fund, Employee Benefits Fund, Bridge, 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 34 – 37 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 and Housing Authority 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 108 – 110. 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 38 – 43 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 44.

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 46 – 86 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 \$631,405,000 at the close of the fiscal year ended June 30, 2017.

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, 2017

(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets, as restated	\$ 190,352	\$ 176,348	\$ 119,968	\$ 116,163	\$ 310,320	\$ 292,511
Capital assets	226,143	207,222	335,064	319,926	561,207	527,148
Total assets, as restated	416,495	383,570	455,032	436,089	871,527	819,659
Deferred outflows of resources	13,131	7,192	2,345	1,217	15,476	8,409
Long-term liabilities outstanding	112,931	94,598	68,385	57,712	181,316	152,310
Current and other liabilities	11,042	13,146	4,379	7,217	15,421	20,363
Total liabilities	123,973	107,744	72,764	64,929	196,737	172,673
Deferred inflows of resources, as restated	58,062	59,100	799	957	58,861	60,057
Net position:						
Net investment in						
capital assets	183,651	163,362	285,912	279,679	469,563	443,041
Restricted	47,676	42,154	21,238	22,269	68,914	64,423
Unrestricted	16,264	18,402	76,664	69,472	92,928	87,874
Total net position	\$ 247,591	\$ 223,918	\$ 383,814	\$ 371,420	\$ 631,405	\$ 595,338

A portion of the City's net position, \$68,914,000 or 10.9%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net position, \$92,928,000 or 14.7%, 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, 2017, 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 FY17's operation.

Governmental Activities: Governmental activities increased the City's net position by \$23,673,000. The increase in net position of governmental activities is primarily due to receiving grants to fund expenses for operations and capital assets.

The total revenues for governmental activities for FY17 were \$98,143,000. Governmental activities are primarily funded through taxes, \$60,451,000 or 61.6%, and grants and contributions, \$20,780,000 or 21.2%. Taxes increased from the prior year by \$4,620,000, mostly due to increased property taxes which was due to an increase in the taxable value of all property. Grants and contributions increased from prior year by \$6,840,000 which is due to City's expenses for a large flood mitigation project.

Expenses for governmental activities totaled \$67,417,000. Governmental activities are tracked by function including Public Safety, Public Works, Community and Economic Development, Culture and Recreation, and General Government. In FY17, Public Safety accounted for the highest portion of governmental expenses, \$24,002,000 or 35.6%, and increased over the prior year due to an increase in pension expense. Culture and Recreation expenses of \$15,525,000 or 23.0% made up another large portion of the governmental expenses and increased over the prior year due mainly to increases in parks and recreation operating costs. Public Works expenses of \$12,032,000 or 17.8% made up the third highest portion of governmental expenses and increased due to an increase in depreciation and operating expenses.

Business-type Activities: Business-type activities increased the City's total net position by \$12,394,000. The increase in net position was primarily from the Water and Wastewater Treatment funds. The increases in both Water and Wastewater Treatment funds are due to transfers of capital assets from governmental capital project funds. For all business-type activities, revenues exceeded expenses by \$5,341,000.

Revenues for business-type activities totaled \$59,133,000. The primary revenue source for business-type activities is charges for services, \$41,231,000 or 69.7%. In addition for FY17, the City's business type-activities had a significant portion, \$15,635,000 or 26.4%, of their revenues from grants and contributions used to help fund operation and capital projects for business-type activities.

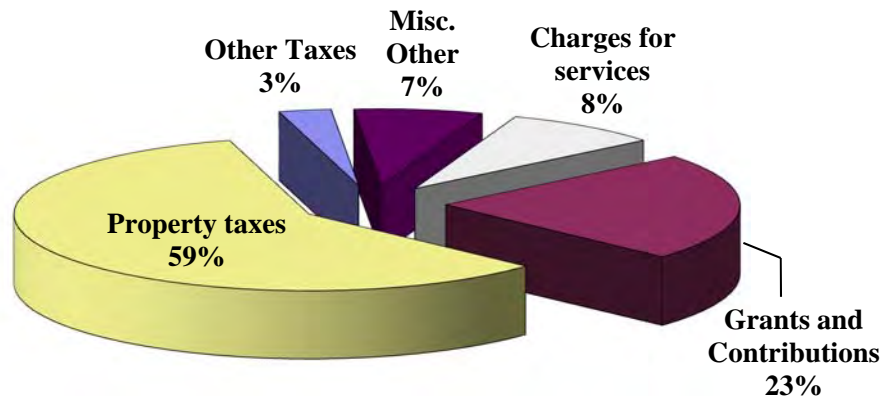
The total expenses for business-type activities in FY17 were \$53,792,000. Wastewater Treatment represented the highest portion of business-type activities, \$11,233,000 or 20.9%, with Sanitation, \$9,123,000 or 17.0%, Water, \$8,921,000 or 16.6%, Housing Authority, \$8,798,000 or 16.4%, and Transit, \$7,263,000 or 13.5%, 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)

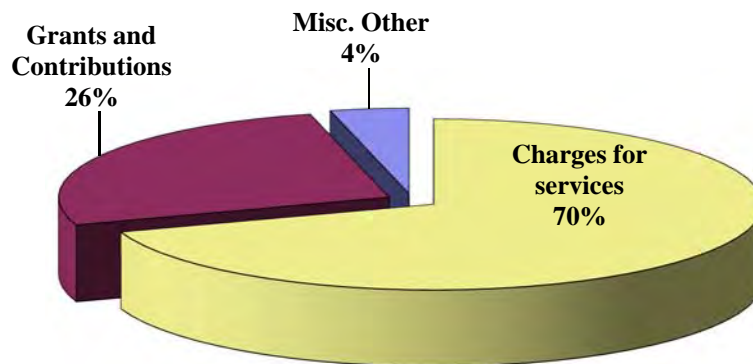
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 8,412	\$ 8,560	\$ 41,231	\$ 39,953	\$ 49,643	\$ 48,513
Operating grants and contributions	10,828	9,941	10,836	10,639	21,664	20,580
Capital grants and contributions	9,952	3,999	4,799	4,607	14,751	8,606
General Revenues:						
Property taxes	57,649	53,114	-	-	57,649	53,114
Other taxes	2,802	2,717	-	-	2,802	2,717
Grants and contributions not restricted to specific purposes	1,583	2,080	-	-	1,583	2,080
Earnings on investments	1,397	1,045	938	715	2,335	1,760
Gain on disposal of capital assets	2,151	218	69	2,463	2,220	2,681
Other	3,369	4,464	1,260	362	4,629	4,826
Total revenues	98,143	86,138	59,133	58,739	157,276	144,877
Expenses:						
Public safety	24,002	22,029	-	-	24,002	22,029
Public works	12,032	10,839	-	-	12,032	10,839
Culture and recreation	15,525	14,422	-	-	15,525	14,422
Community and economic development	8,253	6,786	-	-	8,253	6,786
General government	6,124	6,240	-	-	6,124	6,240
Interest on long-term debt	1,481	1,287	-	-	1,481	1,287
Wastewater treatment	-	-	11,233	11,866	11,233	11,866
Water	-	-	8,921	8,149	8,921	8,149
Sanitation	-	-	9,123	8,735	9,123	8,735
Housing authority	-	-	8,798	8,378	8,798	8,378
Parking	-	-	4,620	4,460	4,620	4,460
Airport	-	-	1,402	1,597	1,402	1,597
Stormwater	-	-	2,432	1,989	2,432	1,989
Transit	-	-	7,263	7,486	7,263	7,486
Total expenses	67,417	61,603	53,792	52,660	121,209	114,263
Change in net position before transfers and special item	30,726	24,535	5,341	6,079	36,067	30,614
Transfers	(7,053)	(6,395)	7,053	6,395	-	-
Reassignment of Cable Television to governmental activities	-	82	-	(82)	-	-
Change in net position	23,673	18,222	12,394	12,392	36,067	30,614
Net position beginning of year	223,918	205,696	371,420	359,028	595,338	564,724
Net position end of year	\$ 247,591	\$ 223,918	\$ 383,814	\$ 371,420	\$ 631,405	\$ 595,338

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

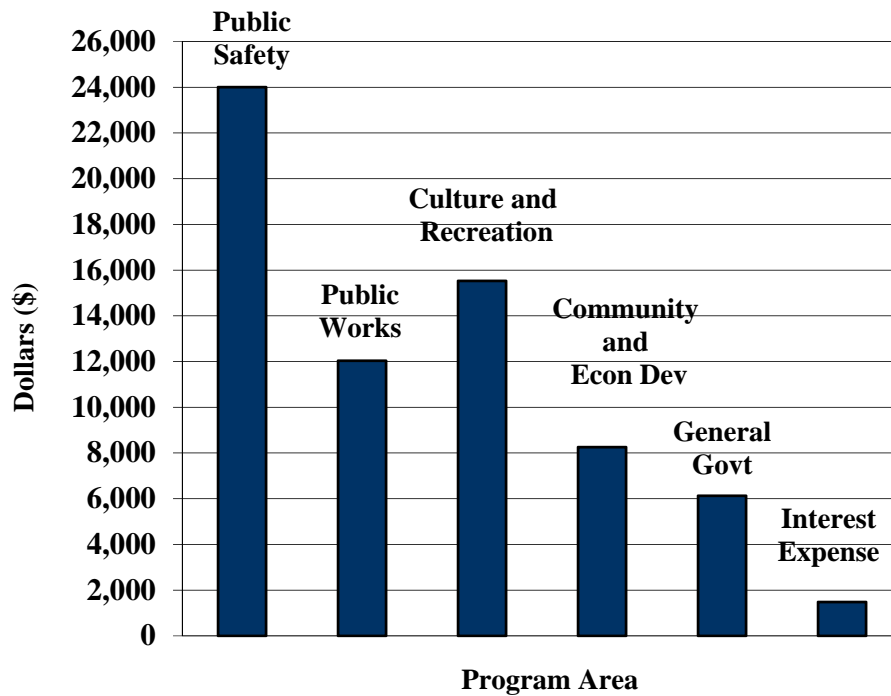
**Governmental Activities
FY2017 Revenue
by Source**



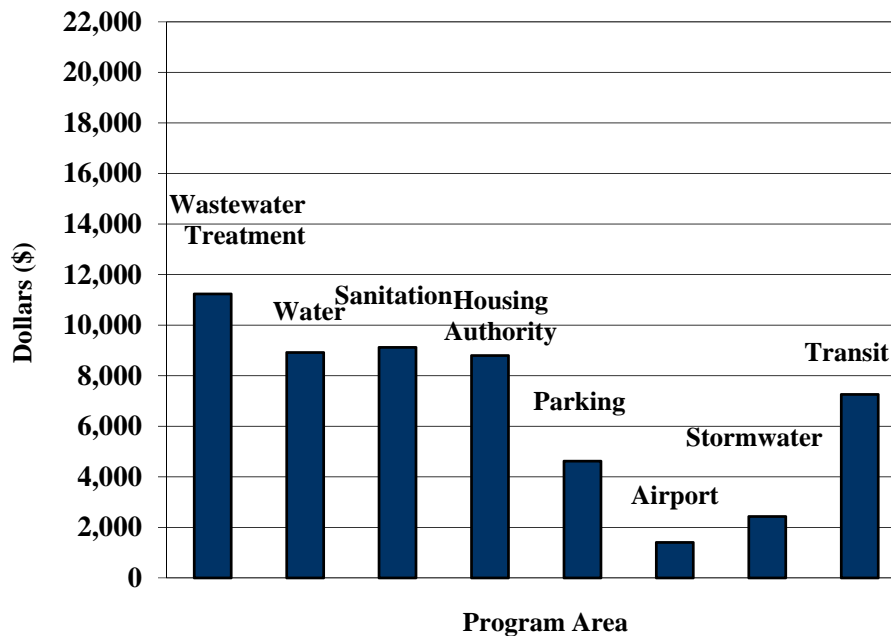
**Business-Type Activities
FY2017 Revenue
by Source**



**Governmental Activities
FY2017 Expenses
by Program Area**
(amounts expressed in thousands)



**Business-Type Activities
FY2017 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, 2017, the City's governmental funds reported combined ending fund balances of \$106,381,000, an increase of \$15,254,000 in comparison with the prior year. Of this total amount, \$24,793,000 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 \$73,915,000 or 69.5% contains external restraints on its use. The committed and assigned fund balances of \$5,199,000 or 4.9% and \$1,342,000 or 1.3%, respectively, have been identified by the City to be used for specific purposes. The nonspendable fund balance is \$1,132,000 or 1.1%, 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, 2017, the unassigned fund balance of the General Fund was \$24,793,000 while General Fund's total fund balance was \$42,096,000. 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 53.1% of total General Fund expenditures of \$46,706,000, while total fund balance represents 90.1% of that same amount.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$7,405,000. This is due to transfers out to other funds.

The fund balance in the Bridge, Street, and Traffic Control Construction Fund was \$15,537,000, an increase of \$2,366,000. 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 \$27,356,000, an increase of \$18,607,000. 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 ending fund balance of the Debt Service Fund was \$7,756,000, an increase of \$1,183,000, all of which is reserved for the payment of debt service (i.e. payment of general obligation principal and interest).

The ending fund balance of the Employee Benefits Fund was \$2,521,000, an increase of \$850,000 due to an increase in property tax revenues.

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 \$368,320,000, an increase in net position of \$10,606,000. This was primarily due to capital contributions of federal and state grants to fund capital improvement projects and transfers of business-type capital assets from governmental capital project funds. Of the enterprise funds' net position, \$285,912,000 is net investment in capital assets. Unrestricted net position totaled \$61,170,000, an increase of \$5,404,000 compared to the previous year.

The Internal Service funds showed net position totaling \$39,652,000 as of June 30, 2017, an increase of \$4,188,000 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 \$9,148,000 or 6.2% to a total of \$155,743,000 and the expenditure budget by \$74,037,000 or 44.0% to a total of \$242,301,000. 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, 2017 amounts to \$561,207,000, 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, 2017 increased by \$18,921,000 for governmental activities compared to the prior year and increased by \$15,138,000 for business-type activities from the prior year.

The following table reflects the \$561,207,000 investment in capital assets, net of accumulated depreciation.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 29,778	\$ 24,081	\$ 30,737	\$ 35,590	\$ 60,515	\$ 59,671
Buildings	39,464	41,126	73,297	60,636	112,761	101,762
Improvements other than buildings	3,954	4,092	4,341	4,703	8,295	8,795
Machinery and equipment	16,686	15,825	7,470	8,596	24,156	24,421
Infrastructure	113,494	97,904	209,505	207,756	322,999	305,660
Construction in progress	22,767	24,194	9,714	2,645	32,481	26,839
Total	\$ 226,143	\$ 207,222	\$ 335,064	\$ 319,926	\$ 561,207	\$ 527,148

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

- Work was completed for the 1st Avenue/IAIS Railroad Crossing Improvement which lowered 1st Avenue under the IAIS Railroad and included a railroad bridge, retaining wall and utilities. The construction in progress balance at the beginning of the year was \$9,187,000. Additional expenses of \$3,111,000 were added in FY 17. The total cost of the project that was capitalized was \$12,298,000 and is funded primarily by GO bonds with the remainder of the funding by federal or state grants.
- Work was completed for the Washington Street Construction Project, which includes in addition to reconstruct Washington Street, improvements to the sidewalk pavement and water main and stormwater enhancement. The construction in progress balance at the beginning of the year was \$1,350,000. Additional expenses of \$3,085,000 were added in FY 17. The total cost of the project that was capitalized was \$4,435,000 and is funded primarily from GO bonds.
- Expenses for a variety of street and bridge construction were moved into construction in progress at the end of FY17 for a total balance of \$28,791,000. This construction in progress includes \$27,874,000 for the Iowa City Gateway Project, which will reconstruct and elevate Dubuque Street and Park Road Bridge to provide flood protection.

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 \$99,665,000. Of this amount, \$51,645,000 comprises debt backed by the full faith and credit of the City. \$5,084,000 or 9.8% of these bonds is debt that will be paid with Tax Increment Financing revenues. \$48,020,000 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)

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 51,645	\$ 55,055	\$ -	\$ 295	\$ 51,645	\$ 55,350
Revenue bonds	15,200	2,525	32,820	38,420	48,020	40,945
Total	<u>\$ 66,845</u>	<u>\$ 57,580</u>	<u>\$ 32,820</u>	<u>\$ 38,715</u>	<u>\$ 99,665</u>	<u>\$ 96,295</u>

The City issued \$9,765,000 of General Obligation bonds and \$23,265,000 of Revenue bonds during FY17. This increase in debt was mostly offset by the retirement of debt for a net increase of City's total bonded debt by \$3,370,000.

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, 2017 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 \$267,511,000. With outstanding debt applicable to this limit of \$84,864,000 we are utilizing 31.7% of this limit.

More detailed information on debt administration is provided in Note 6 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 FY17, the City collected \$939,000 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 FY18 that strives to maintain current service delivery levels. The tax levy rate per \$1,000 of assessed valuation for FY18 is provided below:

General Levy	\$ 8.100
Debt Service Levy	3.579
Employee Benefits Levy	3.144
Transit Levy	0.950
Liability Insurance Levy	0.290
Library Levy	0.270
Total City Levy	<u>\$ 16.333</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, 2017

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 111,030	\$ 64,719	\$ 175,749
Receivables:			
Property tax	56,639	-	56,639
Accounts and unbilled usage	820	3,469	4,289
Interest	428	351	779
Notes	5,524	540	6,064
Internal balances	(15,494)	15,494	-
Due from other governments	4,519	2,435	6,954
Prepaid item	811	3	814
Inventories	730	763	1,493
Assets held for resale	750	-	750
Restricted assets:			
Equity in pooled cash and investments	24,560	32,191	56,751
Other post employment benefits asset	35	3	38
Capital assets:			
Land and construction in progress	52,545	40,451	92,996
Other capital assets (net of accumulated depreciation)	173,598	294,613	468,211
Total assets	<u>416,495</u>	<u>455,032</u>	<u>871,527</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>13,131</u>	<u>2,345</u>	<u>15,476</u>
Liabilities			
Accounts payable	2,127	997	3,124
Contracts payable	2,521	539	3,060
Accrued liabilities	4,182	440	4,622
Interest payable	133	718	851
Deposits	1,230	1,606	2,836
Advances from grantors	144	-	144
Due to other governments	42	79	121
Notes payable	663	-	663
Noncurrent liabilities:			
Due within one year:			
Employee vested benefits	1,252	403	1,655
Capital lease obligation	-	524	524
Bonds payable	8,230	5,326	13,556
Due in more than one year:			
Employee vested benefits	989	291	1,280
Net pension liability	39,080	8,975	48,055
Other post employment benefits obligation	3,660	1,222	4,882
Notes payable	211	-	211
Capital lease obligation	-	13,958	13,958
Bonds payable	59,509	29,095	88,604
Landfill closure/post-closure liability	-	8,591	8,591
Total liabilities	<u>\$ 123,973</u>	<u>\$ 72,764</u>	<u>\$ 196,737</u>

(continued)

CITY OF IOWA CITY, IOWA

STATEMENT OF NET POSITION (continued)

June 30, 2017

(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Deferred inflows of resources			
Unavailable revenues:			
Pension related deferred inflows	\$ 1,603	\$ 550	\$ 2,153
Deferred amount on refunding	-	249	249
Succeeding year property taxes	56,459	-	56,459
Total deferred inflows of resources	<u>58,062</u>	<u>799</u>	<u>58,861</u>
Net position			
Net investment in capital assets	183,651	285,912	469,563
Restricted for or by:			
Employee benefits	2,810	-	2,810
Capital projects	30,856	-	30,856
Debt service	7,221	-	7,221
Police	349	-	349
Other purposes	2,590	-	2,590
Bond ordinance	-	12,112	12,112
State statute	-	5,939	5,939
Future improvements	-	100	100
Grant agreement	3,850	3,087	6,937
Unrestricted	<u>16,264</u>	<u>76,664</u>	<u>92,928</u>
Total net position	<u>\$ 247,591</u>	<u>\$ 383,814</u>	<u>\$ 631,405</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, 2017

(amounts expressed in thousands)

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Public safety	\$ 24,002	\$ 5,286	\$ 196	\$ 467
Public works	12,032	724	8,711	9,343
Culture and recreation	15,525	842	74	36
Community and economic development	8,253	36	1,847	106
General government	6,124	1,524	-	-
Interest on long-term debt	1,481	-	-	-
Total governmental activities	67,417	8,412	10,828	9,952
Business-type activities:				
Wastewater treatment	11,233	12,277	-	2,226
Water	8,921	9,275	-	869
Sanitation	9,123	9,927	-	-
Housing authority	8,798	321	8,532	-
Parking	4,620	5,453	-	-
Airport	1,402	345	69	58
Stormwater	2,432	1,544	-	1,251
Transit	7,263	2,089	2,235	395
Total business-type activities	53,792	41,231	10,836	4,799
Total	\$ 121,209	\$ 49,643	\$ 21,664	\$ 14,751

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

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
\$ (18,053)	\$ -	\$ (18,053)
6,746	-	6,746
(14,573)	-	(14,573)
(6,264)	-	(6,264)
(4,600)	-	(4,600)
(1,481)	-	(1,481)
(38,225)	-	(38,225)
-	3,270	3,270
-	1,223	1,223
-	804	804
-	55	55
-	833	833
-	(930)	(930)
-	363	363
-	(2,544)	(2,544)
-	3,074	3,074
(38,225)	3,074	(35,151)
57,649	-	57,649
1,137	-	1,137
726	-	726
939	-	939
1,583	-	1,583
1,397	938	2,335
2,151	69	2,220
3,369	1,260	4,629
(7,053)	7,053	-
61,898	9,320	71,218
23,673	12,394	36,067
223,918	371,420	595,338
\$ 247,591	\$ 383,814	\$ 631,405

CITY OF IOWA CITY, IOWA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2017
(amounts expressed in thousands)

	General	Special Revenue	Capital Projects Bridge, Street, and Traffic Control Construction	Debt Service	Other Governmental Funds	Total
Assets		Employee Benefits				
Equity in pooled cash and investments	\$ 32,500	\$ 2,413	\$ 12,151	\$ 7,090	\$ 25,459	\$ 79,613
Receivables:						
Property tax	32,965	10,783	-	12,564	327	56,639
Accounts and unbilled usage	410	-	252	-	1	663
Interest	161	-	43	106	29	339
Notes	1,292	-	-	399	3,833	5,524
Advances to other funds	-	-	-	125	-	125
Due from other governments	1,887	316	931	-	1,318	4,452
Inventories	-	-	-	-	264	264
Prepaid item	719	80	-	-	-	799
Assets held for resale	750	-	-	-	-	750
Restricted assets:						
Equity in pooled cash and investments	10,268	-	5,272	-	9,020	24,560
Total assets	\$ 80,952	\$ 13,592	\$ 18,649	\$ 20,284	\$ 40,251	\$ 173,728
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 1,191	\$ 4	\$ 11	\$ 5	\$ 430	\$ 1,641
Contracts payable	-	-	2,077	-	444	2,521
Accrued liabilities	1,321	2	12	-	101	1,436
Advances from other funds	-	-	-	-	125	125
Due to other governments	38	-	-	-	4	42
Interest payable	4	-	-	-	-	4
Notes payable	663	-	-	-	-	663
Liabilities payable from restricted assets:						
Deposits	1,224	-	-	-	6	1,230
Advances from grantors	7	-	-	-	137	144
Total liabilities	4,448	6	2,100	5	1,247	7,806
Deferred inflows of resources :						
Unavailable revenues:						
Succeeding year property taxes	32,863	10,750	-	12,523	323	56,459
Grants	6	-	581	-	117	704
Other	1,539	315	431	-	93	2,378
Total deferred inflows of resources	34,408	11,065	1,012	12,523	533	59,541
Fund balances:						
Nonspendable	788	80	-	-	264	1,132
Restricted	9,974	2,441	15,537	7,756	38,207	73,915
Committed	5,199	-	-	-	-	5,199
Assigned	1,342	-	-	-	-	1,342
Unassigned	24,793	-	-	-	-	24,793
Total fund balances	42,096	2,521	15,537	7,756	38,471	106,381
Total liabilities, deferred inflows of resources and fund balances	\$ 80,952	\$ 13,592	\$ 18,649	\$ 20,284	\$ 40,251	\$ 173,728

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, 2017
(amounts expressed in thousands)

Total governmental fund balances	\$	106,381
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.		39,652
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds:		
Grants and other receivables - Earned but unavailable.		3,082
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		214,188
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	\$	12,750
Deferred inflows of resources		<u>(1,515)</u>
		11,235
Net pension liabilities are not due and payable in the current period and therefore are not reported in the funds.		(37,683)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(2,128)
Accrued post employment benefit obligations are not due and payable in the current period and therefore are not reported in the funds.		(3,563)
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.		(67,739)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.		(211)
Accrued interest on bonds		(129)
Internal balance due to integration of internal service funds		<u>(15,494)</u>
Total net position of governmental activities	\$	<u>247,591</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, 2017
(amounts expressed in thousands)

		Special Revenue	Capital Projects			
			Bridge, Street, and Traffic Control Construction	Debt Service	Other Governmental Funds	Total
	General	Employee Benefits				
Revenues						
Taxes	\$ 34,290	\$ 10,537	\$ -	\$ 13,109	\$ 2,516	\$ 60,452
Licenses and permits	3,521	-	-	-	-	3,521
Intergovernmental	3,574	295	8,663	359	11,249	24,140
Charges for services	1,665	302	22	-	366	2,355
Fines and forfeits	750	-	-	-	-	750
Use of money and property	839	-	69	181	146	1,235
Miscellaneous	1,692	12	1	-	396	2,101
Total revenues	<u>46,331</u>	<u>11,146</u>	<u>8,755</u>	<u>13,649</u>	<u>14,673</u>	<u>94,554</u>
Expenditures						
Current:						
Public safety	22,005	484	-	-	24	22,513
Public works	1,803	-	2,290	-	5,093	9,186
Culture and recreation	12,890	-	-	-	451	13,341
Community and economic development	3,074	-	-	-	4,621	7,695
General government	5,471	384	-	16	11	5,882
Debt service:						
Principal	-	-	-	13,305	-	13,305
Interest	-	-	-	1,597	-	1,597
Capital outlay	1,463	-	14,704	-	2,238	18,405
Total expenditures	<u>46,706</u>	<u>868</u>	<u>16,994</u>	<u>14,918</u>	<u>12,438</u>	<u>91,924</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(375)</u>	<u>10,278</u>	<u>(8,239)</u>	<u>(1,269)</u>	<u>2,235</u>	<u>2,630</u>
Other Financing Sources (Uses)						
Issuance of debt	-	-	6,023	654	15,893	22,570
Sale of capital assets	268	-	-	-	2,024	2,292
Premiums on issuance of bonds	-	-	32	3	85	120
Transfers in	10,725	-	16,343	1,795	5,812	34,675
Transfers out	(18,023)	(9,428)	(11,793)	-	(7,789)	(47,033)
Total other financing sources and (uses)	<u>(7,030)</u>	<u>(9,428)</u>	<u>10,605</u>	<u>2,452</u>	<u>16,025</u>	<u>12,624</u>
Net change in fund balances	(7,405)	850	2,366	1,183	18,260	15,254
Fund Balances, Beginning, as restated	<u>49,501</u>	<u>1,671</u>	<u>13,171</u>	<u>6,573</u>	<u>20,211</u>	<u>91,127</u>
Fund Balances, Ending	<u>\$ 42,096</u>	<u>\$ 2,521</u>	<u>\$ 15,537</u>	<u>\$ 7,756</u>	<u>\$ 38,471</u>	<u>\$ 106,381</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, 2017
(amounts expressed in thousands)

Net change in fund balances - total governmental funds	\$ 15,254
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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	\$ 17,060	
Transfers of capital assets (to)\from enterprise funds - net	4,863	
Capital assets contributed	2,574	
Depreciation expense	<u>(6,749)</u>	17,748

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	(22,570)	
Premium on bonds issued	(120)	
Repayments of debt	13,305	
Amortization of premium	<u>135</u>	(9,250)

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.	(1,323)
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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	(99)
Pension expense	(458)
Change in accrued post employment benefit obligations	(424)
Change in accrued interest on debt	(19)

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.	(156)
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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>2,400</u>
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Change in net position of governmental activities	<u><u>\$ 23,673</u></u>
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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, 2017
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities -
	Parking	Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Other Enterprise Funds	Internal Service Funds
Assets								
Current assets:								
Equity in pooled cash and investments	\$ 11,896	\$ 18,830	\$ 9,566	\$ 13,965	\$ 1,547	\$ 3,685	\$ 5,230	\$ 64,719
Receivables:								
Accounts and unbilled usage	10	1,525	1,043	698	154	-	39	3,469
Interest	31	100	42	92	5	65	16	351
Notes	-	-	-	-	-	540	-	540
Advances to other funds	-	-	-	1,901	-	-	-	1,901
Due from other governments	-	1	1	63	82	106	2,182	2,435
Inventories	-	-	469	-	-	-	294	763
Prepaid item	-	-	-	-	-	-	3	3
Assets held for resale	-	-	-	-	-	-	-	-
Total current assets	11,937	20,456	11,121	16,719	1,788	4,396	7,764	74,181
Noncurrent assets:								
Restricted assets:								
Equity in pooled cash and investments	1	9,136	4,640	14,547	-	3,706	161	32,191
Other post employment benefits asset	-	-	-	-	-	-	3	3
Capital assets:								
Land	3,746	759	6,296	2,264	2,264	620	14,788	30,737
Buildings	41,647	36,858	24,019	5,467	-	5,350	20,776	134,117
Improvements other than buildings	328	7,119	2,616	421	-	9	396	10,889
Machinery and equipment	1,504	7,612	10,801	147	27	106	10,613	30,810
Infrastructure	-	149,533	63,017	17,366	58,796	-	18,713	307,425
Accumulated depreciation	(19,364)	(76,030)	(36,740)	(14,845)	(13,693)	(4,468)	(23,488)	(188,628)
Construction in progress	-	5,940	1,566	129	1,537	-	542	9,714
Total noncurrent assets	27,862	140,927	76,215	25,496	48,931	5,323	42,504	367,258
Total assets	39,799	161,383	87,336	42,215	50,719	9,719	50,268	441,439
Deferred Outflows of Resources								
Pension related deferred outflows	\$ 251	\$ 355	\$ 430	\$ 422	\$ 41	\$ 146	\$ 700	\$ 2,345

(continued)

CITY OF IOWA CITY, IOWA

STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS

June 30, 2017
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds								Governmental Activities - Internal Service Funds
	Parking	Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Other Enterprise Funds	Total	
Liabilities									
Current liabilities:									
Accounts payable	\$ 82	\$ 225	\$ 237	\$ 211	\$ 41	\$ 34	\$ 167	\$ 997	\$ 486
Contracts payable	144	210	34	55	45	-	51	539	-
Accrued liabilities	43	69	81	72	9	28	138	440	2,746
Employee vested benefits	39	62	69	83	1	32	117	403	63
Due to other governments	-	2	25	2	-	34	16	79	-
Interest payable	48	426	244	-	-	-	-	718	-
Capital lease obligation	524	-	-	-	-	-	-	524	-
Bonded debt payable (net of unamortized premium and discounts)	-	3,841	1,485	-	-	-	-	5,326	-
Total current liabilities	880	4,835	2,175	423	96	128	489	9,026	3,295
Noncurrent liabilities:									
Liabilities payable from restricted assets:									
Deposits	1	-	965	5	-	619	16	1,606	-
Advances from other funds	1,901	-	-	-	-	-	-	1,901	-
Employee vested benefits	27	44	52	61	1	23	83	291	50
Capital lease obligation	13,958	-	-	-	-	-	-	13,958	-
Bonded debt payable (net of unamortized premium and discounts)	-	17,087	12,008	-	-	-	-	29,095	-
Net pension liability	995	1,469	1,668	1,648	110	608	2,477	8,975	1,397
Other post employment benefits obligation	162	187	201	259	1	75	337	1,222	97
Landfill closure/postclosure liability	-	-	-	8,591	-	-	-	8,591	-
Total noncurrent liabilities	17,044	18,787	14,894	10,564	112	1,325	2,913	65,639	1,544
Total liabilities	17,924	23,622	17,069	10,987	208	1,453	3,402	74,665	4,839
Deferred Inflows of Resources									
Pension related deferred inflows	61	88	102	100	7	36	156	550	88
Deferred amount on refunding	-	148	101	-	-	-	-	249	-
Total deferred inflow of resources	61	236	203	100	7	36	156	799	88
Net Position									
Net investment in capital assets	13,379	110,715	57,981	10,949	48,931	1,617	42,340	285,912	11,955
Restricted by bond ordinance	-	8,707	3,405	-	-	-	-	12,112	-
Restricted by state statute	-	-	-	5,939	-	-	-	5,939	-
Restricted for future improvements	-	-	-	-	-	-	100	100	-
Restricted by grant agreement	-	-	-	-	-	3,087	-	3,087	-
Unrestricted	8,686	18,458	9,108	14,662	1,614	3,672	4,970	61,170	27,697
Total net position	\$ 22,065	\$ 137,880	\$ 70,494	\$ 31,550	\$ 50,545	\$ 8,376	\$ 47,410	\$ 368,320	\$ 39,652
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.								15,494	
Net position of business-type activities								\$ 383,814	

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 FUNDSFor the Year Ended June 30, 2017
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Parking	Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Other Enterprise Funds	Total
Operating Revenues:								
Charges for services	\$ 5,453	\$ 12,277	\$ 9,275	\$ 9,927	\$ 1,544	\$ 321	\$ 2,434	\$41,231
Miscellaneous	41	754	41	77	136	147	64	1,260
Total operating revenues	<u>5,494</u>	<u>13,031</u>	<u>9,316</u>	<u>10,004</u>	<u>1,680</u>	<u>468</u>	<u>2,498</u>	<u>18,355</u>
Operating Expenses:								
Personal services	1,767	2,899	3,288	3,165	310	913	4,042	16,384
Commodities	621	1,094	1,031	220	583	20	751	4,320
Services and charges	<u>1,295</u>	<u>2,364</u>	<u>2,013</u>	<u>4,880</u>	<u>358</u>	<u>7,765</u>	<u>2,122</u>	<u>20,797</u>
Depreciation	3,683	6,357	6,332	8,265	1,251	8,698	6,915	41,501
Total operating expenses	<u>880</u>	<u>4,506</u>	<u>2,344</u>	<u>1,560</u>	<u>1,192</u>	<u>121</u>	<u>1,884</u>	<u>12,487</u>
Operating income (loss)	<u>931</u>	<u>2,168</u>	<u>640</u>	<u>179</u>	<u>(763)</u>	<u>(8,351)</u>	<u>(6,301)</u>	<u>3,089</u>
Nonoperating Revenues (Expenses):								
Gain (loss) on disposal of capital assets	-	(4,835)	1	(88)	-	47	3	(4,872)
Operating grants	-	-	-	-	-	8,532	2,304	10,836
Interest income	37	352	213	253	8	45	30	938
Interest expense	<u>(134)</u>	<u>(558)</u>	<u>(447)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,139)</u>
Total nonoperating revenues (expenses)	<u>(97)</u>	<u>(5,041)</u>	<u>(233)</u>	<u>165</u>	<u>8</u>	<u>8,624</u>	<u>2,337</u>	<u>247</u>
Income (loss) before capital contributions and transfers	834	(2,873)	407	344	(755)	273	(3,964)	(5,734)
Capital contributions	-	2,226	869	-	1,251	-	453	4,799
Transfers in	-	5,911	2,305	-	2,978	-	3,385	14,579
Transfers out	<u>-</u>	<u>(2,436)</u>	<u>(250)</u>	<u>(191)</u>	<u>(115)</u>	<u>(46)</u>	<u>-</u>	<u>(3,038)</u>
Change in net position	834	2,828	3,331	153	3,359	227	(126)	10,606
Net Position, Beginning	<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>47,536</u>	<u>35,464</u>
Net Position, Ending	<u>\$ 22,065</u>	<u>\$ 137,880</u>	<u>\$70,494</u>	<u>\$31,550</u>	<u>\$ 50,545</u>	<u>\$ 8,376</u>	<u>\$47,410</u>	<u>\$ 39,652</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							1,788	
Change in net position of business-type activities							<u>\$12,394</u>	

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



CITY OF IOWA CITY, IOWA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDSFor the Year Ended June 30, 2017
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds							Governmental Activities -
	Parking	Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Other Enterprise Funds	Internal Service Funds
Cash Flows From Operating Activities								
Receipts from customers and users	\$ 5,493	\$ 12,961	\$ 9,277	\$ 9,863	\$ 1,641	\$ 615	\$ 2,497	\$ 42,347
Payments to suppliers	(1,802)	(3,397)	(2,834)	(4,852)	(1,069)	(7,695)	(3,216)	(24,865)
Payments to employees	(1,732)	(2,862)	(3,269)	(3,140)	(309)	(903)	(3,975)	(16,190)
Net cash flows from (used for) operating activities	1,959	6,702	3,174	1,871	263	(7,983)	(4,694)	1,292
Cash Flows From Noncapital Financing Activities								
Grants received	-	-	-	6	85	8,437	641	9,169
Transfers from other funds	-	5,911	2,305	-	2,978	-	3,385	14,579
Transfers to other funds	-	(2,436)	(250)	(191)	(115)	(46)	-	(3,038)
Repayment/(payment) of notes receivable	-	-	-	-	-	48	-	48
Repayment of advances from other funds	(229)	-	-	-	-	(18)	-	(247)
Repayment of advances to other funds	-	-	-	229	-	-	-	229
Net cash flows from (used for) noncapital financing activities	(229)	3,475	2,055	44	2,948	8,421	4,026	20,740
Cash Flows From Capital and Related Financing Activities								
Capital grants received	-	3,108	-	-	-	-	151	3,259
Acquisition and construction of property and equipment	(95)	(8,616)	(2,701)	(1,327)	(2,958)	(1)	(947)	(16,645)
Proceeds from sale of property	-	18	1	-	-	47	3	69
Proceeds from issuance of debt	-	10,123	4,032	-	-	-	-	14,155
Principal paid on capital lease obligation	(1,015)	-	-	-	-	-	-	(1,015)
Interest paid on capital lease obligation	(86)	-	-	-	-	-	-	(86)
Principal paid on bonded debt	-	(13,863)	(5,542)	-	-	-	-	(19,405)
Interest paid on bonded debt	-	(984)	(524)	-	-	-	-	(1,508)
Net cash flows from (used for) capital and related financing activities	(1,196)	(10,214)	(4,734)	(1,327)	(2,958)	46	(793)	(21,176)
Cash Flows From Investing Activities								
Interest on investments	32	333	204	197	7	34	26	833
Net increase (decrease) in cash and cash equivalents	566	296	699	785	260	518	(1,435)	1,689
Cash and Cash Equivalents, Beginning	11,331	27,670	13,507	27,727	1,287	6,873	6,826	95,221
Cash and Cash Equivalents, Ending	\$ 11,897	\$ 27,966	\$ 14,206	\$ 28,512	\$ 1,547	\$ 7,391	\$ 5,391	\$ 96,910

(continued)

CITY OF IOWA CITY, IOWA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDSFor the Year Ended June 30, 2017
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds									Governmental Activities - Internal Service Funds
	Parking	Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Other Enterprise Funds	Total		
Reconciliation of operating income (loss) to net cash flows from (used for) operating activities:										
Operating income (loss)	\$ 931	\$ 2,168	\$ 640	\$ 179	\$ (763)	\$ (8,351)	\$ (6,301)	\$ (11,497)	\$ 3,089	
Adjustments to reconcile operating income (loss) to net cash flows from (used for) operating activities:										
Depreciation expense	880	4,506	2,344	1,560	1,192	121	1,884	12,487	1,798	
Changes in:										
Receivables:										
Accounts and unbilled usage	-	(71)	(124)	(85)	(25)	2	(2)	(305)	(13)	
Due from other governments	-	1	-	(53)	-	(1)	1	(52)	(24)	
Inventories	-	-	(18)	-	-	-	(14)	(32)	5	
Prepaid item	-	-	-	-	-	-	(3)	(3)	(12)	
Assets held for resale	-	-	-	-	-	73	-	73	-	
Accounts payable	114	59	221	(74)	(128)	13	(298)	(93)	(545)	
Accrued liabilities	1	7	11	2	1	3	9	34	(151)	
Employee vested benefits	6	7	(6)	8	(1)	1	(1)	14	10	
Due to other governments	-	2	7	(1)	-	4	(28)	(16)	-	
Unearned revenue	-	-	-	-	(14)	-	-	(14)	-	
Deposits	(1)	-	85	(3)	-	146	-	227	-	
Net pension liability	175	246	283	276	25	101	451	1,557	249	
Deferred outflows of resources	(114)	(160)	(207)	(204)	(23)	(66)	(354)	(1,128)	(186)	
Deferred inflows of resources	(47)	(81)	(76)	(77)	(2)	(36)	(88)	(407)	(56)	
Other post employment benefits asset/obligation	14	18	14	20	1	7	50	124	14	
Landfill closure/postclosure liability	-	-	-	323	-	-	-	323	-	
Total adjustments	1,028	4,534	2,534	1,692	1,026	368	1,607	12,789	1,089	
Net cash flows from (used for) operating activities	\$ 1,959	\$ 6,702	\$ 3,174	\$ 1,871	\$ 263	\$ (7,983)	\$ (4,694)	\$ 1,292	\$ 4,178	
Noncash Investing, Capital, and Financing Activities:										
Contributions of capital assets from government and others	\$ -	\$ 1,151	\$ 869	\$ -	\$ 1,251	\$ -	\$ -	\$ 3,271	\$ 35	
Contributions of capital assets to government and others	\$ -	\$ 4,853	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,853	\$ -	
Purchase of building with capital lease	\$ 15,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,497	\$ -	

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

CITY OF IOWA CITY

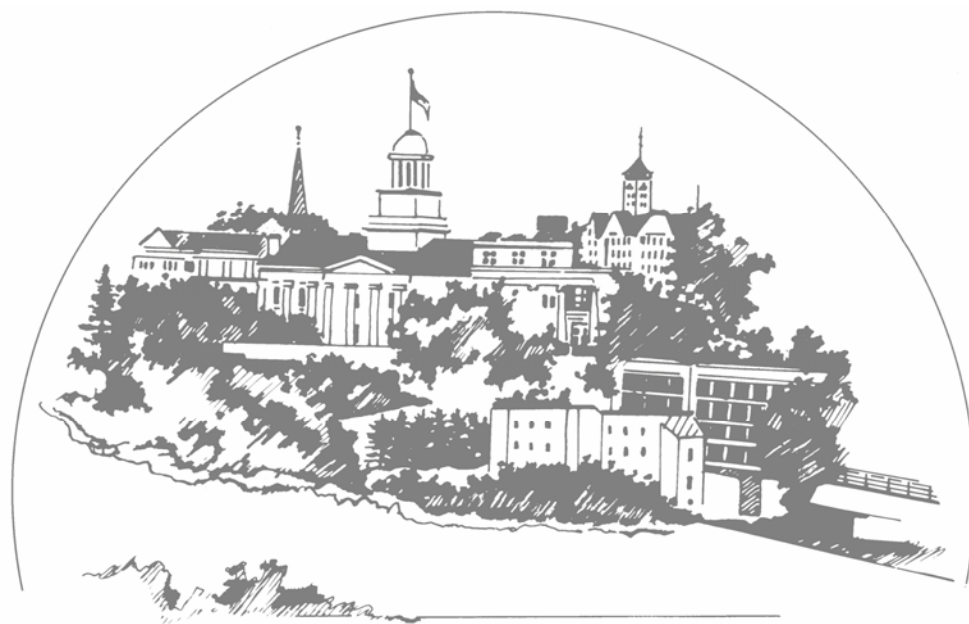
**STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES**

June 30, 2017

(amounts expressed in thousands)

	<u>Agency Funds</u>
Assets	
Equity in pooled cash and investments	\$ 163
Interest receivable	1
Total assets	<u>\$ 164</u>
Liabilities	
Accounts payable	\$ 4
Due to agency	160
Total liabilities	<u>\$ 164</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, 2017

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, 2017

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 *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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

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.

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.

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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

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.

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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

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, 2017

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 8).

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, 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, the difference in the carrying value of refunded debt and its acquisition price and the unamortized portion of pension related items.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

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 functions.

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 \$30,470,230 in revenues and other financing sources and by \$86,120,048 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, 2017

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 10).

2. Cash and Pooled Investments

The City's deposits in banks at June 30, 2017 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, 2017 the City had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>
Federal Home Loan Bank Notes	\$ 7,989,640	July 2017 to June 2019
Federal Home Loan Mortgage Corporation Notes	3,990,660	June 2018 to May 2019
United States Treasury Note	498,789	May 2018
Credit Agricole Corporate and Investment Bank NY Commercial Paper	495,237	March 2018
	<u>\$ 12,974,326</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, 2017

The recurring fair value measurement for the Federal Home Loan Bank securities of \$7,989,640, the Federal Home Loan Mortgage Corporation securities of \$3,990,660 and the United States Treasury securities of \$498,789 were determined using the last reported sales price at current exchange rates (Level 1 inputs).

The fair value measurement for the Credit Agricole Corporate and Investment Bank NY commercial paper of \$495,237 was determined using the last reported sales price at current exchange rates (Level 1 inputs).

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

In addition, the City had investments in the Iowa Public Agency Investment Trust (IPAIT), which are valued at an amortized cost of \$40,361,714, which approximates fair value. The Diversified Portfolio consists of cash and short-term investments valued at amortized cost, which approximates fair value, pursuant to Governmental Accounting Standards Board Statement No. 79.

The 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).

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.

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, 2017

3. Interfund Balances and Transfers

Interfund balances for the year ended June 30, 2017, consisted of the following:

	<u>Advances from</u>		
	<u>Debt Service</u>	<u>Sanitation</u>	<u>Total</u>
<u>Advances to:</u>			
Parking	\$ -	\$ 1,901,161	\$ 1,901,161
Nonmajor governmental	<u>124,595</u>	<u>-</u>	<u>124,595</u>
Total	<u>\$ 124,595</u>	<u>\$ 1,901,161</u>	<u>\$ 2,025,756</u>

Interfund balances at June 30, 2017, include advances due to/from other funds, which represent amounts for construction loans and a revenue bond redemption loan. \$1,665,852 of the \$1,901,161 advance to the Parking Fund is not expected to be repaid within the next year. \$110,893 of the \$124,595 advance is not expected to be repaid within the next year.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	Transfer from				
	Capital Projects Bridge, Street and Traffic				
	General	Employee Benefits	Control Construction	Nonmajor Governmental	Wastewater Treatment
<u>Transfer to:</u>					
General	\$ -	\$ 9,096,921	\$ -	\$ 823,503	\$ 758,987
Debt Service	60,052	-	-	1,735,400	-
Capital Projects					
Bridge, Street and					
Traffic Control Construction	11,305,966	-	-	3,505,674	1,241,013
Nonmajor Governmental	3,239,963	330,662	-	1,359,918	381,901
Wastewater Treatment	-	-	5,829,861	-	-
Water	-	-	2,304,989	-	-
Stormwater	-	-	2,977,881	-	-
Nonmajor Enterprise	3,384,842	-	-	-	-
Internal Service	31,738	-	680,396	364,470	54,352
 Total Transfer to	 \$ 18,022,561	 \$ 9,427,583	 \$ 11,793,127	 \$ 7,788,965	 \$ 2,436,253

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 \$50,576,822 are less than total transfers of \$55,439,701 because of the treatment of transfers of capital assets to the governmental activities capital assets.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

Transfer from					
<u>Water</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Housing Authority</u>	<u>Internal Service</u>	<u>Total Transfer from</u>
\$ -	\$ -	\$ -	\$ 46,087	\$ -	\$ 10,725,498
-	-	-	-	-	1,795,452
174,975	-	115,260	-	-	16,342,888
-	-	5	-	500,000	5,812,449
75,457	-	-	-	5,318	5,910,636
-	-	-	-	-	2,304,989
-	-	-	-	-	2,977,881
-	-	-	-	-	3,384,842
-	191,231	-	-	-	1,322,187
<u>\$ 250,432</u>	<u>\$ 191,231</u>	<u>\$ 115,265</u>	<u>\$ 46,087</u>	<u>\$ 505,318</u>	50,576,822
Transfers to governmental activities capital assets from an enterprise fund					4,852,938
Transfers to governmental activities capital assets from an internal service fund					<u>9,941</u>
					<u>\$ 55,439,701</u>

During the year, land for the construction of the Riverfront Crossing Park with a value of \$4,852,938 was transferred to governmental activities capital assets from 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 disposal for the capital resources given.

During the year, a capital asset related to public safety with a value of \$9,941 was transferred from Equipment to governmental activities capital assets. No amounts were reported in the governmental funds, as the amounts did not involve the transfer of financial resources. However, Equipment did report a disposal for the capital resources given.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

4. Capital Assets

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

	Beginning July 1, 2016	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,081,394	\$ 5,697,487	\$ -	\$ 29,778,881
Construction in progress	24,193,739	23,219,327	24,646,084	22,766,982
Total capital assets, not being depreciated	<u>48,275,133</u>	<u>28,916,814</u>	<u>24,646,084</u>	<u>52,545,863</u>
Capital assets, being depreciated:				
Buildings	64,312,273	126,520	254,932	64,183,861
Improvements other than buildings	7,358,005	148,833	5,320	7,501,518
Machinery and equipment	41,741,748	4,208,769	1,494,278	44,456,239
Infrastructure	137,980,063	18,947,356	5,305	156,922,114
Total capital assets being depreciated	<u>251,392,089</u>	<u>23,431,478</u>	<u>1,759,835</u>	<u>273,063,732</u>
Less accumulated depreciation for:				
Buildings	23,185,807	1,632,505	98,531	24,719,781
Improvements other than buildings	3,266,179	286,631	5,320	3,547,490
Machinery and equipment	25,916,289	3,271,570	1,417,535	27,770,324
Infrastructure	40,075,777	3,356,791	5,305	43,427,263
Total accumulated depreciation	<u>92,444,052</u>	<u>8,547,497</u>	<u>1,526,691</u>	<u>99,464,858</u>
Total capital assets, being depreciated, net	<u>158,948,037</u>	<u>14,883,981</u>	<u>233,144</u>	<u>173,598,874</u>
Governmental activities capital assets, net	<u>\$ 207,223,170</u>	<u>\$ 43,800,795</u>	<u>\$ 24,879,228</u>	<u>\$ 226,144,737</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

	Beginning July 1, 2016	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2017
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 35,590,298	\$ -	\$ 4,852,938	\$ 30,737,360
Construction in progress	<u>2,647,044</u>	<u>9,381,759</u>	<u>2,313,910</u>	<u>9,714,893</u>
Total capital assets, not being depreciated	<u>38,237,342</u>	<u>9,381,759</u>	<u>7,166,848</u>	<u>40,452,253</u>
Capital assets, being depreciated:				
Buildings	118,486,975	15,747,867	118,000	134,116,842
Improvements other than buildings	10,783,445	105,329	-	10,888,774
Machinery and equipment	31,095,957	338,098	622,986	30,811,069
Infrastructure	<u>298,117,591</u>	<u>9,308,433</u>	<u>-</u>	<u>307,426,024</u>
Total capital assets being depreciated	<u>458,483,968</u>	<u>25,499,727</u>	<u>740,986</u>	<u>483,242,709</u>
Less accumulated depreciation for:				
Buildings	57,850,943	3,086,848	118,000	60,819,791
Improvements other than buildings	6,081,033	467,188	-	6,548,221
Machinery and equipment	22,500,066	1,375,916	535,330	23,340,652
Infrastructure	<u>90,363,007</u>	<u>7,557,870</u>	<u>-</u>	<u>97,920,877</u>
Total accumulated depreciation	<u>176,795,049</u>	<u>12,487,822</u>	<u>653,330</u>	<u>188,629,541</u>
Total capital assets, being depreciated, net	<u>281,688,919</u>	<u>13,011,905</u>	<u>87,656</u>	<u>294,613,168</u>
Business-type activities capital assets, net	<u>\$ 319,926,261</u>	<u>\$ 22,393,664</u>	<u>\$ 7,254,504</u>	<u>\$ 335,065,421</u>
Depreciation expense was charged to functions as follows:				
Governmental activities:				
Public safety				\$ 1,413,945
Public works				3,814,919
Culture and recreation				2,839,333
Community and economic development				61,853
General government				<u>417,447</u>
Total depreciation expense - governmental activities				<u>\$ 8,547,497</u>
Business-type activities:				
Parking				\$ 879,706
Transit				887,095
Wastewater treatment				4,506,493
Water				2,343,883
Sanitation				1,560,499
Stormwater				1,192,434
Housing authority				120,681
Nonmajor enterprise				<u>997,031</u>
Total depreciation expense - business-type activities				<u>\$ 12,487,822</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

5. Capital Lease Obligation

This year, the government entered into a lease agreement as lessee for financing the acquisition of a parking ramp valued at \$15,497,867. The parking ramp has a 30-year estimated useful life. This year, \$129,149 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Fiscal Year Ending June 30	Business-type Activities
2018	\$ 1,100,821
2019	1,100,821
2020	1,100,821
2021	1,100,821
2022	1,100,821
2023-2036	15,411,500
Total minimum lease payments	20,915,605
Less: amount representing interest	(6,432,891)
Present value of minimum lease payments	\$ 14,482,714

Changes in Capital Lease Obligation

Changes in the capital lease obligation for the year ended June 30, 2017, was as follows:

	July 1, 2016	Issues	Retirements	June 30, 2017	Due Within One Year
Business-type activities:	\$ -	\$ 15,497,867	\$ 1,015,153	\$ 14,482,714	\$ 524,409

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

6. Long Term Debt

Changes in Debt for Bonds

Bond debt activity for the year ended June 30, 2017, was as follows:

	July 1, 2016	Issues	Retirements	June 30, 2017	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 55,055,000	\$ 9,765,000	\$ 13,175,000	\$ 51,645,000	\$ 7,960,000
Plus: Unamortized					
Premium	943,392	120,083	137,221	926,254	137,221
Total general obligation bonds	55,998,392	9,885,083	13,312,221	52,571,254	8,097,221
Revenue bonds	2,525,000	12,805,000	130,000	15,200,000	135,000
Less: Unamortized					
Discounts	33,984	-	2,124	31,860	2,124
Total revenue bonds	2,491,016	12,805,000	127,876	15,168,140	132,876
	<u>\$ 58,489,408</u>	<u>\$ 22,690,083</u>	<u>\$ 13,440,097</u>	<u>\$ 67,739,394</u>	<u>\$ 8,230,097</u>
Business-type activities:					
General obligation bonds	\$ 295,000	\$ -	\$ 295,000	\$ -	\$ -
Revenue bonds	38,420,000	10,460,000	16,060,000	32,820,000	5,035,000
Plus: Unamortized					
Premium	1,531,661	645,415	576,162	1,600,914	290,852
Total revenue bonds	39,951,661	11,105,415	16,636,162	34,420,914	5,325,852
	<u>\$ 40,246,661</u>	<u>\$ 11,105,415</u>	<u>\$ 16,931,162</u>	<u>\$ 34,420,914</u>	<u>\$ 5,325,852</u>

General Obligation Bonds

Various issues of general obligation bonds totaling \$51,645,000 are outstanding as of June 30, 2017. The bonds have interest rates ranging from 1.0% to 4.0% and mature in varying annual amounts ranging from \$345,000 to \$1,330,000 per issue, with the final maturities due in the year ending June 30, 2027. 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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

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

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 7,960,000	\$ 1,197,996
2019	8,125,000	1,031,994
2020	8,330,000	835,606
2021	7,090,000	613,841
2022	5,540,000	438,663
2023-2027	14,600,000	778,963
Total	<u>\$ 51,645,000</u>	<u>\$ 4,897,063</u>

Revenue Bonds

As of June 30, 2017, the following unmatured revenue bond issues are outstanding:

	Wastewater Treatment	Water	Taxable Urban Renewal
Original issue amount	\$ 37,650,000	\$ 24,260,000	\$ 15,200,000
Interest rates	2.0% to 5.0%	1.5% to 5.0%	1.0% to 3.9%
Annual maturities	\$ 275,000 to	\$ 380,000 to	\$ 135,000 to
	\$ 2,085,000	\$ 1,225,000	\$ 965,000
Amount outstanding	\$ 19,590,000	\$ 13,230,000	\$ 15,200,000

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, 2017 is \$5,465,000. 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 15, 2017, the City issued \$4,550,000 of sewer revenue bonds for a current refunding of \$5,245,000 of sewer revenue bonds on July 1, 2017. 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 \$1,030,981 in future debt service payments and an economic gain of \$723,184.

On June 15, 2017, the City issued \$5,910,000 of water revenue bonds for a current refunding of \$5,725,000 of water revenue bonds on July 1, 2017. 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 \$1,137,664 in future debt service payments and an economic gain of \$1,033,306.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 135,000	\$ 456,495	\$ 5,035,000	\$ 1,150,476
2019	135,000	454,335	4,975,000	872,703
2020	140,000	451,635	5,385,000	685,365
2021	140,000	448,695	5,610,000	477,665
2022	1,110,000	445,475	4,350,000	298,690
2023-2027	5,420,000	1,735,955	7,465,000	237,420
2028-2032	4,710,000	964,955	-	-
2033-2037	3,410,000	259,500	-	-
Total	<u>\$ 15,200,000</u>	<u>\$ 5,217,045</u>	<u>\$ 32,820,000</u>	<u>\$ 3,722,319</u>

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, 2017, the Wastewater Treatment Fund had net revenue of \$7,026,000 and the amount of principal and interest due was \$4,610,000. In fiscal year ended June 30, 2017, the Water Fund had net revenues of \$3,197,000 and the amount of principal and interest due was \$2,284,000.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

Summary of Bond Issues

General obligation and revenue bonds payable at June 30, 2017, are comprised of the following issues:

	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2017
General Obligation Bonds:					
Multi-Purpose	Aug. 2010	7,420,000	2.0 - 2.75	6/20	2,370,000
Multi-Purpose	June 2011	7,925,000	2.0 - 3.625	6/21	3,080,000
Refunded Multi-Purpose and Library Construction (1)	June 2011	10,930,000	2.0 - 3.625	6/21	5,055,000
Multi-Purpose	June 2012	9,070,000	2.0 - 2.25	6/22	4,780,000
Multi-Purpose	July 2013	7,230,000	1.0 - 2.0	6/23	4,975,000
Refunded Multi-Purpose (2)	June 2014	11,980,000	2.0 - 3.0	6/24	6,685,000
Multi-Purpose	June 2015	7,785,000	2.0 - 2.25	6/25	6,380,000
Multi-Purpose	June 2016	8,795,000	2.0 - 3.0	6/26	8,555,000
Multi-Purpose	June 2017	9,765,000	2.0 - 2.5	6/27	9,765,000
Total General Obligation Bonds					<u>\$ 51,645,000</u>
	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2017
Revenue Bonds:					
Refunded Wastewater Treatment Bonds (3)	May 2009	8,660,000	3.5 - 5.0	7/25	525,000
Refunded Wastewater Treatment Bonds (4)	Apr. 2010	15,080,000	3.0 - 4.0	7/20	5,155,000
Refunded Wastewater Treatment Bonds (5)	June 2016	9,360,000	3.0 - 4.0	7/21	9,360,000
Refunded Wastewater Treatment Bonds (6)	June 2017	4,550,000	2.0 - 5.0	7/22	4,550,000
Refunded Water Bonds (7)	May 2009	9,750,000	4.0 - 4.5	7/25	585,000
Refunded Water Bonds (8)	June 2012	4,950,000	1.5 - 2.1	7/22	3,085,000
Refunded Water Bonds (9)	June 2016	3,650,000	1.5 - 5.0	7/24	3,650,000
Refunded Water Bonds (10)	June 2017	5,910,000	2.0 - 2.25	7/25	5,910,000
Taxable Urban Renewal	Nov. 2012	2,655,000	1.0 - 3.9	6/32	2,395,000
Taxable Urban Renewal	Sept. 2016	12,805,000	3.0	6/36	12,805,000
Total Revenue Bonds					<u>48,020,000</u>
					<u><u>\$ 99,665,000</u></u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

- (1) This bond issue refunded the May 2002 General Obligation Bonds.
- (2) This bond issue is an advance refunding of portions of the September 2006 and May 2007 General Obligation Bonds.
- (3) This bond issue refunded the October 2000 Wastewater Revenue Bonds.
- (4) This bond issue refunded the December 2001 and April 2002 Wastewater Revenue Bonds.
- (5) This bond issue refunded the October 2008 Wastewater Revenue Bond.
- (6) This bond issue refunded the May 2009 Wastewater Revenue Bonds.
- (7) This bond issue refunded the December 2000 Water Revenue Bonds.
- (8) This bond issue refunded the October 2002 Water Revenue Bonds.
- (9) This bond issue refunded the October 2008 Water Revenue Bonds.
- (10) This bond issued refunded the May 2009 Water Revenue Bonds.

Conduit Debt Obligations

From time to time, the City has issued Industrial Development 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, 2017, there were three series of Industrial Development Revenue Bonds and Midwest Disaster Area Revenue Bonds outstanding, with an aggregate principal amount payable of \$33,867,375.

Debt Legal Compliance

Legal Debt Margin:

As of June 30, 2017, 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	\$ 5,257,241
Utilities	<u>92,987</u>
Total valuation	<u>\$ 5,350,228</u>

Debt limit, 5% of total assessed valuation	\$ 267,511
--------------------------------------------	------------

Debt applicable to debt limit:

General obligation bonds	51,645
Urban renewal revenue bonds	15,200
Letters of credit	663
Other legal indebtedness (TIF rebates)	<u>17,356</u>
Total net debt applicable to limit	<u>84,864</u>
Legal debt margin	<u>\$ 182,647</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

7. 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.

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, 2017

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 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, 2017.

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 25.92% for the year ended June 30, 2017.

The City's contributions to MFPRSI for the year ended June 30, 2017 was \$2,681,511.

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, 2017.

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

At June 30, 2017, the City reported a liability of \$23,116,697 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2016, the City's proportion was 3.697128% which was a decrease of .007844% from its proportions measured as of June 30, 2015.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

For the year ended June 30, 2017, the City recognized pension expense of \$3,216,923. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 596,612	\$ 21,438
Change of assumptions	976,000	316,636
Net difference between projected and actual earnings on pension plan investments	4,087,567	-
Changes in proportion and differences between City contributions and proportionate share of contributions	336,511	268,755
City contributions subsequent to the measurement date	<u>2,681,511</u>	<u>-</u>
Total	<u>\$ 8,678,201</u>	<u>\$ 606,829</u>

\$2,681,511 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Total
June 30, 2018	\$ 879,619
June 30, 2019	879,619
June 30, 2020	2,319,990
June 30, 2021	1,323,484
June 30, 2022	<u>(12,851)</u>
	<u>\$ 5,389,861</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

Actuarial Assumptions

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

Rate of inflation	3.00 percent per annum
Salary increases	4.50 to 15.11 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, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Postretirement mortality rates were based on the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two year, females set-forward one year and disabled individuals set-forward one year (male only rates), 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 best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	3.8 %
Emerging Markets	8.8
Emerging Markets Debt	6.5
Large Cap	6.0
Small Cap	5.8
Master Limited Partnerships (MLP)	8.5
International Large Cap	7.0
Treasury Inflation Protected Securities	2.8
Tactical Asset Allocation	6.0
Private Equity	9.8
Private Non-Core Real Estate	9.3
Private Core Real Estate	6.8

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

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:	\$ 36,280,488	\$ 23,116,701	\$ 12,154,074

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.

Payables to the Pension Plan

At June 30, 2017, 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.

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, 2017

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, 2017

In fiscal year 2017, 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, 2017 were \$2,645,105.

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

At June 30, 2017, the City reported a liability of \$24,938,496 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was .3962696% which was a decrease of .019656% from its proportions measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized pension expense of \$2,599,601. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 220,407	\$ 297,631
Change of assumptions	380,484	-
Net difference between projected and actual earnings on pension plan investments	3,552,947	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,250,940
City contributions subsequent to the measurement date	2,645,105	-
Total	<u>\$ 6,798,943</u>	<u>\$ 1,548,571</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

\$2,645,105 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, 2018	\$ 121,419
June 30, 2019	121,419
June 30, 2020	1,561,079
June 30, 2021	866,632
June 30, 2022	(65,282)
	<u>\$ 2,605,267</u>

Actuarial Assumptions

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

Rate of inflation (effective June 30, 2014)	3.00 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, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core Plus Fixed Income	28 %	1.9 %
Domestic Equity	24	5.85
International Equity	16	6.32
Private Equity/Debt	11	10.31
Real Estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(0.26)
Total	100 %	

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.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability:	\$ 40,347,112	\$ 24,938,496	\$ 11,933,423

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

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.

Payables to the Pension Plan

At June 30, 2017, there were no amounts due to IPERS.

8. Other Long-term Liabilities

Changes in Long-Term Liabilities - Notes Payable

Note Payable activity for the year ended June 30, 2017, was as follows:

	<u>July 1, 2016</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
Governmental activities:	<u>\$ 211,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,000</u>	<u>\$ -</u>

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, 2017, was as follows:

	<u>July 1, 2016</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
Governmental activities:	<u>\$ 2,133,179</u>	<u>\$ 1,292,682</u>	<u>\$ 1,185,014</u>	<u>\$ 2,240,847</u>	<u>\$ 1,251,482</u>
Business-type activities:	<u>\$ 678,973</u>	<u>\$ 405,439</u>	<u>\$ 392,471</u>	<u>\$ 691,941</u>	<u>\$ 401,049</u>

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, 2017

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

Landfill Closure Post-closure care activity for the year ended June 30, 2017, was as follows:

	<u>July 1, 2016</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
Business-type activities:	<u>\$ 8,268,394</u>	<u>\$ 322,795</u>	<u>\$ -</u>	<u>\$ 8,591,189</u>	<u>\$ -</u>

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, 2017, is \$8,591,189, which is based on 52.16% usage (filled) of the landfill and is included in accrued liabilities within the Sanitation Fund. It is estimated that an additional amount of approximately \$7,879,648 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, 2039. The estimated total current cost of the landfill closure and post-closure care costs at June 30, 2017, was determined by a licensed professional engineer and approximated at \$16,470,837. 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, 2017. 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, 2017, the Sanitation Fund had \$13,227,106 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, 2017

Changes in Long-Term Liabilities - Other Postemployment Benefits

	<u>July 1, 2016</u>	<u>Net OPEB Obligation Current Year</u>	<u>June 30, 2017</u>
Governmental activities:	\$ 3,187,337	\$ 438,375	\$ 3,625,712
Business-type activities:	\$ 1,095,202	\$ 123,398	\$ 1,218,600

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, 2017

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 735,979
Interest on net OPEB obligation	149,889
Adjustment to annual required contribution	<u>(147,747)</u>
Annual OPEB costs	738,121
Contributions made	<u>(176,348)</u>
Increase in net OPEB obligation	561,773
Net OPEB obligation beginning of year	<u>4,282,539</u>
Net OPEB obligation end of year	<u>\$ 4,844,312</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, 2017.

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, 2015	\$ 573,338	38.0%	\$3,969,641
June 30, 2016	\$ 672,867	53.5%	\$4,282,539
June 30, 2017	\$ 738,121	23.9%	\$4,844,312

Funded Status and Funding Progress: As of July 1, 2016, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$6,560,682, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,560,682. The covered payroll (annual payroll of active employees covered by the plans) was \$37,814,968 and the ratio of the UAAL to covered payroll was 17.3%. 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, 2017

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, 2016 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-2015. 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 \$933.33 per month for retirees and \$816.67 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.

9. Short Term Debt

Changes in Short-Term Liabilities - Notes Payable

Notes Payable activity for the year ended June 30, 2017, was as follows:

	<u>July 1, 2016</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
Governmental activities:	<u>\$ 582,000</u>	<u>\$ 669,000</u>	<u>\$ 588,000</u>	<u>\$ 663,000</u>	<u>\$ 663,000</u>

During FY17, the City entered into additional multiple short term loans totaling \$669,000 and repaid multiple short term loans totaling \$588,000. The outstanding loans mature one year from the date of the loan and bear interest rates ranging from 2% to 4.25%. 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, 2017

10. 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, 2017

Components of Fund Balance

	General	Employee Benefits	Bridge, Street and Traffic Control Construction	Debt Service	Other Governmental Funds	Total
Nonspendable:						
Perpetual Care Principal	\$ 69,000	\$ -	\$ -	\$ -	\$ -	\$ 69,000
Inventory	-	-	-	-	263,610	263,610
Prepaid Items	718,919	79,591	-	-	-	798,510
Total Nonspendable	<u>787,919</u>	<u>79,591</u>	<u>-</u>	<u>-</u>	<u>263,610</u>	<u>1,131,120</u>
Restricted for:						
Public Safety	348,934	-	-	-	-	348,934
Local Option Sales Tax	8,021,582	-	-	-	-	8,021,582
Debt Service	-	-	-	7,756,146	-	7,756,146
GO Bond Projects	-	-	15,537,011	-	27,356,404	42,893,415
State Funding	-	-	-	-	5,714,241	5,714,241
Grant Agreement	-	-	-	-	3,911,201	3,911,201
Affordable Housing	-	-	-	-	468,102	468,102
Notes Receivable	1,291,801	-	-	-	-	1,291,801
Property Held for Resale	86,800	-	-	-	-	86,800
Public Safety Employee Benefits	-	2,441,357	-	-	-	2,441,357
Other Restricted	224,712	-	-	-	757,771	982,483
Total Restricted	<u>9,973,829</u>	<u>2,441,357</u>	<u>15,537,011</u>	<u>7,756,146</u>	<u>38,207,719</u>	<u>73,916,062</u>
Committed to:						
Emergency Fund	5,198,779	-	-	-	-	5,198,779
Total Committed	<u>5,198,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,198,779</u>
Assigned to:						
Library Programs	814,236	-	-	-	-	814,236
Senior Center Programs	13,882	-	-	-	-	13,882
Replacement and Acquisition Reserves	378,811	-	-	-	-	378,811
Other Assigned	135,390	-	-	-	-	135,390
Total Assigned	<u>1,342,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,342,319</u>
Unassigned:	<u>24,793,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,793,417</u>
Total Fund Balances	<u>\$ 42,096,263</u>	<u>\$ 2,520,948</u>	<u>\$ 15,537,011</u>	<u>\$ 7,756,146</u>	<u>\$ 38,471,329</u>	<u>\$ 106,381,697</u>

11. 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, 2017 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 nine 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, 2017

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, 2017 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, 2017 and 2016 are as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2015 – 2016	\$ 2,536,000	\$ 827,000	\$ 874,000	\$ 2,489,000
2016 – 2017	2,489,000	706,000	906,000	2,289,000

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 \$9,716,893. 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, 2017 and 2016 are as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2015 – 2016	\$ 568,000	\$ 7,035,000	\$ 7,253,000	\$ 350,000
2016 – 2017	350,000	7,356,000	7,321,000	385,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

12. Commitments and Contingencies

Contractual Commitments

The total outstanding contractual commitments as of June 30, 2017 are as follows:

Fund	Project	Amount
Bridge, street and traffic control construction	Paving and Bridge Construction, Engineering Design and Consulting	\$ 22,051,540
Parking	Parking Facility Restoration Repair	529,689
Wastewater	Sewer Construction & Riverfront Crossings Park	3,563,486
Water	Ground Storage Reservoir & Water Plant Computer	45,341
Sanitation	Landfill Cell Reconstruction & Road Improvements	552,749
Airport	Runway, S. Taxiway Extension, N T-Hangar Restroom	71,888
Stormwater	Stormwater system improvements & Storm Sewer Replacements	26,317
		<u>\$ 26,841,010</u>

Developer Commitments

In order to encourage development within designated TIF districts, the City Council has approved developer grants to 7 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 \$25,526,444 exist, of which \$330,157 is expected to be paid in the next fiscal year. These items are expensed in the period in which they are paid. There were no payments made in the current fiscal year. 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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

13. 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.

14. Accounting Change/Restatement

Beginning fund balances for the General Fund and the Community Development Block Grant Fund (a nonmajor governmental fund) were restated to reflect the reclassification of deferred inflow of resources to restricted fund balance for notes receivable. Long-term notes receivable were previously recorded as a deferred inflow of resources, as their revenue was not considered available. However, in evaluating the balances during the current year, it was determined that the presentation would be more representative to reflect the long-term note receivable balances as part of restricted fund balance.

Restatements of fund balances previously reported are as follows:

(Amounts in thousands)

Fund	Fund Balances Ending June 30, 2016 as Previously Reported	Effect of Reclassification of Deferred Inflow of Resources to Restricted Fund Balance	Fund Balances Ending June 30, 2016 as Restated
General	\$ 48,252	\$ 1,249	\$ 49,501
Other Governmental Funds	\$ 16,851	\$ 3,360	\$ 20,211

15. Tax Abatements

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

City Tax Abatements

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

For the year ended June 30, 2017, the City did not abate any property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the City were not reduced by any amount for the year ended June 30, 2017 under agreements entered into by any entities.

16. New Governmental Accounting Standards Board (GASB) Standards

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

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. 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. 83, Certain Asset Retirement Obligations, will be effective for fiscal year ending June 30, 2019. The objective of this Statement is to address legally enforceable liabilities associated with tangible capital assets.

Statement No. 84, Fiduciary Activities, will be effective for fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Statement No. 85, Omnibus 2017, will be effective for fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2017

Statement No. 86, Certain Debt Extinguishment Issues, will be effective for fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Statement No. 87, Leases, will be effective for fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

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, 2017
(dollar amounts expressed in thousands)

	Governmental Fund Types Actual Budgetary Basis	Enterprise Fund Types Actual Budgetary Basis	Total Actual Budgetary Basis
Revenues:			
Property taxes	\$ 55,357	\$ -	\$ 55,357
Delinquent property taxes	1	-	1
Tax increment financing taxes	2,226	-	2,226
Other city taxes	2,868	-	2,868
Special assessments	-	-	-
Licenses and permits	3,521	10	3,531
Intergovernmental	24,573	14,592	39,165
Charges for services	5,718	39,954	45,672
Use of money and property	1,168	1,754	2,922
Miscellaneous	3,560	1,488	5,048
Total revenues	98,992	57,798	156,790
Expenditures/Expenses:			
Public safety	22,963	-	22,963
Public works	7,948	-	7,948
Health and social services	301	-	301
Culture and recreation	13,782	-	13,782
Community and economic development	8,105	-	8,105
General government	8,166	-	8,166
Debt service	15,218	-	15,218
Capital outlay	32,903	-	32,903
Business-type	-	66,545	66,545
Total expenditures/expenses	109,386	66,545	175,931
Excess (deficiency) of revenues over (under) expenditures/expenses	(10,394)	(8,747)	(19,141)
Other financing sources and uses, net	25,551	11,995	37,546
Net change in fund balances	15,157	3,248	18,405
Balances, beginning of year	85,925	107,044	192,969
Balances, end of year	\$ 101,082	\$ 110,292	\$ 211,374

See Note to Required Supplementary Information.

Budgeted Amounts			
Original	Final	Final to Actual Variance - Positive (Negative)	
\$ 55,330	\$ 55,330	\$ 27	
-	-	1	
2,277	2,277	(51)	
2,773	2,773	95	
1	1	(1)	
1,739	1,739	1,792	
32,760	41,140	(1,975)	
44,894	45,045	627	
2,184	2,285	637	
4,637	5,153	(105)	
146,595	155,743	1,047	
23,533	23,995	1,032	
9,309	9,328	1,380	
350	350	49	
14,042	14,141	359	
7,510	11,170	3,065	
9,209	9,085	919	
15,146	15,390	172	
35,452	79,145	46,242	
53,713	79,697	13,152	
168,264	242,301	66,370	
(21,669)	(86,558)	67,417	
18,080	27,319	10,227	
(3,589)	(59,239)	\$ 77,644	
128,702	192,969		
\$ 125,113	\$ 133,730		

CITY OF IOWA CITY

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

For the Year Ended June 30, 2017
(dollar amounts expressed in thousands)

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 98,992	\$ (4,438)	\$ 94,554
Expenditures	109,386	(17,462)	91,924
Net	(10,394)	13,024	2,630
Other financing sources and uses, net	25,551	(12,927)	12,624
Beginning Fund Balances	85,925	5,202	91,127
Ending Fund Balances	<u>\$ 101,082</u>	<u>\$ 5,299</u>	<u>\$ 106,381</u>

	Enterprise Fund Types		
	Budget Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 57,798	\$ 1,266	\$ 59,064
Expenditures	66,545	(11,418)	55,127
Net	(8,747)	12,684	3,937
Other financing sources and uses, net	11,995	(5,326)	6,669
Beginning Fund Balances	107,044	250,670	357,714
Ending Fund Balances	<u>\$ 110,292</u>	<u>\$ 258,028</u>	<u>\$ 368,320</u>

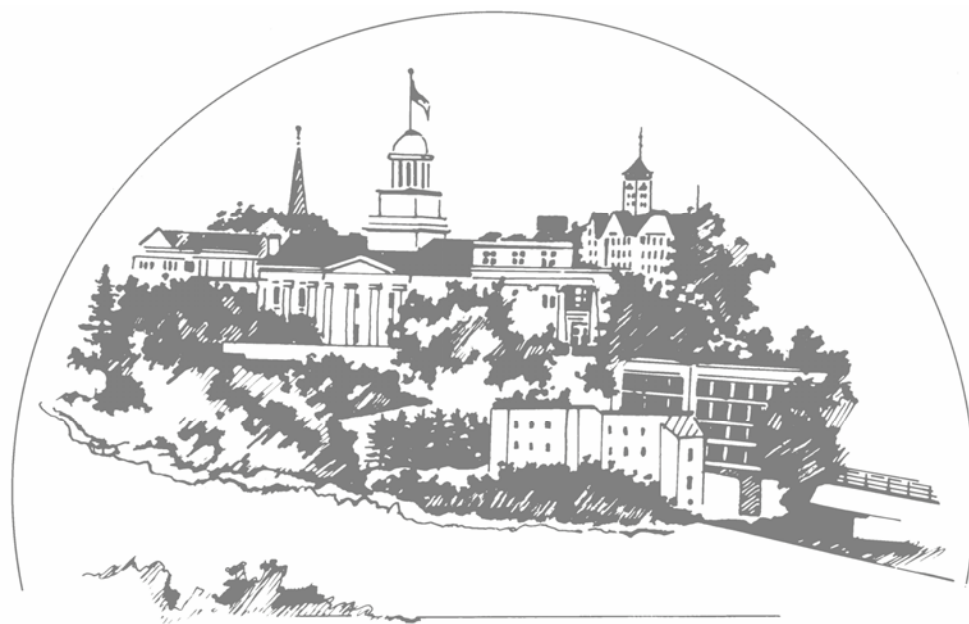
See Note to Required Supplementary Information.

City of Iowa City, Iowa
Note to Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2017

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 \$9,148,000 and expenditures by \$74,037,000. 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
For the Last Three Years***

(amounts expressed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	3.697128%	3.704972%	3.778137%
City's proportionate share of the net pension liability	\$ 23,117	\$ 17,406	\$ 13,696
City's covered payroll	10,019	9,716	9,648
City's proportionate share of the net pension liability as a percentage of its covered payroll	230.73%	179.15%	141.96%
Plan fiduciary net position as a percentage of the total pension liability	78.20%	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
For the Last Ten Years**

(amounts expressed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contributions	\$ 2,682	\$ 2,782	\$ 2,955	\$ 2,906
Contributions in relation to the statutorily required contribution	<u>(2,682)</u>	<u>(2,782)</u>	<u>(2,955)</u>	<u>(2,906)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 10,347	\$ 10,019	\$ 9,716	\$ 9,648
Contributions as a percentage of covered payroll	25.92%	27.77%	30.41%	30.12%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 2,383	\$ 2,277	\$ 1,654	\$ 1,336	\$ 1,425	\$ 1,893
<u>(2,383)</u>	<u>(2,277)</u>	<u>(1,654)</u>	<u>(1,336)</u>	<u>(1,425)</u>	<u>(1,893)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,122	\$ 9,197	\$ 8,310	\$ 7,860	\$ 7,601	\$ 7,430
26.12%	24.76%	19.90%	17.00%	18.75%	25.48%

City of Iowa City, Iowa

Notes to Required Supplementary Information - Pension Liability

**Municipal Fire and Police Retirement System of Iowa
Year ended June 30, 2017**

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Postretirement mortality changed to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disableds set-forward one year (male only rates), with no projection of future mortality improvement.

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
For the Last Three Years***

(amounts expressed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.3962696%	0.4159256%	0.4378904%
City's proportionate share of the net pension liability	\$ 24,938	\$ 20,549	\$ 17,366
City's covered payroll	28,448	28,495	28,654
City's proportionate share of the net pension liability as a percentage of its covered payroll	87.66%	72.11%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

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
For the Last Ten Years**

(amounts expressed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contributions	\$ 2,645	\$ 2,540	\$ 2,545	\$ 2,559
Contributions in relation to the statutorily required contribution	<u>(2,645)</u>	<u>(2,540)</u>	<u>(2,545)</u>	<u>(2,559)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 29,619	\$ 28,448	\$ 28,495	\$ 28,654
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 2,442	\$ 2,327	\$ 1,877	\$ 1,780	\$ 1,659	\$ 1,522
<u>(2,442)</u>	<u>(2,327)</u>	<u>(1,877)</u>	<u>(1,780)</u>	<u>(1,659)</u>	<u>(1,522)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 28,170	\$ 28,833	\$ 27,013	\$ 26,764	\$ 26,133	\$ 25,151
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

City of Iowa City, Iowa

Notes to Required Supplementary Information - Pension Liability

Iowa Public Employees' Retirement System

Year ended June 30, 2017

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:

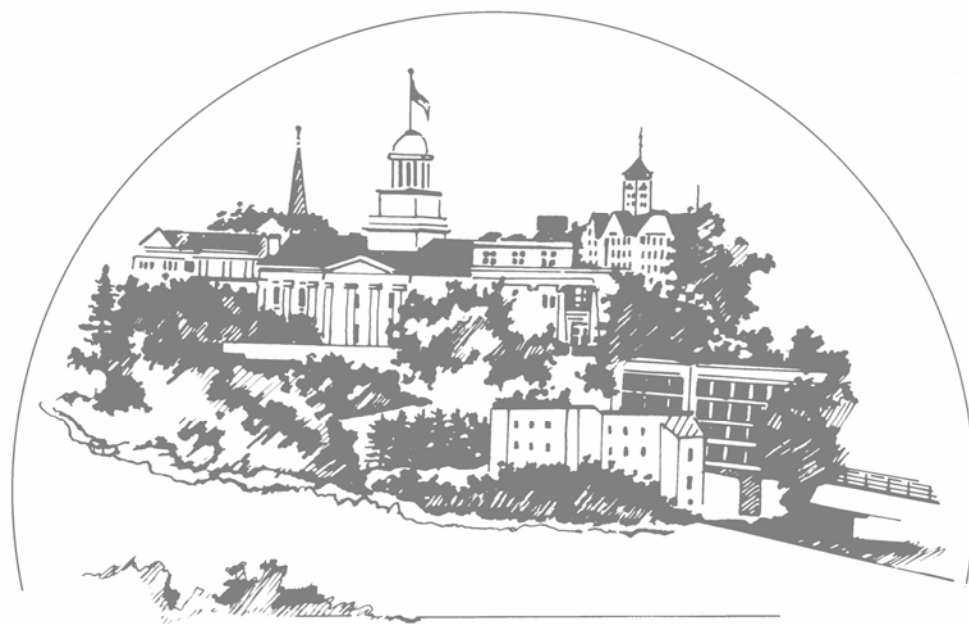
- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period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

City of Iowa City, Iowa
Required Supplementary Information – Schedule of Funding Progress for Health and Dental Plans
For the Year Ended June 30, 2017

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, 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%	\$ 35,972,242	14.3%
July 1, 2016	June 30, 2017	\$ -	\$ 6,560,682	\$ 6,560,682	0.00%	\$ 37,814,968	17.3%



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.

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

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.

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, 2017
(amounts expressed in thousands)

	Special Revenue				Capital Projects	
	Economic Development	Community Development Block Grant	Other Shared Revenue and Grants	Metropolitan Planning Organization of Johnson County	Other Construction	Total
Assets						
Equity in pooled cash and investments	\$ 476	\$ 24	\$ 5,029	\$ 227	\$ 19,703	\$ 25,459
Receivables:						
Property tax	327	-	-	-	-	327
Accounts and unbilled usage	-	-	1	-	-	1
Interest	2	-	2	1	24	29
Notes	-	3,833	-	-	-	3,833
Due from other governments	-	113	1,039	49	117	1,318
Inventories	-	-	264	-	-	264
Restricted assets:						
Equity in pooled cash and investments	-	-	476	-	8,544	9,020
Total assets	\$ 805	\$ 3,970	\$ 6,811	\$ 277	\$ 28,388	\$ 40,251
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ 23	\$ 42	\$ 5	\$ 360	\$ 430
Contracts payable	-	-	-	-	444	444
Accrued liabilities	-	1	85	15	-	101
Advances from other funds	-	-	125	-	-	125
Due to other governments	-	-	4	-	-	4
Liabilities payable from restricted assets:						
Deposits	-	-	6	-	-	6
Advances from grantors	-	-	27	-	110	137
Total liabilities	-	24	289	20	914	1,247
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property taxes	323	-	-	-	-	323
Grants	-	91	1	-	25	117
Other	-	-	-	-	93	93
Total deferred inflows of resources	323	91	1	-	118	533
Fund balances:						
Nonspendable	-	-	264	-	-	264
Restricted	482	3,855	6,257	257	27,356	38,207
Total fund balances	482	3,855	6,521	257	27,356	38,471
Total liabilities, deferred inflows of resources and fund balances	\$ 805	\$ 3,970	\$ 6,811	\$ 277	\$ 28,388	\$ 40,251

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2017
(amounts expressed in thousands)

	Special Revenue				Capital Projects	
	Economic Development	Community Development Block Grant	Other Shared Revenue and Grants	Metropolitan Planning Organization of Johnson County	Other Construction	Total
Revenues						
Property taxes	\$ 2,516	\$ -	\$ -	\$ -	\$ -	\$ 2,516
Intergovernmental	29	1,110	9,205	291	614	11,249
Charges for services	-	-	67	-	299	366
Use of money and property	4	20	81	1	40	146
Miscellaneous	-	50	94	4	248	396
Total revenues	<u>2,549</u>	<u>1,180</u>	<u>9,447</u>	<u>296</u>	<u>1,201</u>	<u>14,673</u>
Expenditures						
Current:						
Public safety	-	-	-	-	24	24
Public works	-	-	5,052	-	41	5,093
Culture and recreation	-	-	-	-	451	451
Community and economic development	318	963	711	609	2,020	4,621
General government	-	-	-	-	11	11
Capital outlay	-	-	597	-	1,641	2,238
Total expenditures	<u>318</u>	<u>963</u>	<u>6,360</u>	<u>609</u>	<u>4,188</u>	<u>12,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,231</u>	<u>217</u>	<u>3,087</u>	<u>(313)</u>	<u>(2,987)</u>	<u>2,235</u>
Other Financing Sources (Uses)						
Issuance of debt	-	-	-	-	15,893	15,893
Sale of capital assets	-	-	-	-	2,024	2,024
Premium on issuance of bonds	-	-	-	-	85	85
Transfers in	-	4	336	268	5,204	5,812
Transfers out	(1,988)	(175)	(4,014)	-	(1,612)	(7,789)
Total other financing sources and (uses)	<u>(1,988)</u>	<u>(171)</u>	<u>(3,678)</u>	<u>268</u>	<u>21,594</u>	<u>16,025</u>
Net change in fund balances	243	46	(591)	(45)	18,607	18,260
Fund Balances, Beginning, as restated	<u>239</u>	<u>3,809</u>	<u>7,112</u>	<u>302</u>	<u>8,749</u>	<u>20,211</u>
Fund Balances, Ending	<u><u>\$ 482</u></u>	<u><u>\$ 3,855</u></u>	<u><u>\$ 6,521</u></u>	<u><u>\$ 257</u></u>	<u><u>\$ 27,356</u></u>	<u><u>\$ 38,471</u></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.

Transit Fund – accounts for the operation and maintenance of the public transportation system.

CITY OF IOWA CITY, IOWA

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

June 30, 2017

(amounts expressed in thousands)

	Airport	Transit	Total
Assets			
Current assets:			
Equity in pooled cash and investments	\$ 238	\$ 4,992	\$ 5,230
Receivables:			
Accounts and unbilled usage	24	15	39
Interest	1	15	16
Due from other governments	114	2,068	2,182
Inventories	-	294	294
Prepaid item	3	-	3
Total current assets	<u>380</u>	<u>7,384</u>	<u>7,764</u>
Noncurrent assets:			
Restricted assets:			
Equity in pooled cash and investments	111	50	161
Other post employment benefits asset	3	-	3
Capital assets:			
Land	12,158	2,630	14,788
Buildings	5,377	15,399	20,776
Improvements other than buildings	396	-	396
Machinery and equipment	281	10,332	10,613
Infrastructure	17,758	955	18,713
Accumulated depreciation	(8,704)	(14,784)	(23,488)
Construction in progress	66	476	542
Total noncurrent assets	<u>27,446</u>	<u>15,058</u>	<u>42,504</u>
Total assets	<u>27,826</u>	<u>22,442</u>	<u>50,268</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>14</u>	<u>686</u>	<u>700</u>
Liabilities			
Current liabilities:			
Accounts payable	8	159	167
Contracts payable	51	-	51
Accrued liabilities	2	136	138
Employee vested benefits	2	115	117
Due to other governments	-	16	16
Total current liabilities	<u>63</u>	<u>426</u>	<u>489</u>
Noncurrent liabilities:			
Liabilities payable from restricted assets:			
Deposits	10	6	16
Employee vested benefits	1	82	83
Net pension liability	49	2,428	2,477
Other post employment benefits obligation	-	337	337
Total noncurrent liabilities	<u>60</u>	<u>2,853</u>	<u>2,913</u>
Total liabilities	<u>123</u>	<u>3,279</u>	<u>3,402</u>
Deferred Inflows of Resources			
Pension related deferred inflows	<u>3</u>	<u>153</u>	<u>156</u>
Net Position			
Net investment in capital assets	27,332	15,008	42,340
Restricted for future improvements	100	-	100
Unrestricted	<u>282</u>	<u>4,688</u>	<u>4,970</u>
Total net position	<u>\$ 27,714</u>	<u>\$ 19,696</u>	<u>\$ 47,410</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, 2017
(amounts expressed in thousands)

	Airport	Transit	Total
Operating Revenues:			
Charges for services	\$ 345	\$ 2,089	\$ 2,434
Miscellaneous	2	62	64
Total operating revenues	<u>347</u>	<u>2,151</u>	<u>2,498</u>
Operating Expenses:			
Personal services	76	3,966	4,042
Commodities	105	646	751
Services and charges	239	1,883	2,122
	<u>420</u>	<u>6,495</u>	<u>6,915</u>
Depreciation	997	887	1,884
Total operating expenses	<u>1,417</u>	<u>7,382</u>	<u>8,799</u>
Operating loss	<u>(1,070)</u>	<u>(5,231)</u>	<u>(6,301)</u>
Nonoperating Revenues:			
Gain on disposal of capital assets	-	3	3
Operating grants	69	2,235	2,304
Interest income	1	29	30
Total nonoperating revenues	<u>70</u>	<u>2,267</u>	<u>2,337</u>
Loss before capital contributions and transfers	(1,000)	(2,964)	(3,964)
Capital contributions	58	395	453
Transfers in	<u>113</u>	<u>3,272</u>	<u>3,385</u>
Change in net position	(829)	703	(126)
Net Position, Beginning	<u>28,543</u>	<u>18,993</u>	<u>47,536</u>
Net Position, Ending	<u>\$ 27,714</u>	<u>\$ 19,696</u>	<u>\$ 47,410</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2017
(amounts expressed in thousands)

	<u>Airport</u>	<u>Transit</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 350	\$ 2,147	\$ 2,497
Payments to suppliers	(344)	(2,872)	(3,216)
Payments to employees	(75)	(3,900)	(3,975)
Net cash flows used for operating activities	<u>(69)</u>	<u>(4,625)</u>	<u>(4,694)</u>
Cash Flows From Noncapital Financing Activities			
Operating grants received	29	612	641
Transfers from other funds	113	3,272	3,385
Net cash flows from noncapital financing activities	<u>142</u>	<u>3,884</u>	<u>4,026</u>
Cash Flows From Capital and Related Financing Activities			
Capital grants received	151	-	151
Acquisition and construction of property and equipment	(472)	(475)	(947)
Proceeds from sale of property	-	3	3
Net cash flows used for capital and related financing activities	<u>(321)</u>	<u>(472)</u>	<u>(793)</u>
Cash Flows From Investing Activities			
Interest on investments	-	26	26
Net decrease in cash and cash equivalents	(248)	(1,187)	(1,435)
Cash and Cash Equivalents, Beginning	<u>597</u>	<u>6,229</u>	<u>6,826</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 349</u></u>	<u><u>\$ 5,042</u></u>	<u><u>\$ 5,391</u></u>
Reconciliation of operating loss to net cash flows used for operating activities:			
Operating loss	\$ (1,070)	\$ (5,231)	\$ (6,301)
Adjustments to reconcile operating loss to net cash flows used for operating activities:			
Depreciation expense	997	887	1,884
Changes in:			
Receivables:			
Accounts and unbilled usage	3	(5)	(2)
Due from other governments	-	1	1
Inventories	-	(14)	(14)
Prepaid item	(3)	-	(3)
Accounts payable	3	(301)	(298)
Accrued liabilities	-	9	9
Employee vested benefits	-	(1)	(1)
Due to other governments	-	(28)	(28)
Net pension liability	9	442	451
Deferred outflows of resources	(7)	(347)	(354)
Deferred inflows of resources	(2)	(86)	(88)
Other post employment benefits asset/obligation	1	49	50
Total adjustments	<u>1,001</u>	<u>606</u>	<u>1,607</u>
Net cash flows used for operating activities	<u><u>\$ (69)</u></u>	<u><u>\$ (4,625)</u></u>	<u><u>\$ (4,694)</u></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, 2017

(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 13,209	\$ 715	\$ 14,842	\$ 2,651	\$ 31,417
Receivables:					
Accounts and unbilled usage	-	-	157	-	157
Interest	42	2	37	8	89
Due from other governments	67	-	-	-	67
Inventories	466	-	-	-	466
Prepaid item	-	-	-	12	12
Total current assets	13,784	717	15,036	2,671	32,208
Noncurrent assets:					
Restricted assets:					
Other post employment benefits asset	15	-	20	-	35
Capital assets:					
Land	45	-	-	-	45
Buildings	1,298	-	-	233	1,531
Improvements other than buildings	50	-	-	-	50
Machinery and equipment	19,271	804	24	2,234	22,333
Infrastructure	-	31	-	2,818	2,849
Accumulated depreciation	(12,228)	(307)	(24)	(2,787)	(15,346)
Construction in progress	-	-	-	493	493
Total noncurrent assets	8,451	528	20	2,991	11,990
Total assets	22,235	1,245	15,056	5,662	44,198
Deferred Outflows of Resources					
Pension related deferred outflows	167	6	38	170	381
Liabilities					
Current liabilities:					
Accounts payable	122	8	258	98	486
Accrued liabilities	31	1	2,681	33	2,746
Employee vested benefits	38	1	2	22	63
Total current liabilities	191	10	2,941	153	3,295
Noncurrent liabilities:					
Employee vested benefits	30	1	1	18	50
Net pension liability	600	20	118	659	1,397
Other post employment benefits obligation	-	7	-	90	97
Total noncurrent liabilities	630	28	119	767	1,544
Total liabilities	821	38	3,060	920	4,839
Deferred Inflows of Resources					
Pension related deferred inflows	38	1	8	41	88
Net Position					
Net investment in capital assets	8,436	528	-	2,991	11,955
Unrestricted	13,107	684	12,026	1,880	27,697
Total net position	\$ 21,543	\$ 1,212	\$ 12,026	\$ 4,871	\$ 39,652

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, 2017

(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Operating Revenues:					
Charges for services	\$ 5,913	\$ 238	\$ 10,072	\$ 2,132	\$ 18,355
Total operating revenues	<u>5,913</u>	<u>238</u>	<u>10,072</u>	<u>2,132</u>	<u>18,355</u>
Operating Expenses:					
Personal services	978	36	205	956	2,175
Commodities	1,474	10	12	342	1,838
Services and charges	545	150	8,446	314	9,455
	<u>2,997</u>	<u>196</u>	<u>8,663</u>	<u>1,612</u>	<u>13,468</u>
Depreciation	1,494	60	1	243	1,798
Total operating expenses	<u>4,491</u>	<u>256</u>	<u>8,664</u>	<u>1,855</u>	<u>15,266</u>
Operating income (loss)	<u>1,422</u>	<u>(18)</u>	<u>1,408</u>	<u>277</u>	<u>3,089</u>
Nonoperating Revenues:					
Gain on disposal of capital assets	84	-	-	-	84
Interest income	69	4	74	16	163
Total nonoperating revenues	<u>153</u>	<u>4</u>	<u>74</u>	<u>16</u>	<u>247</u>
Income (loss) before transfers	1,575	(14)	1,482	293	3,336
Capital contributions	-	-	-	35	35
Transfers in	559	-	-	763	1,322
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(505)</u>	<u>(505)</u>
Change in net position	2,134	(14)	1,482	586	4,188
Net Position, Beginning	<u>19,409</u>	<u>1,226</u>	<u>10,544</u>	<u>4,285</u>	<u>35,464</u>
Net Position, Ending	<u>\$ 21,543</u>	<u>\$ 1,212</u>	<u>\$ 12,026</u>	<u>\$ 4,871</u>	<u>\$ 39,652</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2017
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 5,889	\$ 238	\$ 10,059	\$ 2,132	\$ 18,318
Payments to suppliers	(2,702)	(159)	(8,365)	(619)	(11,845)
Payments to employees	(965)	(36)	(370)	(924)	(2,295)
Net cash flows from operating activities	<u>2,222</u>	<u>43</u>	<u>1,324</u>	<u>589</u>	<u>4,178</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	559	-	-	763	1,322
Transfers to other funds	-	-	-	(505)	(505)
Net cash flows from noncapital financing activities	<u>559</u>	<u>-</u>	<u>-</u>	<u>258</u>	<u>817</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of property and equipment	(2,270)	(5)	-	(861)	(3,136)
Proceeds from sale of property	128	-	-	-	128
Net cash flows used for capital and related financing activities	<u>(2,142)</u>	<u>(5)</u>	<u>-</u>	<u>(861)</u>	<u>(3,008)</u>
Cash Flows From Investing Activities					
Interest on investments	<u>57</u>	<u>4</u>	<u>71</u>	<u>15</u>	<u>147</u>
Net increase in cash and cash equivalents	696	42	1,395	1	2,134
Cash and Cash Equivalents, Beginning	<u>12,513</u>	<u>673</u>	<u>13,447</u>	<u>2,650</u>	<u>29,283</u>
Cash and Cash Equivalents, Ending	<u>\$ 13,209</u>	<u>\$ 715</u>	<u>\$ 14,842</u>	<u>\$ 2,651</u>	<u>\$ 31,417</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$ 1,422	\$ (18)	\$ 1,408	\$ 277	\$ 3,089
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation expense	1,494	60	1	243	1,798
Changes in:					
Receivables:					
Accounts and unbilled usage	-	-	(13)	-	(13)
Due from other governments	(24)	-	-	-	(24)
Inventories	5	-	-	-	5
Prepaid item	-	-	-	(12)	(12)
Accounts payable	(688)	1	93	49	(545)
Accrued liabilities	4	-	(164)	9	(151)
Employee vested benefits	6	-	(3)	7	10
Net pension liability	106	3	23	117	249
Deferred outflows of resources	(84)	(3)	(20)	(79)	(186)
Deferred inflows of resources	(23)	(1)	(2)	(30)	(56)
Other post employment benefits asset/obligation	4	1	1	8	14
Total adjustments	<u>800</u>	<u>61</u>	<u>(84)</u>	<u>312</u>	<u>1,089</u>
Net cash flows from operating activities	<u>\$ 2,222</u>	<u>\$ 43</u>	<u>\$ 1,324</u>	<u>\$ 589</u>	<u>\$ 4,178</u>
Noncash Investing, Capital, and Financing Activities:					
Contributions of capital assets from government and others	\$ -	\$ -	\$ -	\$ 35	\$ 35

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, 2017
(amounts expressed in thousands)

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Project Green				
Assets				
Equity in pooled cash and investments	\$ 175	\$ 72	\$ 84	\$ 163
Interest receivable	-	1	-	1
Total assets	<u>\$ 175</u>	<u>\$ 73</u>	<u>\$ 84</u>	<u>\$ 164</u>
Liabilities				
Accounts payable	\$ 10	\$ 4	\$ 10	\$ 4
Due to agency	165	69	74	160
Total liabilities	<u>\$ 175</u>	<u>\$ 73</u>	<u>\$ 84</u>	<u>\$ 164</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.

Contents	Page
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.	119
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	124
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.	134
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.	144
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.	146

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)

	2008	2009	2010	2011	2012	2013 ¹	2014	2015	2016 ²	2017
Governmental activities										
Net investment in capital assets	\$ 104,833	\$ 100,741	\$ 111,703	\$ 123,935	\$ 135,998	\$ 133,989	\$ 138,482	\$ 153,729	\$ 163,362	\$ 183,651
Restricted	23,741	26,586	25,588	31,179	35,021	22,867	39,958	36,447	42,154	47,676
Unrestricted	1,119	17,938	32,478	36,862	38,906	50,744	39,758	15,520	18,402	16,264
Total governmental activities net position	<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>	<u>\$ 247,591</u>
Business-type activities										
Net investment in capital assets	\$ 156,075	\$ 162,211	\$ 172,601	\$ 186,177	\$ 195,073	\$ 253,617	\$ 264,727	\$ 279,272	\$ 279,679	\$ 285,912
Restricted	21,320	19,159	17,588	20,658	20,176	19,033	19,438	22,389	22,269	21,238
Unrestricted	60,225	63,842	65,725	61,032	58,850	74,370	71,542	57,367	69,472	76,664
Total business-type activities net position	<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>	<u>\$ 383,814</u>
Primary government										
Net investment in capital assets	\$ 260,908	\$ 262,952	\$ 284,304	\$ 310,112	\$ 331,071	\$ 387,606	\$ 403,209	\$ 433,001	\$ 443,041	\$ 469,563
Restricted	45,061	45,025	43,176	51,837	55,197	41,900	59,396	58,836	64,423	68,914
Unrestricted	61,344	82,500	98,203	97,894	97,756	125,114	111,300	72,887	87,874	92,928
Total primary government net position	<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>	<u>\$ 631,405</u>

¹ 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.

² 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)

	2008	2009	2010	2011	2012	2013 ¹	2014	2015	2016 ²	2017
Expenses										
Governmental activities:										
Public safety	\$ 20,504	\$ 20,730	\$ 19,955	\$ 18,867	\$ 21,186	\$ 20,989	\$ 22,721	\$ 21,193	\$ 22,029	\$ 24,002
Public works	13,727	15,177	16,806	19,145	17,556	10,240	8,258	11,037	10,839	12,032
Culture and recreation	13,460	9,574	12,238	10,811	13,107	14,481	16,586	14,049	14,422	15,525
Community and economic development	1,850	8,726	16,913	16,501	16,305	10,596	10,059	7,093	6,786	8,253
General government	7,433	7,600	7,549	7,356	7,591	7,513	7,687	7,752	6,240	6,124
Debt service	3,517	3,264	2,970	2,841	2,400	2,237	1,797	1,517	1,287	1,481
Total governmental activities expenses	60,491	65,071	76,431	75,521	78,145	66,056	67,108	62,641	61,603	67,417
Business-type activities:										
Wastewater	11,757	11,925	11,274	10,971	11,069	10,464	21,139	12,131	11,866	11,233
Water	8,804	9,185	8,309	8,523	8,781	9,074	8,723	8,403	8,149	8,921
Sanitation	6,868	7,296	7,705	7,461	8,315	7,279	8,402	8,114	8,735	9,123
Housing authority	7,374	7,238	7,838	7,448	7,911	7,658	7,703	7,873	8,378	8,798
Parking	3,913	4,489	4,536	4,135	4,167	4,579	4,093	4,678	4,460	4,620
Airport	560	693	724	1,049	1,127	1,086	1,209	1,612	1,597	1,402
Stormwater	1,072	1,223	1,187	1,418	1,304	1,318	1,314	2,091	1,989	2,432
Cable television	598	633	645	638	689	692	781	704	-	-
Transit	-	-	-	-	-	6,998	7,795	7,379	7,486	7,263
Total business-type activities expenses	40,946	42,682	42,218	41,643	43,363	49,148	61,159	52,985	52,660	53,792
Total primary government expenses	\$ 101,437	\$ 107,753	\$ 118,649	\$ 117,164	\$ 121,508	\$ 115,204	\$ 128,267	\$ 115,626	\$ 114,263	\$ 121,209
Program Revenues										
Governmental activities:										
Charges for services										
Public safety	\$ 3,019	\$ 2,968	\$ 2,980	\$ 3,279	\$ 3,401	\$ 4,098	\$ 3,626	\$ 3,926	\$ 4,813	\$ 5,286
Public works	1,047	1,392	1,061	1,117	1,112	52	61	388	628	724
Culture and recreation	680	715	773	872	825	775	808	801	823	842
Community and economic development	-	-	-	-	-	-	45	50	1,044	36
General government	1,633	1,626	2,574	2,931	2,817	2,763	3,030	2,975	1,252	1,524
Operating grants and contributions	3,611	8,185	15,554	13,517	8,682	4,731	3,231	8,701	9,941	10,828
Capital grants and contributions	1,747	3,773	8,291	6,048	6,078	6,876	5,580	11,556	3,999	9,952
Total governmental activities program revenues	11,737	18,659	31,233	27,764	22,915	19,295	16,381	28,397	22,500	29,192
Business-type activities:										
Charges for services:										
Wastewater	12,318	12,557	12,637	12,836	12,670	12,832	12,559	12,189	12,266	12,277
Water	8,195	8,107	7,957	8,054	8,419	8,583	8,443	8,527	9,134	9,275
Sanitation	7,853	8,286	8,096	8,259	8,115	8,181	8,467	9,015	9,215	9,927
Housing authority	149	181	180	208	207	205	213	237	300	321
Parking	4,673	5,438	5,377	5,234	4,743	5,043	5,294	5,502	5,438	5,453
Airport	258	248	289	293	306	314	328	349	333	345
Stormwater	616	622	617	641	811	974	1,093	1,147	1,168	1,544
Cable Television	814	788	790	809	824	816	773	750	-	-
Transit ¹	-	-	-	-	-	2,117	2,185	2,289	2,099	2,089

(continued)

CITY OF IOWA CITY, IOWA

CHANGES IN NET POSITION (continued)

Last Ten Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	2008	2009	2010	2011	2012	2013 ¹	2014	2015	2016 ²	2017
Capital grants and contributions: Wastewater	577	266	2,115	2,394	3,223	30,181	7,105	1,370	3,415	2,226
Capital grants and contributions: Water	314	132	572	973	977	494	539	581	254	869
Capital grants and contributions: Sanitation	-	-	6	-	2	-	-	-	-	-
Capital grants and contributions: Airport	1,580	3,239	3,311	358	1,576	2,452	5,214	137	260	58
Capital grants and contributions: Stormwater	302	68	541	140	436	226	711	792	370	1,251
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	395
Operating grants and contributions: Housing authority	6,281	6,668	7,765	7,438	6,782	6,968	6,721	7,628	8,318	8,532
Operating grants and contributions: Water	-	15	6	-	-	442	6	2	-	-
Operating grants and contributions: Airport	-	2	-	-	-	11	56	232	128	69
Operating grants and contributions: Sanitation	-	607	6	10	-	23	27	25	3	-
Operating grants and contributions: Wastewater	-	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	2,235
Total business-type activities program revenues	<u>43,955</u>	<u>47,225</u>	<u>50,290</u>	<u>47,927</u>	<u>49,095</u>	<u>82,540</u>	<u>62,170</u>	<u>53,154</u>	<u>55,199</u>	<u>56,866</u>
Total primary government revenues	<u>\$ 55,692</u>	<u>\$ 65,884</u>	<u>\$ 81,523</u>	<u>\$ 75,691</u>	<u>\$ 72,010</u>	<u>\$ 101,835</u>	<u>\$ 78,551</u>	<u>\$ 81,551</u>	<u>\$ 77,699</u>	<u>\$ 86,058</u>
Net (Expense) / Revenues										
Governmental activities	\$ (48,754)	\$ (46,412)	\$ (45,198)	\$ (47,757)	\$ (55,230)	\$ (46,761)	\$ (50,727)	\$ (34,244)	\$ (39,103)	\$ (38,225)
Business-type activities	3,009	4,543	8,072	6,284	5,732	33,392	1,011	169	2,539	3,074
Total primary government net expense	<u>\$ (45,745)</u>	<u>\$ (41,869)</u>	<u>\$ (37,126)</u>	<u>\$ (41,473)</u>	<u>\$ (49,498)</u>	<u>\$ (13,369)</u>	<u>\$ (49,716)</u>	<u>\$ (34,075)</u>	<u>\$ (36,564)</u>	<u>\$ (35,151)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
General revenues:										
Property taxes	\$ 43,400	\$ 47,085	\$ 49,467	\$ 48,011	\$ 50,516	\$ 51,017	\$ 50,551	\$ 52,205	\$ 53,114	\$ 57,649
Road use tax ³	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	1,435	1,489	1,535	2,464	2,491	2,609	2,778	2,810	2,717	2,802
Grants and contributions not restricted to specific purposes	-	-	-	-	-	-	-	1,048	2,080	1,583
Earnings on investments	3,932	3,057	1,766	1,539	1,823	841	973	1,188	1,045	1,397
Miscellaneous	3,516	4,894	3,893	6,230	4,228	4,390	4,353	5,518	4,464	3,369
Gain on sale of assets	(7)	-	-	761	2,950	1,312	1,651	135	218	2,151
Transfers	488	205	(625)	(4,020)	(3,867)	(10,485)	(6,192)	(10,057)	(6,395)	(7,053)
Reassignments	-	-	-	-	-	-	-	-	82	-
Total governmental activities	<u>58,196</u>	<u>61,984</u>	<u>69,702</u>	<u>69,964</u>	<u>73,179</u>	<u>65,131</u>	<u>61,325</u>	<u>52,847</u>	<u>57,325</u>	<u>61,898</u>
Business-type activities:										
General revenues:										
Earnings on investments	3,279	2,577	1,311	954	813	671	494	707	715	938
Gain on sale of assets	1,260	360	230	314	336	293	725	856	2,463	69
Miscellaneous	454	317	464	381	484	918	265	374	362	1,260
Transfers	(488)	(205)	625	4,020	3,867	10,485	6,192	10,057	6,395	7,053
Reassignments	-	-	-	-	-	-	-	-	(82)	-
Special items	-	-	-	-	-	-	-	(574)	-	-
Extraordinary items	-	-	-	-	(5,000)	-	-	-	-	-
Total business-type activities	<u>4,505</u>	<u>3,049</u>	<u>2,630</u>	<u>5,669</u>	<u>500</u>	<u>12,367</u>	<u>7,676</u>	<u>11,420</u>	<u>9,853</u>	<u>9,320</u>
Total primary government	<u>\$ 62,701</u>	<u>\$ 65,033</u>	<u>\$ 72,332</u>	<u>\$ 75,633</u>	<u>\$ 73,679</u>	<u>\$ 77,498</u>	<u>\$ 69,001</u>	<u>\$ 64,267</u>	<u>\$ 67,178</u>	<u>\$ 71,218</u>
Change in Net Position										
Governmental activities	\$ 9,442	\$ 15,572	\$ 24,504	\$ 22,207	\$ 17,949	\$ 18,370	\$ 10,598	\$ 18,603	\$ 18,222	\$ 23,673
Business-type activities	7,514	7,592	10,702	11,953	6,232	45,759	8,687	11,589	12,392	12,394
Total primary government	<u>\$ 16,956</u>	<u>\$ 23,164</u>	<u>\$ 35,206</u>	<u>\$ 34,160</u>	<u>\$ 24,181</u>	<u>\$ 64,129</u>	<u>\$ 19,285</u>	<u>\$ 30,192</u>	<u>\$ 30,614</u>	<u>\$ 36,067</u>

¹ 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.

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

³ 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)

	2008	2009	2010	2011 ¹	2012	2013 ²	2014	2015	2016 ³	2017
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 331	\$ 314	\$ 69	\$ 69	\$ 69	\$ 69	\$ 788
Restricted	-	-	-	16,268	23,779	25,689	26,533	25,291	18,975	9,974
Committed	-	-	-	-	-	-	-	-	4,699	5,199
Assigned	-	-	-	3,542	5,191	1,744	3,400	-	1,143	1,342
Reserved	446	555	406	-	-	-	-	4,483	-	-
Unassigned	-	-	-	15,931	14,273	17,113	17,907	19,286	23,366	24,793
Unreserved	14,488	15,362	26,101	-	-	-	-	-	-	-
Total general fund	<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>	<u>\$ 42,096</u>
All other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 344
Restricted	-	-	-	34,889	34,853	28,108	31,285	27,897	38,266	63,941
Reserved	3,107	5,339	3,903	-	-	-	-	-	-	-
Designated for long-term debt	8,691	11,759	13,952	-	-	-	-	-	-	-
Unassigned	-	-	-	(1,741)	(366)	(5,844)	(9)	-	-	-
Unreserved, reported in:										
Special revenue funds	2,571	(1,852)	(1,674)	-	-	-	-	-	-	-
Capital projects funds	11,118	10,960	8,043	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 64,285</u>

¹ 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.

² 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.

³ 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)

	2008	2009	2010	2011	2012	2013 ¹	2014	2015	2016 ²	2017
Revenues:										
Property taxes and assessments	\$ 44,835	\$ 48,572	\$ 59,143	\$ 59,387	\$ 61,649	\$ 62,483	\$ 53,797	\$ 55,014	\$ 55,831	\$ 60,452
Licenses and permits	1,270	1,284	1,211	1,412	1,307	1,784	1,660	1,806	3,056	3,521
Intergovernmental	12,764	19,521	31,404	29,870	21,952	19,941	17,636	21,086	20,230	24,140
Charges for services	2,228	2,498	2,433	2,515	2,614	1,800	1,819	2,204	3,357	2,355
Fines and forfeits	-	-	-	-	-	-	-	-	760	750
Use of money and property	3,206	2,645	1,599	1,479	1,768	782	909	1,080	946	1,235
Miscellaneous	3,977	5,302	4,784	7,749	5,750	6,325	6,040	7,045	2,913	2,101
Total governmental activities revenues	<u>\$ 68,280</u>	<u>\$ 79,822</u>	<u>\$ 100,574</u>	<u>\$ 102,412</u>	<u>\$ 95,040</u>	<u>\$ 93,115</u>	<u>\$ 81,861</u>	<u>\$ 88,235</u>	<u>\$ 87,093</u>	<u>\$ 94,554</u>
Expenditures										
Current										
Public safety	\$ 18,705	\$ 18,752	\$ 19,108	\$ 18,717	\$ 20,091	\$ 20,648	\$ 21,370	\$ 21,996	\$ 21,701	\$ 22,513
Public works	12,108	12,405	13,311	14,766	15,462	8,503	8,432	12,071	9,466	9,186
Culture and recreation	10,703	10,849	11,266	12,498	13,075	13,000	13,087	11,821	12,257	13,341
Community and economic development	4,437	8,037	10,520	8,878	8,037	8,219	8,196	5,711	5,346	7,695
General government	7,207	7,300	7,191	7,695	7,553	7,286	7,184	7,608	6,007	5,882
Debt service										
Principal	7,323	8,418	9,354	10,386	13,294	16,465	13,560	12,564	13,230	13,305
Interest	3,556	3,364	3,064	2,889	2,543	2,339	1,903	1,669	1,475	1,597
Capital projects	11,811	17,096	17,690	21,873	16,006	17,861	14,528	14,762	14,848	18,405
Total expenditures	<u>\$ 75,850</u>	<u>\$ 86,221</u>	<u>\$ 91,504</u>	<u>\$ 97,702</u>	<u>\$ 96,061</u>	<u>\$ 94,321</u>	<u>\$ 88,260</u>	<u>\$ 88,202</u>	<u>\$ 84,330</u>	<u>\$ 91,924</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (7,570)</u>	<u>\$ (6,399)</u>	<u>\$ 9,070</u>	<u>\$ 4,710</u>	<u>\$ (1,021)</u>	<u>\$ (1,206)</u>	<u>\$ (6,399)</u>	<u>\$ 33</u>	<u>\$ 2,763</u>	<u>\$ 2,630</u>
Other financing sources (uses):										
Issuance of long-term debt	\$ 9,150	\$ 30,035	\$ -	\$ 16,165	\$ 9,690	\$ 2,655	\$ 19,730	\$ 7,785	\$ 9,405	\$ 22,570
Issuance of refunding debt	-	-	-	10,930	-	-	-	-	-	-
Sale of capital assets	111	554	222	845	3,619	1,369	1,684	165	252	2,292
Insurance Recoveries	-	-	20	594	53	-	-	-	-	-
Premium (discount) on issuance of bonds	16	552	-	394	165	(42)	385	199	441	120
Payment of refunded bonds	-	(23,140)	-	(11,085)	-	-	-	-	-	-
Transfers in	25,413	16,486	16,742	18,658	19,499	25,198	13,040	13,089	25,133	34,675
Transfers out	(23,328)	(16,386)	(17,446)	(22,722)	(23,181)	(35,493)	(16,134)	(23,430)	(28,502)	(47,033)
Total other financing sources (uses)	<u>\$ 11,362</u>	<u>\$ 8,101</u>	<u>\$ (462)</u>	<u>\$ 13,779</u>	<u>\$ 9,845</u>	<u>\$ (6,313)</u>	<u>\$ 18,705</u>	<u>\$ (2,192)</u>	<u>\$ 6,729</u>	<u>\$ 12,624</u>
Net change in fund balances	<u>\$ 3,792</u>	<u>\$ 1,702</u>	<u>\$ 8,608</u>	<u>\$ 18,489</u>	<u>\$ 8,824</u>	<u>\$ (7,519)</u>	<u>\$ 12,306</u>	<u>\$ (2,159)</u>	<u>\$ 9,492</u>	<u>\$ 15,254</u>
Debt service as a percentage of noncapital expenditures	16.6%	17.0%	15.3%	16.2%	18.6%	24.0%	20.7%	19.8%	21.2%	19.9%

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CITY OF IOWA CITY, IOWA

GENERAL GOVERNMENT TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(Modified accrual basis of accounting)

(amounts expressed in thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Road Use Tax</u>	<u>Hotel/Motel Tax</u>	<u>Local Option Sales Tax¹</u>	<u>Utility Franchise Fee²</u>	<u>Total</u>
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
2017	58,375	8,672	1,137	-	939	69,123

¹ 1% Local Option Sales Tax went into effect 7/1/09 and was effective through 6/30/13.

² 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)

Collection Year Ended <u>June 30</u>		<u>Residential</u>	<u>Agricultural</u> <u>(Taxed at Ag Rate)</u>	<u>Commercial, Industrial</u> <u>& Utilities (excluding</u> <u>Gas & Electric)</u>	<u>Military</u> <u>Exemptions</u>	<u>Net</u> <u>Valuation</u>	<u>Incremental Value</u> <u>(Debt Service</u> <u>Levy Only)</u>	<u>Gas &</u> <u>Electric Utilities</u> <u>(excise tax)</u>	<u>Total</u> <u>Value</u>	<u>Residential</u> <u>Rollback</u> <u>Percentage</u>	<u>Taxable Value</u> <u>as a Percentage</u> <u>of Assessed Value</u>	<u>Total</u> <u>Direct</u> <u>Rate</u>
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
2017	Assessed	3,882,757	3,721	1,300,840	2,728	\$ 5,184,590	72,651	92,987	\$ 5,350,228			
	Taxable	2,155,033	1,707	1,149,736	2,728	\$ 3,303,748	72,651	44,987	\$ 3,421,386	55.626	63.948	16.583

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)

Collection Year	City of Iowa City			Overlapping Rates				Total
	Operating	Debt Service	Total City	Johnson	Iowa City	Kirkwood	State of	Direct &
	Millage	Millage	Millage	County ¹	School District	Community College	Iowa	Overlapping Rates
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
2017	13.005	3.578	16.583	7.093	13.989	1.080	0.003	38.748

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

Note:

¹Includes 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)

<u>Collection Year</u>	<u>Total Tax Levied</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections¹</u>	<u>Total Tax Collections</u>	<u>Total as a Percent of Levy</u>
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	52,034	52,074	100.1	0	52,074	100.1
2017	55,330	55,331	100.0	0	55,331	100.0

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.

¹ 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.</u> ¹	<u>Type of Business</u>	<u>2008</u>			<u>2017</u>		
		<u>Taxable</u>		<u>% of Total</u>	<u>Taxable</u>		<u>% of Total</u>
		<u>Valuation</u>	<u>Rank</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Rank</u>	<u>Valuation</u>
ACT Inc (Am College Testing Prgrm)	Educational Testing Service	\$ 34,535	2	1.42 %	\$ 47,791	1	1.40 %
Mid-American Energy Company	Public Gas and Electric Utility	44,496	1	1.83	31,555	2	0.92
Ann Gerdin Trust (formerly Russell Gerdin)	Warehousing	-	-	N/A	22,836	3	0.67
Midwestone Bank	Finanacial	-	-	N/A	21,066	4	0.62
Dealer Properties IC LLC (Billion Auto)	Car Dealerships	-	-	N/A	18,889	5	0.55
Proctor & Gamble LLC	Manufacturing Company	11,985	10	0.49	16,459	6	0.48
BBCS Hawkeye Housing LLC	Real Estate Mangment	-	-	N/A	15,328	7	0.45
Vesper Iowa City LLC	Real Estate Developer	-	-	N/A	14,358	8	0.42
Alpha Inc.	Industrial	-	-	N/A	13,949	9	0.41
National Computer Systems (Pearson)	Information Services	16,227	5	0.67	12,815	10	0.37
Jame A and Lorretta Clark	Apartments	28,506	3	1.17	-	-	N/A
Kobrin Deve Co Inc (Southgate Dev Co)	Real Estate Developer	19,267	4	0.79	-	-	N/A
Plaza Towers LLC	Condo/Hotel/Commercial space	15,300	6	0.63	-	-	N/A
MEHSM LC (Sycamore Mall)	Shopping Mall	15,011	7	0.62	-	-	N/A
Russell Gerdin	Trucking Company	14,611	8	0.60	-	-	N/A
United Natural Foods	Wholesale Distribution Company	13,059	9	0.54	-	-	N/A
Total		<u>\$ 212,997</u>		<u>8.76 %</u>	<u>\$ 215,046</u>		<u>6.29 %</u>

Sources:

¹City of Iowa City Assessor's Office - 2016 Annual Report



CITY OF IOWA CITY, IOWA

PRINCIPAL WATER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	<u>2008</u>			<u>2017</u>		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
Proctor & Gamble	\$ 630,949	1	7.91 %	\$ 768,168	1	8.39 %
Veterans Administration Medical Center	98,229	2	1.23	115,589	2	1.26
Mark IV Apts	-	-	N/A	69,603	3	0.76
Campus Apartments	65,318	5	0.82	65,672	4	0.72
Mercy Hospital	72,710	3	0.91	65,422	5	0.71
University of Iowa (Mayflower Apartments)	42,709	8	0.54	43,148	6	0.47
Oaknoll Retirement Residence	-	-	N/A	39,154	7	0.43
Seville Apts	-	-	N/A	37,563	8	0.41
Iowa City School District	-	-	N/A	35,999	9	0.39
RBD Iowa City LLC DBA Sheraton	-	-	N/A	33,165	10	0.36
Dolphin Lake Point (Rus Properties Mngmt)	67,054	4	0.84	-	-	N/A
Robert's Dairy	63,503	6	0.80	-	-	N/A
ACT	50,923	7	0.64	-	-	N/A
Lear Corp	38,531	9	0.48	-	-	N/A
Sheraton Inn/Holiday Inn	34,970	10	0.44	-	-	N/A
	<u>\$ 1,164,896</u>		<u>14.61 %</u>	<u>\$ 1,273,483</u>		<u>13.90 %</u>
Total Water System Charges	\$ 7,976,536			\$ 9,156,005		

Sources:

City of Iowa City Revenue Division

CITY OF IOWA CITY, IOWA

SALES HISTORY AND TOTAL WATER CHARGES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Sales Cubic Feet Sold</u>	<u>Water System Charges</u>
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 ¹	240,423,612	8,161,522
2016	255,524,943	8,758,683
2017	267,511,531	9,156,005

Sources:

City of Iowa City Revenue Department

Notes:

¹Beginning in March 2015, Water Sales by Cubic Feet Sold also includes unbilled usage.

CITY OF IOWA CITY, IOWA

PRINCIPAL SEWER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	<u>2008</u>			<u>2017</u>		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	\$ 2,017,440	1	16.51 %	\$ 1,860,993	1	15.00 %
Proctor & Gamble	1,131,315	2	9.26	1,086,165	2	8.76
Iowa City Landfill	106,445	7	0.87	159,650	3	1.29
Veterans Administration Medical Center	110,306	5	0.90	135,049	4	1.09
Mercy Hospital	118,333	4	0.97	104,653	5	0.84
Mark IV Apts	66,229	10	0.54	91,500	6	0.74
Campus Apartments	85,198	8	0.70	76,669	7	0.62
University of Iowa Mayflower	71,611	9	0.59	68,568	8	0.55
Oaknoll Retirement Residence	-	-	N/A	55,788	9	0.45
RBD Iowa City LLC DBA Sheraton	-	-	N/A	53,955	10	0.43
Dolphin Lake Point (Rus Properties Mngmt)	110,129	6	0.90	-	-	N/A
Robert's Dairy	160,445	3	1.31	-	-	N/A
	<u>\$ 3,977,451</u>		<u>32.55 %</u>	<u>\$ 3,692,990</u>		<u>29.77 %</u>
Total Sewer System Charges	\$ 12,221,769			\$ 12,404,360		

Sources:

City of Iowa City Revenue Department

CITY OF IOWA CITY, IOWA
SALES HISTORY AND TOTAL SEWER CHARGES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sewer Sales Cubic Feet Sold</u>	<u>Sewer System Charges</u>
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 ¹	266,830,947	12,278,153
2016	270,547,701	12,022,203
2017	277,712,785	12,404,360

Sources:

City of Iowa City Revenue Department

Notes:

¹Beginning in March 2015, Sewer Sales by Cubic Feet Sold also includes unbilled usage.

CITY OF IOWA CITY, IOWA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income ²	Per Capita ²
	General Obligation Bonds ¹	Revenue Bonds ¹	Capital Loan Note	General Obligation Bonds ¹	Revenue Bonds ¹			
2008	82,268,532	-	211,000	4,885,710	94,549,386	181,914,628	3.04	2,682
2009	81,222,533	-	211,000	4,317,787	87,875,855	173,627,175	2.92	2,513
2010	71,791,737	-	211,000	3,731,167	79,281,888	155,015,792	2.57	2,284
2011	77,743,957	-	211,000	3,130,849	75,857,306	156,943,112	2.38	2,276
2012	74,225,654	-	211,000	1,483,473	69,059,307	144,979,434	2.08	2,103
2013	57,688,803	2,614,644	211,000	1,182,315	62,764,738	124,461,500	1.72	1,775
2014	64,132,510	2,616,768	211,000	886,157	57,568,517	125,414,952	1.65	1,752
2015	59,421,203	2,618,892	211,000	590,000	45,566,903	108,407,998	1.43	1,477
2016	55,998,392	2,491,016	211,000	295,000	39,951,661	98,947,069	1.26	1,333
2017	52,571,254	15,168,140	211,000	-	34,670,297	102,620,691	1.25	1,379

Notes:

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

¹ Bonds reported net of related premiums and discounts.

² Population and personal income information can be found on page 144.

CITY OF IOWA CITY, IOWA

**RATIOS OF GENERAL OBLIGATION BONDED DEBT¹
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita)

<u>Fiscal Year</u>	<u>Property Assessed Value²</u>	<u>Debt Payable from Governmental</u>	<u>Debt Payable from Proprietary</u>	<u>Gross Bonded Debt</u>	<u>Debt Service Fund Balance</u>	<u>Net General Obligation Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita³</u>
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	721
2016	4,950,559	55,998	295	56,293	6,573	49,720	10.04 : 1000	670
2017	5,350,228	52,571	-	52,571	7,756	44,815	8.38 : 1000	602

Notes:

¹ General Obligation bonds, net of related premiums and discounts.

² City of Iowa City Budget Book.

³ Population data can be found on page 144.

CITY OF IOWA CITY, IOWA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES¹**

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended <u>June 30</u>	<u>Principal</u>²	<u>Interest</u>²	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures and Transfers</u>	<u>Ratio of Debt Service to General Expenditures</u>
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
2017	13,305	1,597	14,902	138,957	.11 : 1.00

Notes:

¹ General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

² Beginning in FY13, Taxable Urban Renewal Revenue Bonds are also included.

CITY OF IOWA CITY, IOWA

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2017

(amounts expressed in thousands, except per capita)

Name of Governmental Unit	Total General Long-Term Direct Debt Outstanding	Percent Applicable to the City of Iowa City	Amount Applicable to the City of Iowa City	Debt/Actual Market Value ²	Per Capita³
City of Iowa City	\$ 67,950	100.00 %	\$ 67,950	1.27 %	\$ 913.3310
Iowa City Community School District ¹	3,205	57.23	1,834	0.03	24.6512
Johnson County ¹	10,970	42.54	4,667	0.09	62.7302
Clear Creek- Amana Community School District ¹	58,795	0.04	26	0.00	0.3495
Kirkwood Comm. College ¹	79,468	14.17	11,261	0.21	151.3616
Total Overlapping Debt	152,438		17,788		239.0925
Total Direct & Overlapping Debt	\$ 220,388		\$ 85,738		1,152.4235
Per capita assessed value					\$ 71,914

¹ Long term debt outstanding includes only GO debt.

² City Property Assessed Value of 5,350,228 came from the Iowa Department of Management

³ Population for FY17 of 74,398 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Fiscal Year 2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt Limit	\$ 196,418	\$ 213,181	\$ 218,808	\$ 222,493	\$ 226,007	\$ 230,776	\$ 233,416	\$ 241,332	\$ 247,528	\$ 267,511
Total net debt applicable to limit	87,090	84,995	75,050	80,575	75,320	61,205	67,075	77,506	71,963	84,864
Legal debt margin	<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>	<u>\$ 182,647</u>
Total net debt applicable to the limit as a percentage of debt limit	44.34%	39.87%	34.30%	36.21%	33.33%	26.52%	28.74%	32.12%	29.07%	31.72%

Legal Debt Margin Calculation for Fiscal Year 2017

Total Assessed Valuation	\$ 5,350,228
Debt Limit - 5% of Total Assessed Valuation	267,511
Less: Amount of Debt Applicable to Debt Limit	<u>84,864</u>
Legal Debt Margin	<u>\$ 182,647</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

Fiscal Year	Payments			Funding Source(s)			Principal Outstanding at Beginning of Fiscal Year
	Principal	Interest	Total	Property Tax Revenue	Tax Increment Financing	Water Revenue	
2017	13,470,000	1,255,554	14,725,554	13,826,542	598,112	300,900	55,350,000
2018	7,960,000	1,197,996	9,157,996	8,397,916	760,080	-	51,645,000
2019	8,125,000	1,031,994	9,156,994	8,398,894	758,100	-	43,685,000
2020	8,330,000	835,606	9,165,606	8,409,476	756,130	-	35,560,000
2021	7,090,000	613,841	7,703,841	6,947,453	756,388	-	27,230,000
2022	5,540,000	438,663	5,978,663	5,278,182	700,481	-	20,140,000
2023	4,645,000	325,063	4,970,063	4,271,748	698,315	-	14,600,000
2024	3,865,000	217,512	4,082,512	3,537,650	544,862	-	9,955,000
2025	2,915,000	135,063	3,050,063	2,813,353	236,710	-	6,090,000
2026	2,090,000	74,200	2,164,200	2,001,416	162,784	-	3,175,000
2027	1,085,000	27,125	1,112,125	948,808	163,317	-	1,085,000
Total	\$ 65,115,000	\$ 6,152,617	\$ 71,267,617	\$ 64,831,438	\$ 6,135,279	\$ 300,900	

CITY OF IOWA CITY, IOWA
SCHEDULE OF REVENUE BOND COVERAGE

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	Revenue	Expenses¹	Net Revenue Available for Debt Service	Annual Debt Service²			Ratio of Coverage
				Principal	Interest	Total	
Parking Revenue³							
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 ⁶	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 ⁷	5,620	3,828	1,792	540	254	794	2.26
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
Wastewater Treatment Revenue⁴							
2008 ⁶	13,332	4,581	8,751	4,105	3,071	7,176	1.22
2009 ⁶	13,462	5,202	8,260	4,260	2,813	7,073	1.17
2010 ⁶	13,174	5,050	8,124	4,205	2,307	6,512	1.25
2011 ⁶	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
2017	13,383	6,357	7,026	3,625	985	4,610	1.52
Water Revenue⁵							
2008 ⁶	9,258	5,348	3,910	955	1,229	2,184	1.79
2009 ⁶	8,833	5,726	3,107	995	1,171	2,166	1.43
2010 ⁶	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 ⁶	8,649	5,653	2,996	1,200	861	2,061	1.45
2013 ⁶	9,342	6,348	2,994	845	758	1,603	1.87
2014 ⁶	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
2017	9,529	6,332	3,197	1,760	524	2,284	1.40

Notes:

¹ Excludes depreciation and interest.

² Includes principal and interest of revenue bonds only.

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

⁴ 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.

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

⁶ Refunded Revenue Bonds paid are excluded from the principal of Annual Debt Service.

⁷ 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

Fiscal Year	Payments			Funding Source(s)			Principal Outstanding at Beginning of Fiscal Year
	Principal	Interest	Total	Sewer Revenue	Water Revenue	Tax Increment Financing	
2017	16,190,000 ¹	1,577,137	17,767,137	9,855,265	7,707,837	204,035	40,945,000
2018	5,170,000	1,606,970	6,776,970	4,336,332	1,849,143	591,495	48,020,000
2019	5,110,000	1,327,039	6,437,039	4,057,850	1,789,854	589,335	42,850,000
2020	5,525,000	1,137,000	6,662,000	4,267,400	1,802,965	591,635	37,740,000
2021	5,750,000	926,361	6,676,361	4,264,625	1,823,041	588,695	32,215,000
2022	5,460,000	744,165	6,204,165	2,812,500	1,836,190	1,555,475	26,465,000
2023	4,950,000	562,315	5,512,315	2,137,125	1,852,145	1,523,045	21,005,000
2024	2,850,000	436,171	3,286,171	-	1,800,826	1,485,345	16,055,000
2025	2,430,000	373,577	2,803,577	-	1,351,082	1,452,495	13,205,000
2026	1,665,000	320,589	1,985,589	-	561,244	1,424,345	10,775,000
2027	990,000	280,725	1,270,725	-	-	1,270,725	9,110,000
2028	895,000	250,365	1,145,365	-	-	1,145,365	8,120,000
2029	915,000	222,495	1,137,495	-	-	1,137,495	7,225,000
2030	940,000	193,820	1,133,820	-	-	1,133,820	6,310,000
2031	965,000	164,325	1,129,325	-	-	1,129,325	5,370,000
2032	995,000	133,950	1,128,950	-	-	1,128,950	4,405,000
2033	815,000	102,300	917,300	-	-	917,300	3,410,000
2034	840,000	77,850	917,850	-	-	917,850	2,595,000
2035	865,000	52,650	917,650	-	-	917,650	1,755,000
2036	890,000	26,700	916,700	-	-	916,700	890,000
Total	\$ 64,210,000	\$ 10,516,504	\$ 74,726,504	\$ 31,731,097	\$ 22,374,327	\$ 20,621,080	

Notes:

¹ Additional principal payments above the funding sources for 2017 were funded through the refunding of bonds issued June 2017.

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

Sewer

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 8,870,000	\$ 985,265	\$ 9,855,265
2018	3,580,000	756,332	4,336,332
2019	3,465,000	592,850	4,057,850
2020	3,820,000	447,400	4,267,400
2021	3,980,000	284,625	4,264,625
2022	2,660,000	152,500	2,812,500
2023	2,085,000	52,125	2,137,125
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
Total	<u>\$ 28,460,000</u>	<u>\$ 3,271,097</u>	<u>\$ 31,731,097</u>

(continued)

Water

<u>Fiscal Year</u>	<u>Principal</u>	<u>Outstanding Interest</u>	<u>Total</u>
2017	\$ 7,190,000	\$ 517,837	\$ 7,707,837
2018	1,455,000	394,143	1,849,143
2019	1,510,000	279,854	1,789,854
2020	1,565,000	237,965	1,802,965
2021	1,630,000	193,041	1,823,041
2022	1,690,000	146,190	1,836,190
2023	1,755,000	97,145	1,852,145
2024	1,745,000	55,826	1,800,826
2025	1,325,000	26,082	1,351,082
2026	555,000	6,244	561,244
2027	-	-	-
2028	-	-	-
Total	<u>\$ 20,420,000</u>	<u>\$ 1,954,327</u>	<u>\$ 22,374,327</u>

CITY OF IOWA CITY, IOWA
REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE (continued)

Taxable Urban Renewal

Fiscal Year	Principal	Outstanding	
		Interest	Total
2017	\$ 130,000	\$ 74,035	\$ 204,035
2018	135,000	456,495	591,495
2019	135,000	454,335	589,335
2020	140,000	451,635	591,635
2021	140,000	448,695	588,695
2022	1,110,000	445,475	1,555,475
2023	1,110,000	413,045	1,523,045
2024	1,105,000	380,345	1,485,345
2025	1,105,000	347,495	1,452,495
2026	1,110,000	314,345	1,424,345
2027	990,000	280,725	1,270,725
2028	895,000	250,365	1,145,365
2029	915,000	222,495	1,137,495
2030	940,000	193,820	1,133,820
2031	965,000	164,325	1,129,325
2032	995,000	133,950	1,128,950
2033	815,000	102,300	917,300
2034	840,000	77,850	917,850
2035	865,000	52,650	917,650
2036	890,000	26,700	916,700
Total	<u>\$ 15,330,000</u>	<u>\$ 5,291,080</u>	<u>\$ 20,621,080</u>

CITY OF IOWA CITY, IOWA
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population⁶	Personal Income¹	Per Capita Personal Income¹	Average Increase	School Enrollment²	Unemployment Rate³	Retail Sales⁴
2008	67,831	5,981,912	40,201	3.47	12,911	3.1	958,509,729
2009	69,086	5,943,049	39,214	-2.46	13,049	4.3	905,139,461
2010	67,862	6,039,549	39,477	0.67	13,319	5.0	725,329,723
2011	68,947	6,606,394	42,471	7.58	13,638	4.8	741,407,021
2012	68,947	6,956,611	43,809	3.15	13,862	4.1	767,122,555
2013	70,133	7,217,188	44,608	1.82	14,057	3.8	793,201,342
2014	71,591	7,594,813	46,204	3.58	14,162	3.5	649,794,164
2015	73,415	7,846,426	47,036	1.80	14,495	2.9	838,853,686
2016	74,220	8,031,750	47,574	1.14	15,186	3.2	853,258,347
2017 ⁵	74,398	8,217,043	48,672	2.31	15,299	3	874,928,988

Sources and Notes:

¹ 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.

² Iowa City Community School District and local private schools

³ Iowa Workforce Development Center

⁴ Iowa Retail Sales & Use Report, Iowa Department of Revenue and Finance. Fiscal year ending June 30.

⁵ Personal Income and Per Capita Personal Income for 2017 are not available. Amounts projected based on average increase over previous 9 years.

⁶ US Census Bureau

CITY OF IOWA CITY, IOWA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

<u>Employers</u>	<u>2008</u>			<u>2017</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	28,236	1	31.3 %	30,110	1	29.1 %
Veterans Administration Medical Center	1,351	5	1.5	2,300	2	2.2
Iowa City Community School District	1,700	2	1.9	1,844	3	1.8
Mercy Hospital	1,383	4	1.5	1,347	4	1.3
ACT Inc. (formerly American College Testing Program)	1,646	3	1.8	1,244	5	1.2
Hy-Vee	1,166	6	1.3	1,222	6	1.2
NCS Pearson	982	7	1.1	1,150	7	1.1
Proctor & Gamble	664	10	0.7	1,130	8	1.1
City of Iowa City	-	-	N/A	942	9	0.9
Johnson County	-	-	N/A	544	10	0.5
Systems Unlimited	681	9	0.8	-	-	N/A
International Automotive Components (formerly Lear Corp)	750	8	0.8	-	-	N/A
	<u>38,559</u>		<u>42.8 %</u>	<u>41,833</u>		<u>40.5 %</u>
Total Employees	90,300			103,400		

Sources:

Iowa City Area Development Group
Various Employers

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

	2008	2009	2010	2011	2012	2013	2014
Public Safety							
Police	96.25	103.25	103.25	98	97	103	105
Animal Shelter ^d	6	6	6	6	6	-	-
Fire	57	57	57	66	65	65	65
Inspection Services	15.38	15.55	15.55	15.55	15.55	15.55	13.55
Public Works							
Public Works Admin	2	2	2	2	2	2	2
Engineering ^e	11.35	11.35	11.35	12.1	12.1	12.1	12.1
Flood Recovery	-	-	-	0.4	0.4	0.4	0.38
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	43.14	43.14	43.14	43.14	43.64	43.63	45.13
Senior Center	6.31	6.31	6.31	6.31	6.5	6.5	6.5
Community and Economic Development	8.95	9.05	9.05	9.1	9.1	8.4	8.95
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	5.6	5.6	5.6	5.6
City Manager ²	3	3	3	3	3	5	6
Personnel	4	4	4	4	4	4	3
Human Rights	2.5	2.5	2.5	2.5	2.5	2	2
Finance	26.5	26.3	26.3	26.24	27.53	23.47	23.97
Government Buildings	4.96	4.96	4.96	4.96	4.83	4.83	4.83
Energy Conservation	0.25	0.25	0.25	-	-	-	-
Transit ^l	54.75	58.5	58.5	56.25	56.25	-	-
Special Revenue							
Employee Benefits	0.29	0.29	0.29	0.26	0.55	0.55	0.55
CIP / Roads	1	2	2	-	-	-	-
Flood Mitigation Grants	-	-	-	1.6	1.6	-	-
Community Development	3.98	3.88	3.88	3.83	3.83	3.33	2.98
UniverCity Program	-	-	-	-	-	0.2	-
Traffic Engineering	4.15	4.15	4.15	4.15	4.15	4.15	4.15
Streets	23.5	25.5	25.5	25.5	25.5	25.5	25.5
MPOJC (formerly JCCOG)	6.6	6.6	6.6	6.6	6.6	5.6	5.6
Other Shared Revenues	-	-	-	-	-	1.6	1.62
Library Development	1	1	1	1	1	1	-
Capital Projects Administration ^l	-	-	-	3	5	6	6
Internal Service Funds							
Information Technology	12.3	12.3	12.3	11.3	11.8	10.86	9.86
Equipment	11.26	11.26	11.26	11.26	11.26	10.75	10.75
Central Services	0.75	0.75	0.75	0.75	0.75	0.76	0.5
Risk Management	1.73	1.93	1.93	2.01	1.8	1.8	1.8
Business-Type Activities							
Parking	32.75	33.25	33.25	32.75	32.75	29.25	26.25
Mass Transit ^l	-	-	-	-	-	51.75	51.25
Wastewater Treatment	25.5	25.6	25.6	25.6	25.4	25.4	24.4
Water	32.75	32.75	32.75	32.75	32.75	32.75	31.75
Sanitation	34.85	34.85	35.85	35.85	37.85	37.85	35.85
Airport	1.6	1.75	1.75	1.75	1.75	1	1
Cable Television ^l	6.19	6.44	6.44	6.69	6.63	6.63	6.63
Stormwater	2	1.9	1.9	1.9	2.1	2.1	2.1
Housing Authority	13.25	13.25	13.25	13.25	13.25	13.18	12.19
Total	614.81	629.03	630.03	633.37	637.74	623.91	615.16

Source: City's Financial Plan

2015	2016	2017
105	105	105
-	-	-
64	64	64
13.55	12.85	13.5
2	2	2
12.1	12	16
-	-	-
2	2	2
15.42	14.42	15.42
13	13	16
3	3	3
3	3	3
3	3	-
45.13	44.77	46.17
6.5	6.5	7
8.95	10.8	12.63
7	7	7
4	4	4
5.6	5.5	5.5
6	10.5	10.5
3	3	3
2	2	2
22.47	23.07	23.13
4.83	5.33	4.33
-	-	-
-	-	-
0.55	0.55	0.55
-	-	-
-	-	-
2.98	2.83	-
-	-	-
4.15	3.9	4.5
25.5	25.25	25.5
5.6	4.7	4.7
-	-	-
-	-	-
5	4	-
9.86	9.86	9.8
10.75	10.75	10.75
0.5	0.5	0.5
1.8	1.8	1.8
26.25	23.13	21.63
51.25	51.13	53.63
24.65	24.65	25.4
32	32	31.75
35.85	33.35	31.5
1	1	1
5.63	-	-
2.6	2.6	2.1
10.19	10.19	9.6
607.66	598.93	599.89

¹ Beginning in FY13, Animal Services is reported under Police

² Beginning in FY13, Communications Division has been moved from Finance to City Manager

³ Beginning in FY13, Transit was moved from the General Fund to an Enterprise Fund

⁴ Beginning in FY16, Cable was moved from an Enterprise Fund to the General Fund

⁵ Beginning in FY17, Capital Project Administration was moved to Engineering

CITY OF IOWA CITY, IOWA

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police ¹										
Physical arrests	6,434	6,486	5,983	6,590	5,911	4,468	6,192	5,595	5,465	4,000
Traffic Violations	5,827	4,460	4,446	3,403	3,761	2,499	3,718	3,356	2,989	2,387
Fire ¹										
Number of calls answered	4,257	4,152	4,472	4,635	5,173	4,713	5,828	6,016	6,974	5,354
Inspections conducted	1,712	1,959	2,145	1,806	1,970	1,431	2,032	1,903	2,459	817
Parking										
Parking Violations	147,673	126,050	118,717	109,553	96,117	88,909	60,680	65,196	57,549	62,930
Wastewater Treatment										
Daily average treatment in million gallons	12.81	12.34	12.86	10.37	8.28	9.84	10.02	9.76	10.48	8.32
Maximum daily capacity of plant in million gallons	41.0	41.0	41.1	41.1	41.1	41.1	41.1	43.3	43.3	43.3
Number of sewer system customers	22,909	23,161	23,344	23,527	23,529	24,059	24,389	24,533	25,085	25,485
Water										
Daily average consumption in million gallons	5.48	5.51	5.48	5.51	5.49	5.54	5.64	5.33	5.32	5.50
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
Customers by Classification										
Residential	23,097	23,391	23,657	23,875	24,086	24,442	24,790	23,089	23,638	24,025
Commercial	1,465	1,494	1,481	1,498	1,489	1,491	1,491	1,409	1,415	1,425
Industrial	14	15	15	15	15	15	15	14	14	14
Other	138	144	153	156	200	204	202	135	131	134
Total Customers	24,714	25,044	25,306	25,544	25,790	26,152	26,498	24,647	25,198	25,598
Sanitation										
Number of Customers	14,574	14,700	14,831	14,926	15,030	15,177	15,331	14,811	15,620	15,917
Tonnage	8,834	8,747	8,869	8,969	8,935	8,956	9,160	9,210	9,476	9,623
Landfill										
Tonnage	132,760	140,810	150,369	147,265	148,953	111,445	115,624	123,692	126,875	137,025

Sources: Various city divisions.

Notes:

¹ Numbers are based on a calendar year and 2017 figures are compiled through 10/15/17.

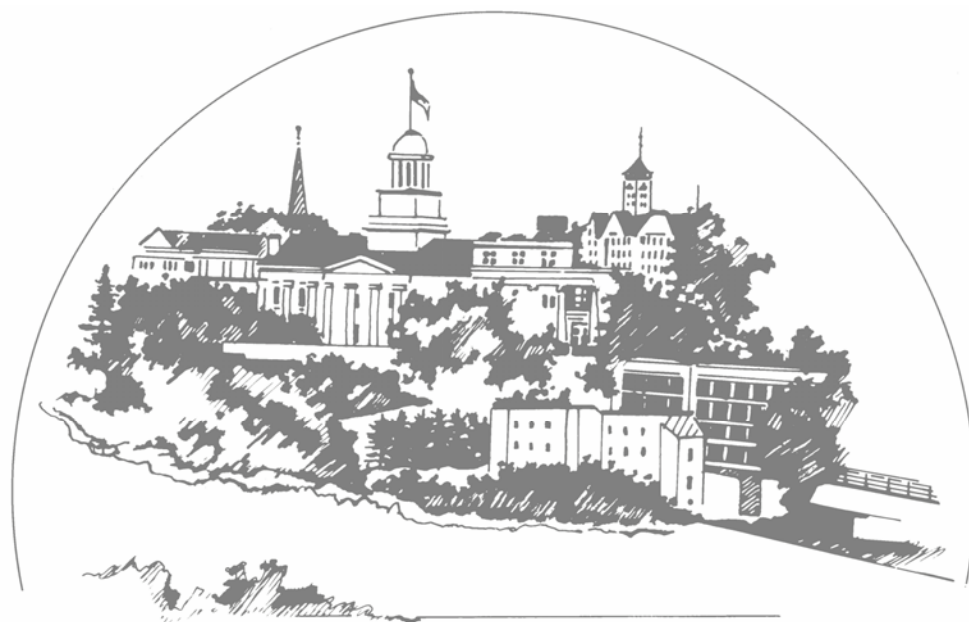
CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	17	18	18	18	18	20	20	20	24
Fire										
Stations	3	3	3	3	4	4	4	4	4	4
Fire apparatus	9	9	9	9	11	11	11	11	10	10
Public Works										
Streets										
Miles	269	270	272	272	275	276	279	281	283	286
Street lights	3,403	3,408	3,410	3,412	3,412	3,412	3,412	3,412	3,412	3,612
Culture and Recreation										
Library	1	1	1	1	1	1	1	1	1	1
Cemetery	1	1	1	1	1	1	1	1	1	1
Acreage	40	40	40	40	40	40	40	40	40	40
Parks	61	61	40	41	41	42	43	46	46	49
Acreage	1,603	1,603	1,335	1,354	1,441	1,506	1,897	1,897	1,902	1,932
Recreation										
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	31	30	30	30	30	27	27	27	27	27
Tennis courts	12	12	12	12	12	12	12	12	12	9
Soccer fields	25	20	20	20	20	20	20	20	20	20
Pickle Ball Courts										8
Futsal Courts										2
Full Basketball Courts										3
Parking										
Facilities	5	5	5	5	5	5	5	5	5	6
Spaces	3,085	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,686
Wastewater Treatment										
Miles of sanitary sewer	288	289	291	292	294	295	298	300	301	304
Miles of storm sewer	118	120	122	124	127	128	131	133	136	139
Number of treatment plants	2	2	2	2	2	2	1	1	1	1
Number of service connectors	22,576	22,875	23,093	23,308	23,529	23,851	24,175	24,533	25,085	25,485
Water										
Miles of water mains	262	263	264	264	266	268	271	273	275	277
Number of city owned fire hydrants	2,575	2,635	2,662	2,680	2,735	3,330	3,385	3,415	3,447	3,503
Sanitation										
Landfills	1	1	1	1	1	1	1	1	1	1
Acreage	395	395	395	395	411	411	411	418	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, 2017, 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 11, 2017.

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, 2017, 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 entity'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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
December 11, 2017



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, 2017. 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 City of Iowa City, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Iowa City, Iowa, complied, in all material respects, with the types of 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, 2017.

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 a 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 11, 2017

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<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 Agriculture:				
Pass-through program from:				
Iowa Department of Agriculture:				
Specialty Crop Block Grant				
Program - Farm Bill	10.170	15SCBGPIA0001	\$ 13,236	\$ 13,236
U.S. Department of Housing and Urban Development:				
Direct program:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/				
Entitlement Grants	14.218		886,190	669,355
Community Development Block Grants/				
Entitlement Grants	14.218		364,183	227,273
Community Development Block Grants/				
Entitlement Grants	14.218		309,144	142,213
Cluster total			<u>1,559,517</u>	<u>1,038,841</u>
Home Investment Partnerships Program	14.239		82,554	12,971
Home Investment Partnerships Program	14.239		62,823	39,521
Home Investment Partnerships Program	14.239		36,300	-
Home Investment Partnerships Program	14.239		10,405	3,000
			<u>192,082</u>	<u>55,492</u>
Public and Indian Housing	14.850		135,284	-
Public and Indian Housing	14.850		125,354	-
			<u>260,638</u>	<u>-</u>
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871		8,154,473	-
Public Housing Capital Fund	14.872		61,572	-
Public Housing Capital Fund	14.872		54,951	-
			<u>116,523</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>10,283,233</u>	<u>1,094,333</u>

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<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 Justice:				
Pass-through program from:				
Iowa Department of Justice:				
Violence Against Women				
Formula Grants	16.588	VW-17-04-CJ	\$ 63,583	\$ -
Direct program:				
Bulletproof Vest Partnership Program	16.607		389	-
Pass-through program from:				
Governor's Office of Drug Control Policy:				
Public Safety Partnership and Community				
Policing Grants	16.710	15-CAMP-03	3,906	3,020
Direct program:				
Edward Byrne Memorial Justice				
Assistance Grant Program	16.738		13,657	13,657
Edward Byrne Memorial Justice				
Assistance Grant Program	16.738		605	-
Pass-through program from:				
Governor's Office of Drug Control Policy:				
Edward Byrne Memorial Justice				
Assistance Grant Program	16.738	14-JAG-158322	94,041	61,041
			108,303	74,698
Total U.S. Department of Justice			176,181	77,718
U.S. Department of Transportation:				
Direct program:				
Airport Improvement Program	20.106		68,382	-
Pass-through program from:				
Highway Planning and Construction Cluster:				
Iowa Department of Transportation:				
Highway Planning and Construction	20.205	HDP-3715(652)		
		--71-52	6,713,789	-
Highway Planning and Construction	20.205	IA-95-X018-371-15	76,114	-
Iowa Department of Transportation and				
Metropolitan Planning Organization				
of Johnson County:				
Highway Planning and				
Construction	20.205	17MPO-MPOJC	147,608	-
Cluster total			6,937,511	-

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<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 Transportation: (continued)				
Pass-through program from: (continued)				
Metropolitan Transportation Planning and State and Non- Metropolitan Planning and Research	20.505	17MPO-MPOJC	\$ 42,392	\$ -
Federal Transit Cluster:				
Direct program:				
Federal Transit – Formula Grants	20.507		1,622,763	-
Pass-through program from:				
Iowa Department of Transportation:				
Bus and Bus Facilities Formula Program	20.526	IA-2016-019-371- 16 #18520	242,614	-
Cluster total			1,865,377	-
Pass-through program from:				
Iowa Department of Transportation:				
Public Transportation for Nonurbanized Areas	20.509	IA-2016-027-371- 16 #18518	76,114	-
Transit Services Program Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	IA-2016-026-371-17 #18404	112,960	-
Highway Safety Cluster:				
Iowa Department of Public Safety:				
Governor's Traffic Safety Bureau:				
National Priority Safety Programs	20.616	PAP 17-405d- M6OT, Task 24	21,451	-
National Priority Safety Programs	20.616	PAP 16-405d- M6OT, Task 21	7,743	-
Cluster total			29,194	-
Total U.S. Department of Transportation			9,131,930	-

City of Iowa City, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

<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 Homeland Security:				
Pass-through program from:				
Iowa Homeland Security and Emergency Management Division:				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4187-IA	<u>\$ 28,513</u>	<u>\$ -</u>
Hazard Mitigation Grant	97.039	DR-4187-0003-01	<u> 467,242</u>	<u> -</u>
Total U.S. Department of Homeland Security			<u> 495,755</u>	<u> -</u>
Total			<u><u>\$ 20,100,335</u></u>	<u><u>\$ 1,185,287</u></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>
CDBG - Entitlement Grants Cluster:	14.218
Community Development Block Grants/ Entitlement Grants	
Highway Planning and Construction Cluster:	20.205
Highway Planning and Construction	
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

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:

- 2017-IA-A Certified Budget** – Disbursements during the year ended June 30, 2017, did not exceed the amount budgeted.
- 2017-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.
- 2017-IA-C Travel Expense** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- 2017-IA-D Business Transactions** – No business transactions between the City and City officials or employees were noted.
- 2017-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.
- 2017-IA-F Council Minutes** – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- 2017-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.
- 2017-IA-H Revenue Bonds** – No instances of non-compliance with the provisions of the City’s revenue bond resolutions were noted.
- 2017-IA-I Annual Urban Renewal Report** – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.