

City of Iowa City



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF IOWA CITY, IOWA

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PREPARED BY:

FINANCE DEPARTMENT
CITY OF IOWA CITY, IOWA



CITY OF IOWA CITY
UNESCO CITY OF LITERATURE

Introductory Section Tab

CITY OF IOWA CITY, IOWA

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December 11, 2019



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, 2019 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.

Bohnsack & Frommelt, 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, 2019. 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 502 full-time and 46 part-time permanent municipal employees and 273 temporary employees, including a police force of 85 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 30,000 employees. The University of Iowa had an enrollment in fall 2019 of 32,535 students, which is a decrease of 413 students from 32,948 students in the fall of 2018. The academic and research missions of the University, along with the health care services provided at its hospitals and clinics, have an extremely positive economic impact on the area.

The City also has a significant number of national and international businesses, including Fortune 500 companies: ACT Inc., NCS Pearson, and Procter & Gamble. In February 2018, Procter and Gamble announced that in approximately two years they would be shifting their beauty care products production from Iowa City to their West Virginia plant. This will eventually reduce the workforce down from approximately 600 to 100 employees. This may also have an impact on nearby businesses that produce bottles and labels for this production plant in Iowa City. Procter and Gamble has added and is expanding an electric toothbrush plant in Iowa City which is expected to employ several hundred employees; it currently has added approximately 100 employees. The estimated investment in this new facility is approximately \$100 million. Overall, the continued economic development efforts with the Iowa City and Coralville Chambers of Commerce, private interests, the University of Iowa, other surrounding communities, and the Iowa City Area Development Group, have 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 2.2% for the month of June 2019, as compared to 2.5% for the State of Iowa, and 3.7% for the national average.

The rate of new housing construction decreased in comparison to the prior year based on the number of building permits issued. This consisted of 114 new single-family houses and duplexes in 2018 as compared to 161 in 2017; multi-family dwelling units added during fiscal year 2018 was 163, compared to 203 in 2017; and mixed commercial/residential developments added 169 dwelling units in 2018 versus 150 residential units in 2017. Altogether these housing additions totaled 446 units valued at \$95,524,761 in 2018 versus a total of 514 units valued at \$101,601,806 in 2017.

In contrast to the decrease in residential construction in 2018, the City had an increase in commercial construction. The value of permits for commercial construction increased by \$15,075,483 to \$20,081,259 from 2017 to 2018; however, the value of remodeling permits for residential and commercial properties decreased by \$35,574,490 to \$72,091,724 from 2017 to 2018. Total permits issued in 2018 for all purposes was 618 permits for \$192,814,810 which was less than the 2017 total permit issuance of 718 permits for \$216,818,013. Although there was a decrease in building permit issuance in 2018 versus 2017, the 2018 building permit issuance was close to an average year for the City.

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 2018 is estimated to be 76,290 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, helps to insulate the City from any significant negative economic impacts of any recessions. 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 Kirkwood Community College, 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
 - Undertake a comprehensive assessment of the current public transit system and implement changes to assure that the service best meets the needs of the entire community
 - Effectively market and grow the local food economy
 - Through cooperation with the Iowa City School District, Iowa Workforce Development, Kirkwood Community College, Iowa Works, and others, increase opportunities for marginalized populations and low-income individuals to obtain access to skills training and good jobs
 - Work with Procter & Gamble and impacted supply chain companies, local economic development organizations, and labor unions to respond effectively to the company's decision to terminate its local production of beauty care products

2. Encourage a Vibrant and Walkable Urban Core
 - Collaborate with the University of Iowa on its redevelopment of University-owned property located in the Riverfront Crossings District, and on improving the quality, accessibility, and use of the Iowa River Corridor
 - Preserve important parts of Iowa City's history by considering the designation of additional buildings as historic landmarks, and by considering the creation of a historic preservation district for part of the downtown after consulting with stakeholders
 - Evaluate existing strategies and consider additional actions to address the need for reinvestment in the city's existing private housing stock

3. Foster Healthy Neighborhoods throughout the City
 - Modify the existing Affordable Housing Action Plan to include new strategies to improve the availability and affordability of housing in Iowa City
 - Embed the "Missing Middle" concept into the City's land development practices by adopting a Form Based Code for at least one (preferably two) of our neighborhoods
 - Ensure the next two budgets contain sufficient funds to make meaningful progress toward achieving the goals of the Bicycle Master Plan and Parks Master Plan
 - Complete an analysis of traffic accident data and identify actions to improve the safety of our roadways for motorists, bicyclists, and pedestrians

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
 - Experiment with innovative ways of engaging with diverse populations in person and on social media
 - Improve collaborative problem-solving with governmental entities in the region on topics of shared interest
 - Improve relationships with the executive branch and legislature by reaching out to legislators and other elected officials and working with City lobbyists

6. Promote Environmental Sustainability
 - Adopt an effective Climate Action and Adaptation Plan and ensure the next two budgets contain sufficient funds to facilitate achieving its goal
 - Support efforts to increase the reach of the Parks and Recreation Foundation

7. Advance Social Justice and Racial Equity
 - Support organizations and efforts that provide services to people experiencing and recovering from trauma and crisis related to mental health and substance abuse
 - Consider a policy to limit city business to vendors that pay all employees a wage of \$10.10 or higher
 - Explore expanded use of a racial equity toolkit within City government, embedding it within city department and Council levels
 - Consider elevating hourly staff wages to \$15/hour or more within two years

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 features 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 park 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 through 3 of the park began in 2017 and are expected to be completed during the fall of 2019. On the north side of the Riverfront Crossing area, the University of Iowa recently constructed the Voxman School of Music. On the adjacent corner, the redevelopment of an empty lot is under construction which will include a 7-story, mixed-use building with 40 apartment units, retail space on the street level, and office space on the second floor. An adjacent building will house a 7-story extended stay hotel. The estimated cost of these developments is approximately \$40 million and are expected to be completed in 2019.

There have also been numerous public and private developments that have recently been completed in this area including a 12-story, \$33 million Hilton Garden Inn, an \$102.5 million mixed-use development with a 14-story tower and a 15-story tower that will include the Hyatt Place hotel, apartments, retail space, and office space, and the \$50-\$60 million redevelopment of a lumber store into a 40,000 square foot brewery, restaurant, and tap room which will be flanked by 300+ dwelling units. The City also completed construction of a \$15.3 million, 600 space parking garage in April 2017 to service growth in this area, which subsequently had 28 new townhomes constructed around it.

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 construction and are expected to be completed in late 2019.

Other buildings in the downtown that are undergoing or have recently completed major redevelopment include the Wilson Building and public space which 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 is currently under construction. Also under construction is the redevelopment of the City Hall parking lot and neighboring church into 126 residential units, parking, and commercial space. The project is estimated to cost \$33.4 million. Both of these projects are expected to be completed in the fall of 2019.

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 in the area recently completed was a \$7.4 million senior housing complex with 40 units which was built on the former site of a dilapidated commercial structure. Also, recently completed was the consolidation and redevelopment of two older gas stations located on the primary intersection in this district into a new gas station/marketplace.

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 and additional multi-residential housing units were also constructed or renovated. 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 began in 2018 and will continue into 2019 and 2020.

Long-term Financial Planning

It is management's intent to support the major City Council initiatives through budget appropriations, departmental operations, and employee development 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 (FY2019 – FY2021) 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 were 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 \$17,111,000 between fiscal year 2015 to fiscal year 2024, and the maximum reimbursement from the State during that time period would be \$16,388,000 for a net loss in revenues of \$723,000. For fiscal years 2015 through 2019, the City received actual State "backfill" payments for the commercial and industrial rollback totaling \$7,809,583.

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 \$22,008,000 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 \$16,004,000, 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 from this provision in from fiscal year 2017 to fiscal year 2019 was \$3,805,410.

Due to the passage of SF295, the City estimates its net revenue losses to be \$3,891,016 for fiscal years 2015 through 2019. The cumulative net revenue loss from fiscal years 2015 through 2024 is estimated to be \$38,735,000. 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. In fiscal year 2013, the City's property tax levy rate was \$17.269 per \$1,000 of assessed value. The property tax levy rate has been reduced for six consecutive years to \$15.833 in fiscal year 2020. This has been a reduction of \$1.436 per \$1,000 of assessed value or 8.32% over that time period.

In looking at expenses for the FY19 – FY21 Financial Plan and FY20 operating budget, the City will generally experience increased expenditures; however, at a modest pace. Bargaining unit cost-of-living wage increases are approximately 2.00% to 2.75% each year; however, the budgeted full-time equivalents (FTE) has generally remained flat - from 607.66 in FY15 to 608.18 in FY20. In addition, public safety pension contribution rates decreased slightly in FY20 but are projected to increase slightly in FY21. The City has averaged a 4.87% increase in its health insurance premium rates over the previous seven years; however, is cautiously projecting a larger premium increase in FY21 due to a projected increase in claims. Employee contributions, deductibles, and out-of-pocket maximums are also expected to increase in both FY20 and FY21 which should help mitigate the impact to the City's overall budget.

In balancing the budget for the three-year period, the City attempted to mitigate the growth of costs while continuing to provide high quality services by identifying and eliminating redundancies within the organization, examining existing and potential new revenue sources, strategically funding new programming and economic development to ensure strong property values, providing for necessary improvements to existing infrastructure, and upholding fiscal integrity by maintaining 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, 2018. 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-four 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, 2019. 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 eighth 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, 2019. 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 black ink, appearing to read "D. Bockenstedt". The signature is stylized with a large, sweeping 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

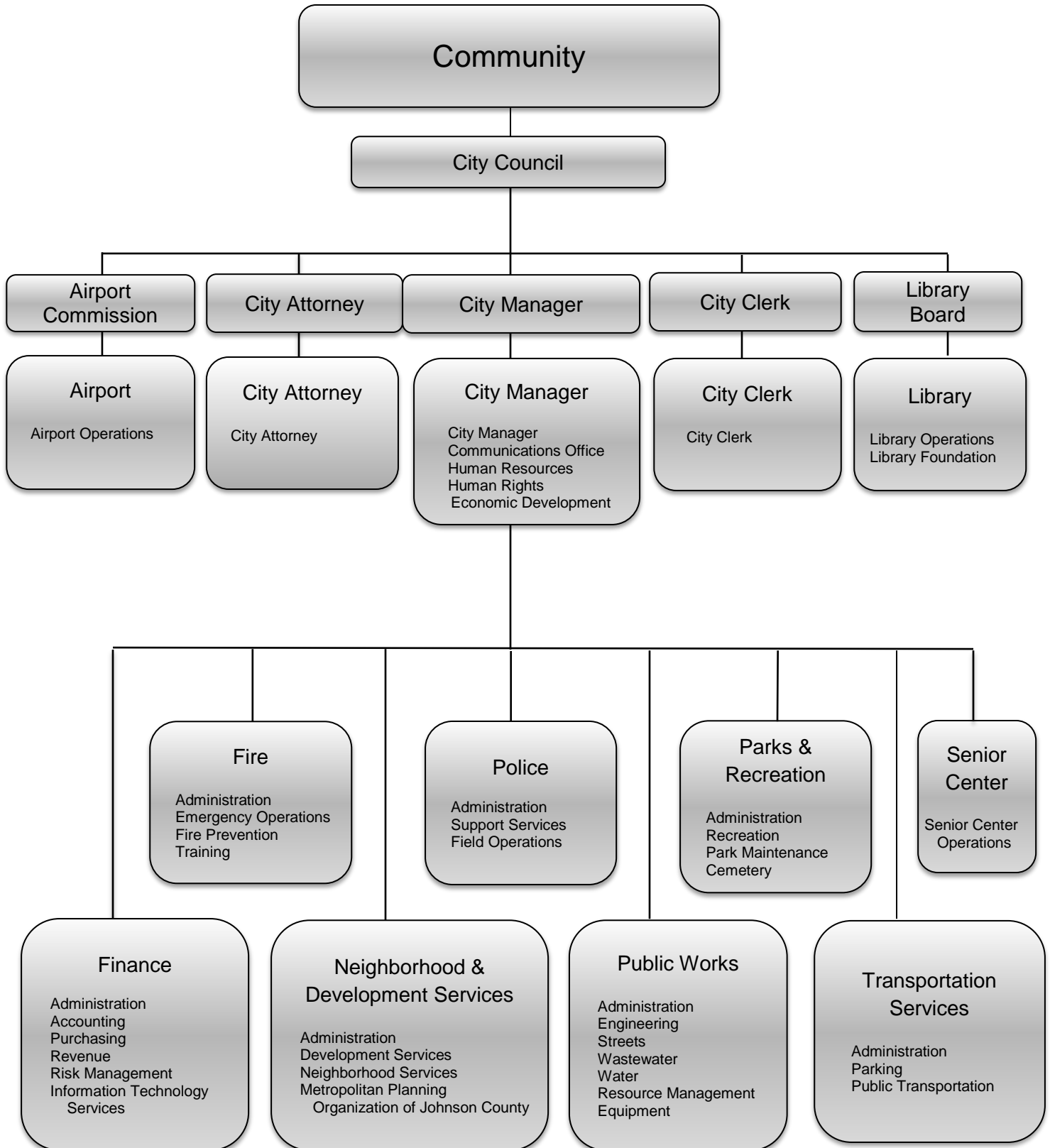
June 30, 2018

Christopher P. Morrill

Executive Director/CEO

City of Iowa City

Organization Chart



CITY OF IOWA CITY, IOWA
LISTING OF CITY OFFICIALS

June 30, 2019

ELECTED OFFICIALS

		<u>Term Expires</u>
Mayor	Jim Throgmorton	January 2, 2020
Council Member and Mayor Pro Tem	Pauline Taylor	January 2, 2020
Council Member	Rockne Cole	January 2, 2020
Council Member	John Thomas	January 2, 2020
Council Member	Bruce Teague	January 2, 2022
Council Member	Susan Mims	January 2, 2022
Council Member	Mazahir Salih	January 2, 2022

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	Tracy Hightshoe	August 27, 2001
Library Director	Elsworth Carman	January 2, 2019
Director of Public Works	Ron Knoche	April 28, 1999
Director of Transportation Services	Darian Nagle Gamm	May 21, 2008
Senior Center Coordinator	LaTasha DeLoach	July 31, 2018
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 City Council
City of Iowa City, Iowa
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, as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the City's total OPEB liability and related ratios, schedules of the City's proportionate share of the net pension liabilities for pension retirement systems, and schedules of the City's contributions for pension retirement systems on pages 19-29 and 82-96, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and 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 supplementary information of the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards is 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019 on our consideration of the City'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Moline, Illinois
December 11, 2019

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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, 2019. 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, 2019 by \$666,361,000 (net position). Of this amount, \$97,348,000 (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 \$14,694,000 during the fiscal year. Governmental activities increased by \$4,758,000 and business-type activities increased by \$9,936,000.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$91,749,000, a decrease of \$10,061,000 in comparison with the prior year. Of this total amount, approximately \$34,299,000 or 37.4% 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 \$34,358,000 or 68.3% 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 six major governmental funds: General Fund, Other Shared Revenue and Grants Fund, Employee Benefits Fund, Other Construction 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, Transit, Wastewater Treatment, Water, Sanitation, Stormwater and Housing Authority are considered to be major funds and are reported individually throughout the report. The only non-major enterprise fund, Airport, is listed as non-major on the basic proprietary fund financial statements. 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 – 40 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 41.

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 42 – 81 of this report.

Other Information: The combining statements referred to in the above paragraphs in connection with non-major governmental 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 \$666,361,000 at the close of the fiscal year ended June 30, 2019.

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, 2019

(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 187,619	\$ 192,519	\$ 119,256	\$ 120,389	\$ 306,875	\$ 312,908
Capital assets	261,593	248,011	334,810	335,893	596,403	583,904
Total assets	449,212	440,530	454,066	456,282	903,278	896,812
Deferred outflows of resources	12,722	12,114	2,843	2,806	15,565	14,920
Long-term liabilities outstanding	116,127	114,709	52,122	62,121	168,249	176,830
Current and other liabilities	16,384	14,738	4,526	6,730	20,910	21,468
Total liabilities	132,511	129,447	56,648	68,851	189,159	198,298
Deferred inflows of resources	62,452	60,984	871	783	63,323	61,767
Net position:						
Net investment in						
capital assets	208,028	203,077	304,111	294,109	512,139	497,186
Restricted	38,819	41,490	18,055	22,219	56,874	63,709
Unrestricted	20,124	17,646	77,224	73,126	97,348	90,772
Total net position	\$ 266,971	\$ 262,213	\$ 399,390	\$ 389,454	\$ 666,361	\$ 651,667

A portion of the City's net position, \$56,874,000 or 8.5%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net position, \$97,348,000 or 14.6%, 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, 2019, 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 FY19's operation.

Governmental Activities: Governmental activities increased the City's net position by \$4,758,000. The increase in net position of governmental activities is primarily from earnings on investments.

The total revenues for governmental activities for FY19 were \$97,007,000. Governmental activities are primarily funded through taxes, \$64,674,000 or 66.7%, and grants and contributions, \$17,282,000 or 17.8%. Taxes increased from the prior year by \$2,922,000, 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 \$4,031,000 due mainly to state grants for street overlay projects.

Expenses for governmental activities totaled \$83,588,000. Governmental activities are tracked by function including Public Safety, Public Works, Community and Economic Development, Culture and Recreation, and General Government. In FY19, Public Safety accounted for the highest portion of governmental expenses, \$26,265,000 or 31.4%, and increased over the prior year due to increases in salaries and benefits. Public Works expenses of \$16,324,000 or 19.5% made up another large portion of the governmental expenses and increased over the prior year due mainly to expenditures related to street overlay projects. Culture and Recreation expenses of \$16,009,000 or 19.2% made up the third highest portion of governmental expenses and had a slight decrease in expenses from the prior year.

Business-type Activities: Business-type activities increased the City's total net position by \$9,936,000. The increase in net position was primarily from the Wastewater Treatment, Water and Stormwater funds. The increase in all three funds is due primarily to transfers in of infrastructure assets constructed as part of the Iowa City Gateway Project. Wastewater also received \$1,284,000 from the state for the redevelopment of the land that was the site of the former wastewater treatment plant.

Revenues for business-type activities totaled \$60,851,000. The primary revenue source for business-type activities is charges for services, \$42,865,000 or 70.4%. In addition for FY19, the City's business type-activities had a significant portion, \$14,981,000 or 24.6%, of their revenues from grants and contributions used to help fund operation and capital projects for business-type activities.

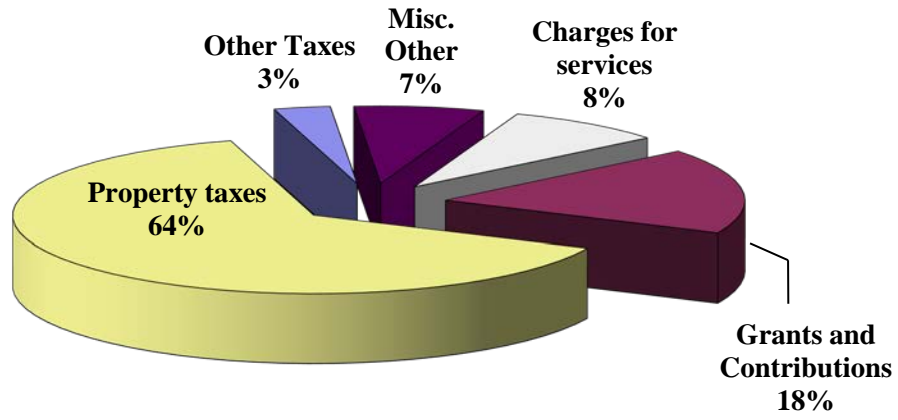
The total expenses for business-type activities in FY19 were \$59,576,000. Wastewater Treatment represented the highest portion of business-type activities, \$11,413,000 or 19.2%, with Sanitation, \$10,858,000 or 18.2%, Housing Authority, \$10,170,000 or 17.1%, Water, \$9,543,000 or 16.0%, and Transit, \$8,833,000 or 14.8%, 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)

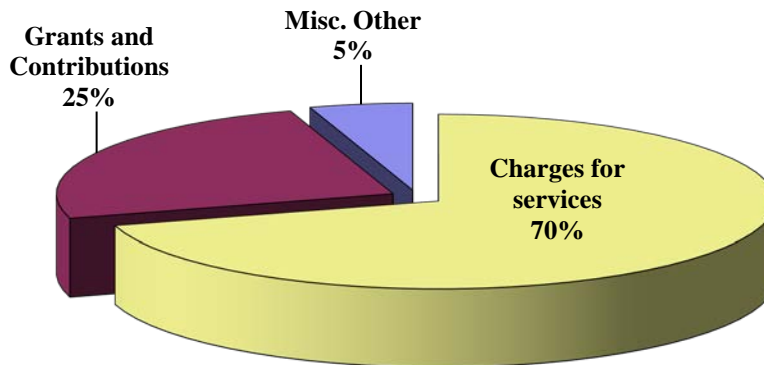
	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 8,279	\$ 7,297	\$ 42,865	\$ 42,208	\$ 51,144	\$ 49,505
Operating grants and contributions	13,758	10,245	11,713	11,230	25,471	21,475
Capital grants and contributions	1,972	1,459	3,268	7,186	5,240	8,645
General Revenues:						
Property taxes	61,739	59,046	-	-	61,739	59,046
Other taxes	2,935	2,706	-	-	2,935	2,706
Grants and contributions not restricted to specific purposes	1,552	1,547	-	-	1,552	1,547
Earnings on investments	3,257	2,368	2,166	1,496	5,423	3,864
Gain on disposal of capital assets	186	140	1	2,438	187	2,578
Other	<u>3,329</u>	<u>3,656</u>	<u>838</u>	<u>456</u>	<u>4,167</u>	<u>4,112</u>
Total revenues	97,007	88,464	60,851	65,014	157,858	153,478
Expenses:						
Public safety	26,265	25,191	-	-	26,265	25,191
Public works	16,324	12,813	-	-	16,324	12,813
Culture and recreation	16,009	16,363	-	-	16,009	16,363
Community and economic development	16,022	12,019	-	-	16,022	12,019
General government	7,524	6,858	-	-	7,524	6,858
Interest on long-term debt	1,444	1,414	-	-	1,444	1,414
Wastewater treatment	-	-	11,413	11,392	11,413	11,392
Water	-	-	9,543	9,472	9,543	9,472
Sanitation	-	-	10,858	9,408	10,858	9,408
Housing authority	-	-	10,170	9,535	10,170	9,535
Parking	-	-	5,461	5,590	5,461	5,590
Airport	-	-	1,466	1,680	1,466	1,680
Stormwater	-	-	1,832	1,844	1,832	1,844
Transit	-	-	<u>8,833</u>	<u>8,071</u>	<u>8,833</u>	<u>8,071</u>
Total expenses	83,588	74,658	59,576	56,992	143,164	131,650
Change in net position before transfers	13,419	13,806	1,275	8,022	14,694	21,828
Transfers	<u>(8,661)</u>	<u>1,814</u>	<u>8,661</u>	<u>(1,814)</u>	-	-
Change in net position	4,758	15,620	9,936	6,208	14,694	21,828
Net position beginning of year	<u>262,213</u>	<u>246,593</u>	<u>389,454</u>	<u>383,246</u>	<u>651,667</u>	<u>629,839</u>
Net position end of year	<u>\$ 266,971</u>	<u>\$ 262,213</u>	<u>\$ 399,390</u>	<u>\$ 389,454</u>	<u>\$ 666,361</u>	<u>\$ 651,667</u>

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

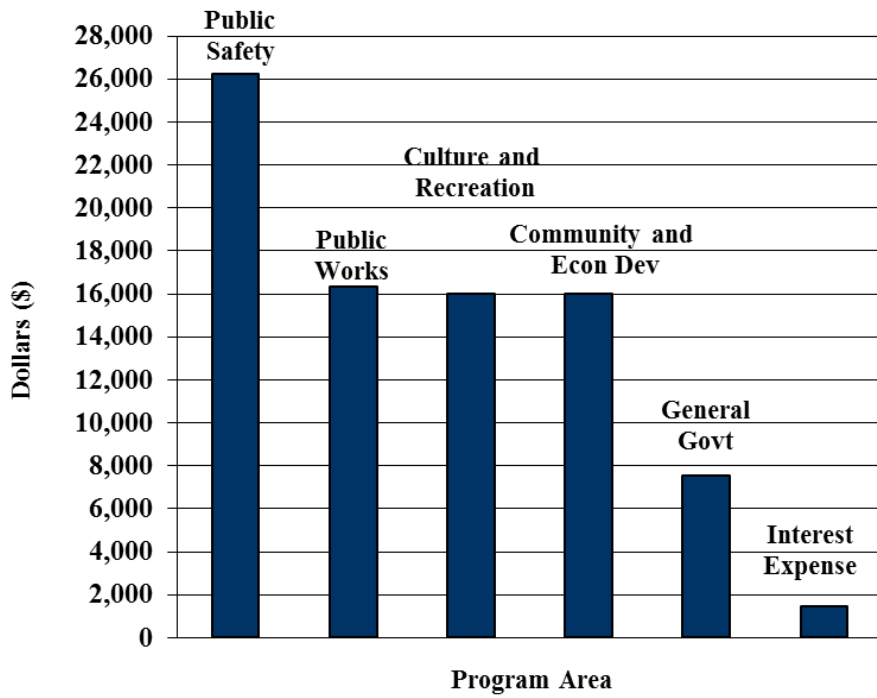
**Governmental Activities
FY2019 Revenue
by Source**



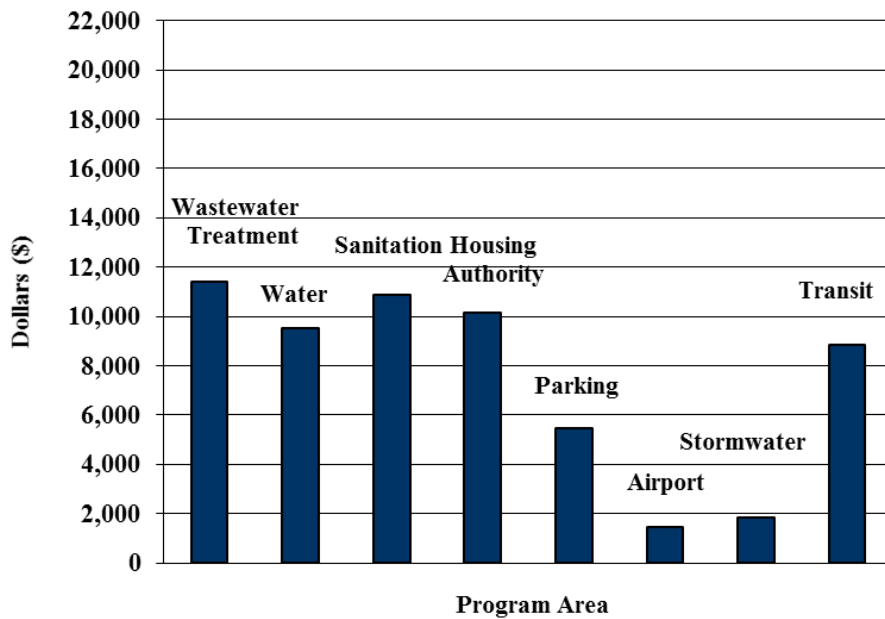
**Business-Type Activities
FY2019 Revenue
by Source**



**Governmental Activities
FY2019 Expenses
by Program Area**
(amounts expressed in thousands)



**Business-Type Activities
FY2019 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, 2019, the City's governmental funds reported combined ending fund balances of \$91,749,000, a decrease of \$10,061,000 in comparison with the prior year. Of this total amount, \$34,299,000 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 \$52,774,000 or 57.5% contains external restraints on its use. The assigned fund balances of \$3,565,000 or 3.9% has been identified by the City to be used for specific purposes. The nonspendable fund balance is \$1,111,000 or 1.2%, 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, 2019, the unassigned fund balance of the General Fund was \$34,358,000 while General Fund's total fund balance was \$40,618,000. 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 68.3% of total General Fund expenditures of \$50,299,000, while total fund balance represents 80.8% of that same amount.

During the current fiscal year, the fund balance of the City's General Fund increased by \$2,968,000. This is due to transfers in from other funds.

The fund balance in the Bridge, Street, and Traffic Control Construction Fund was \$10,817,000, a decrease of \$4,281,000. This fund accounts for transactions relating to the acquisition or construction of major streets, bridges, and traffic control facilities. The change in the fund balance is due to transfers out to other funds.

The fund balance in the Other Construction Fund was \$16,624,000, a decrease of \$10,128,000. 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. This decrease is mainly due to \$7,949,000 paid for an economic development grant.

The ending fund balance of the Debt Service Fund was \$9,648,000, an increase of \$1,039,000, 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 \$3,955,000, an increase of \$1,108,000 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 \$381,835,000, an increase in net position of \$8,450,000. 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, \$304,111,000 is net investment in capital assets. Unrestricted net position totaled \$59,669,000, an increase of \$2,612,000 compared to the previous year.

The Internal Service funds showed net position totaling \$43,215,000 as of June 30, 2019, an increase of \$2,266,000 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 \$11,675,000 or 7.7% to a total of \$163,810,000 and the expenditure budget by \$73,575,000 or 43.9% to a total of \$241,145,000. 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, 2019 amounts to \$596,403,000, 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, 2019 increased by \$13,582,000 for governmental activities compared to the prior year and decreased by \$1,083,000 for business-type activities from the prior year.

The following table reflects the \$596,403,000 investment in capital assets, net of accumulated depreciation.

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

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	Activities		Activities			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 30,808	\$ 30,894	\$ 30,316	\$ 30,317	\$ 61,124	\$ 61,211
Buildings	38,495	38,998	66,513	69,855	105,008	108,853
Improvements other than buildings	3,501	3,766	3,906	4,220	7,407	7,986
Machinery and equipment	18,018	17,279	13,109	10,396	31,127	27,675
Infrastructure	150,288	114,792	217,222	205,809	367,510	320,601
Construction in progress	<u>20,483</u>	<u>42,282</u>	<u>3,744</u>	<u>15,296</u>	<u>24,227</u>	<u>57,578</u>
Total	<u>\$ 261,593</u>	<u>\$ 248,011</u>	<u>\$ 334,810</u>	<u>\$ 335,893</u>	<u>\$ 596,403</u>	<u>\$ 583,904</u>

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

- Work was completed for the Iowa City Gateway Project, which reconstructed and elevated Dubuque Street and Park Road Bridge to provide flood protection. The construction in progress balance at the beginning of the year was \$46,356,000. Additional expenses of \$6,607,000 were added in FY 19. The total cost of the project that was capitalized was \$52,963,000 and was funded primarily by local option sales tax. Additional funding was also received from bond sales and federal and state grants.
- Two large construction projects were still in progress at June 30, 2019. The first is the Public Works Facility. This project replaces the equipment storage, offices and maintenance facilities for the streets, traffic engineering, storm and sanitary sewer maintenance, refuse collection and equipment divisions. This project had current year expenditures of \$6,542,000 and a construction in progress balance of \$6,854,000. The other project is the Pedestrian Mall Reconstruction with current year expenditures of \$5,038,000 and \$6,691,000 in construction in progress. This project is part of the downtown streetscape master plan. This project updates the Black Hawk mini park and the east and west wings of the pedestrian mall. The project includes replacing brick pavers, new landscape and lighting, enhanced fountain lighting and a performance stage.

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 \$87,540,000. Of this amount, \$52,470,000 comprises debt backed by the full faith and credit of the City. \$3,777,000 or 7.2% of these bonds is debt that will be paid with Tax Increment Financing revenues. \$35,070,000 represents revenue bonds secured solely by specific revenue sources.

The City issued \$12,535,000 of General Obligation bonds during FY19. This increase in debt was offset by the retirement of debt for a net decrease of City's total bonded debt by \$7,190,000.

City of Iowa City's Outstanding Debt
General Obligation and Revenue Bonds
(amounts expressed in thousands)

	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 52,470	\$ 51,880	\$ -	\$ -	\$ 52,470	\$ 51,880
Revenue bonds	14,930	15,065	20,140	27,785	35,070	42,850
Total	<u>\$ 67,400</u>	<u>\$ 66,945</u>	<u>\$ 20,140</u>	<u>\$ 27,785</u>	<u>\$ 87,540</u>	<u>\$ 94,730</u>

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, 2019 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 \$295,383,000. With outstanding debt applicable to this limit of \$95,957,000 we are utilizing 32.5% 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

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 budget where revenues exceed expenditures by \$747 thousand in the General Fund for FY20 that strives to maintain current service delivery levels. The tax levy rate per \$1,000 of assessed valuation for FY20 is provided below:

General Levy	\$	8.100
Debt Service Levy		2.979
Employee Benefits Levy		3.244
Transit Levy		0.950
Liability Insurance Levy		0.290
Library Levy		<u>0.270</u>
Total City Levy	\$	<u>15.833</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, 2019
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 111,645	\$ 63,383	\$ 175,028
Receivables:			
Property tax	60,529	-	60,529
Accounts and unbilled usage	941	3,699	4,640
Interest	967	612	1,579
Notes	5,209	373	5,582
Internal balances	(20,055)	20,055	-
Due from other governments	7,584	224	7,808
Prepaid item	907	59	966
Inventories	650	701	1,351
Assets held for resale	689	-	689
Restricted assets:			
Equity in pooled cash and investments	18,553	30,150	48,703
Capital assets:			
Land and construction in progress	51,291	34,060	85,351
Other capital assets (net of accumulated depreciation)	210,302	300,750	511,052
Total assets	<u>449,212</u>	<u>454,066</u>	<u>903,278</u>
Deferred Outflows of Resources			
Pension related deferred outflows	11,255	2,276	13,531
OPEB related deferred outflows	1,467	567	2,034
Total deferred outflows of resources	<u>12,722</u>	<u>2,843</u>	<u>15,565</u>
Liabilities			
Accounts payable	3,399	973	4,372
Contracts payable	5,864	699	6,563
Accrued liabilities	5,231	507	5,738
Interest payable	151	371	522
Deposits	1,008	1,924	2,932
Advances from grantors	98	-	98
Due to other governments	31	52	83
Notes payable	602	-	602
Noncurrent liabilities:			
Due within one year:			
Employee vested benefits	1,308	425	1,733
Capital lease obligation	-	567	567
Bonds payable	11,534	4,369	15,903
Due in more than one year:			
Employee vested benefits	1,012	302	1,314
Net pension liability	38,890	8,600	47,490
Other post employment benefits liability	6,401	2,476	8,877
Notes payable	211	-	211
Capital lease obligation	-	8,846	8,846
Bonds payable	56,771	16,786	73,557
Landfill closure/post-closure liability	-	9,751	9,751
Total liabilities	<u>\$ 132,511</u>	<u>\$ 56,648</u>	<u>\$ 189,159</u>

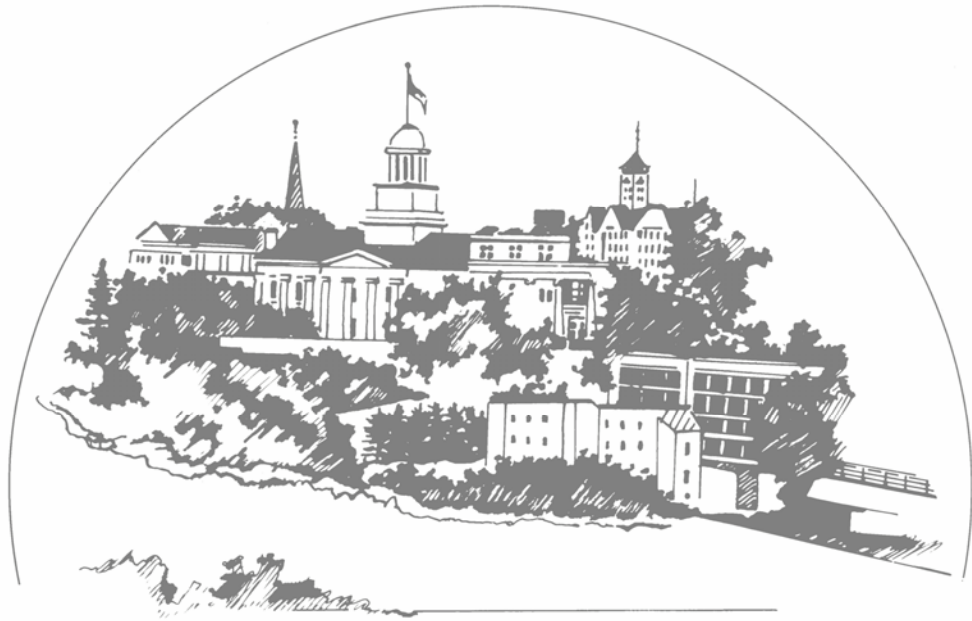
CITY OF IOWA CITY, IOWA

STATEMENT OF NET POSITION (continued)

June 30, 2019
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Deferred inflows of resources			
Unavailable revenues:			
Pension related deferred inflows	\$ 1,940	\$ 611	\$ 2,551
OPEB related deferred inflows	216	82	298
Deferred amount on refunding	-	178	178
Succeeding year property taxes	60,296	-	60,296
Total deferred inflows of resources	<u>62,452</u>	<u>871</u>	<u>63,323</u>
Net position			
Net investment in capital assets	208,028	304,112	512,140
Restricted for or by:			
Employee benefits	4,249	-	4,249
Capital projects	17,020	-	17,020
Debt service	9,514	-	9,514
Police	214	-	214
Other purposes	4,359	-	4,359
Bond ordinance	-	9,541	9,541
State statute	-	4,877	4,877
Future improvements	-	391	391
Grant agreement	3,463	3,246	6,709
Unrestricted	<u>20,124</u>	<u>77,223</u>	<u>97,347</u>
Total net position	<u>\$ 266,971</u>	<u>\$ 399,390</u>	<u>\$ 666,361</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, 2019
(amounts expressed in thousands)

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Public safety	\$ 26,265	\$ 4,870	\$ 533	\$ -	\$ (20,862)	\$ -	\$ (20,862)
Public works	16,324	290	11,867	1,651	(2,516)	-	(2,516)
Culture and recreation	16,009	854	-	321	(14,834)	-	(14,834)
Community and economic development	16,022	548	1,358	-	(14,116)	-	(14,116)
General government	7,524	1,717	-	-	(5,807)	-	(5,807)
Interest on long-term debt	1,444	-	-	-	(1,444)	-	(1,444)
Total governmental activities	83,588	8,279	13,758	1,972	(59,579)	-	(59,579)
Business-type activities:							
Wastewater treatment	11,413	12,831	-	1,827	-	3,245	3,245
Water	9,543	9,640	-	488	-	585	585
Sanitation	10,858	10,017	104	13	-	(724)	(724)
Housing authority	10,170	295	9,443	-	-	(432)	(432)
Parking	5,461	5,982	-	-	-	521	521
Airport	1,466	361	14	38	-	(1,053)	(1,053)
Stormwater	1,832	1,568	-	902	-	638	638
Transit	8,833	2,171	2,152	-	-	(4,510)	(4,510)
Total business-type activities	59,576	42,865	11,713	3,268	-	(1,730)	(1,730)
Total	\$ 143,164	\$ 51,144	\$ 25,471	\$ 5,240	(59,579)	(1,730)	(61,309)
General revenues:							
Property taxes, levied for general purposes					61,739	-	61,739
Hotel/motel tax					1,302	-	1,302
Gas and electric tax					668	-	668
Utility franchise tax					965	-	965
Grants and contributions not restricted to specific purposes					1,552	-	1,552
Earnings on investments					3,257	2,166	5,423
Gain on disposal of capital assets					186	1	187
Miscellaneous					3,329	838	4,167
Transfers					(8,661)	8,661	-
Total general revenues and transfers					64,337	11,666	76,003
Changes in net position					4,758	9,936	14,694
Net position beginning of year					262,213	389,454	651,667
Net position end of year					\$ 266,971	\$ 399,390	\$ 666,361

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

CITY OF IOWA CITY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019
(amounts expressed in thousands)

	Special Revenue			Capital Projects			Other Governmental Funds	Total
	General	Other Shared Revenue and Grants	Employee Benefits	Other Construction	Bridge, Street, and Traffic Control Construction	Debt Service		
Assets								
Equity in pooled cash and investments	\$ 38,979	\$ 3,112	\$ 3,831	\$ 15,741	\$ 4,831	\$ 9,069	\$ 1,299	\$ 76,862
Receivables:								
Property tax	36,301	-	12,254	-	-	11,597	377	60,529
Accounts and unbilled usage	491	8	-	-	150	-	-	649
Interest	360	7	-	130	78	119	11	705
Notes	1,329	-	-	-	-	323	3,557	5,209
Advances to other funds	56	-	-	-	-	97	-	153
Due from other governments	2,131	714	321	412	3,846	-	131	7,555
Inventories	-	135	-	-	-	-	-	135
Prepaid item	818	-	89	-	-	-	-	907
Assets held for resale	689	-	-	-	-	-	-	689
Restricted assets:								
Equity in pooled cash and investments	2,028	1,784	-	7,256	7,485	-	-	18,553
Total assets	\$ 83,182	\$ 5,760	\$ 16,495	\$ 23,539	\$ 16,390	\$ 21,205	\$ 5,375	\$ 171,946
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities:								
Accounts payable	\$ 1,497	\$ 346	\$ 7	\$ 823	\$ 44	\$ 4	\$ 50	\$ 2,771
Contracts payable	-	-	-	3,180	2,684	-	-	5,864
Accrued liabilities	1,466	99	2	-	7	-	22	1,596
Advances from other funds	-	97	-	2,500	-	-	56	2,653
Due to other governments	31	-	-	-	-	-	-	31
Interest payable	17	-	-	-	-	-	-	17
Notes payable	602	-	-	-	-	-	-	602
Liabilities payable from restricted assets:								
Deposits	1,004	4	-	-	-	-	-	1,008
Advances from grantors	94	4	-	-	-	-	-	98
Total liabilities	4,711	550	9	6,503	2,735	4	128	14,640
Deferred inflows of resources :								
Unavailable revenues:								
Succeeding year property taxes	36,176	-	12,210	-	-	11,553	357	60,296
Grants	34	13	-	321	2,838	-	-	3,206
Other	1,643	-	321	91	-	-	-	2,055
Total deferred inflows of resources	37,853	13	12,531	412	2,838	11,553	357	65,557
Fund balances:								
Nonspendable	887	135	89	-	-	-	-	1,111
Restricted	1,808	5,080	3,866	16,624	10,817	9,674	4,905	52,774
Assigned	3,565	-	-	-	-	-	-	3,565
Unassigned	34,358	(18)	-	-	-	(26)	(15)	34,299
Total fund balances	40,618	5,197	3,955	16,624	10,817	9,648	4,890	91,749
Total liabilities, deferred inflows of resources and fund balances	\$ 83,182	\$ 5,760	\$ 16,495	\$ 23,539	\$ 16,390	\$ 21,205	\$ 5,375	\$ 171,946

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, 2019
(amounts expressed in thousands)

Total governmental fund balances	\$	91,749
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.		43,215
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.		5,261
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		248,429
Pension and OPEB 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	\$ 12,268	
Deferred inflows of resources	<u>(2,043)</u>	10,225
Net pension liabilities are not due and payable in the current period and therefore are not reported in the funds.		(37,435)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(2,196)
Accrued post employment benefit liabilities are not due and payable in the current period and therefore are not reported in the funds.		(6,072)
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.		(68,305)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.		(211)
Accrued interest on bonds		(134)
Internal balance due to integration of internal service funds		<u>(17,555)</u>
Total net position of governmental activities	\$	<u><u>266,971</u></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, 2019
(amounts expressed in thousands)

	Special Revenue			Capital Projects			Other Governmental Funds	Total
	General	Other Shared	Employee Benefits	Other Construction	Bridge, Street, and Traffic	Debt Service		
		Revenue and Grants			Control Construction			
Revenues								
Taxes	\$ 37,426	\$ -	\$ 12,233	\$ -	\$ -	\$ 12,085	\$ 2,928	\$ 64,672
Licenses and permits	2,981	-	-	-	-	-	-	2,981
Intergovernmental	4,099	8,820	314	42	1,719	302	1,532	16,828
Charges for services	1,595	442	299	155	70	129	-	2,690
Fines and forfeits	776	-	-	-	-	-	-	776
Use of money and property	1,599	89	-	350	207	242	77	2,564
Miscellaneous	1,950	108	-	33	7	-	163	2,261
Total revenues	<u>50,426</u>	<u>9,459</u>	<u>12,846</u>	<u>580</u>	<u>2,003</u>	<u>12,758</u>	<u>4,700</u>	<u>92,772</u>
Expenditures								
Current:								
Public safety	23,858	-	432	5	-	-	-	24,295
Public works	1,922	6,059	-	782	2,131	-	-	10,894
Culture and recreation	13,096	-	-	613	-	-	-	13,709
Community and economic development	3,561	1,064	-	8,276	-	-	2,822	15,723
General government	6,144	-	375	1	-	59	-	6,579
Debt service:								
Principal	-	-	-	-	-	12,080	-	12,080
Interest	-	-	-	-	-	1,589	-	1,589
Capital outlay	1,718	505	-	13,828	6,581	-	-	22,632
Total expenditures	<u>50,299</u>	<u>7,628</u>	<u>807</u>	<u>23,505</u>	<u>8,712</u>	<u>13,728</u>	<u>2,822</u>	<u>107,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>127</u>	<u>1,831</u>	<u>12,039</u>	<u>(22,925)</u>	<u>(6,709)</u>	<u>(970)</u>	<u>1,878</u>	<u>(14,729)</u>
Other Financing Sources (Uses)								
Issuance of debt	-	-	-	7,267	5,218	50	-	12,535
Sale of capital assets	758	-	-	-	-	-	-	758
Premiums on issuance of bonds	-	-	-	47	34	-	-	81
Transfers in	11,548	1,451	-	5,967	4,226	1,959	512	25,663
Transfers out	(9,465)	(3,321)	(10,931)	(484)	(7,050)	-	(3,118)	(34,369)
Total other financing sources and (uses)	<u>2,841</u>	<u>(1,870)</u>	<u>(10,931)</u>	<u>12,797</u>	<u>2,428</u>	<u>2,009</u>	<u>(2,606)</u>	<u>4,668</u>
Net change in fund balances	2,968	(39)	1,108	(10,128)	(4,281)	1,039	(728)	(10,061)
Fund Balances, Beginning	<u>37,650</u>	<u>5,236</u>	<u>2,847</u>	<u>26,752</u>	<u>15,098</u>	<u>8,609</u>	<u>5,618</u>	<u>101,810</u>
Fund Balances, Ending	<u>\$ 40,618</u>	<u>\$ 5,197</u>	<u>\$ 3,955</u>	<u>\$ 16,624</u>	<u>\$ 10,817</u>	<u>\$ 9,648</u>	<u>\$ 4,890</u>	<u>\$ 91,749</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, 2019
(amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ (10,061)

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	\$ 19,976	
Capital assets contributed	892	
Depreciation expense	<u>(7,593)</u>	13,275

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	(12,535)	
Premium on bonds issued	(81)	
Repayments of debt	12,080	
Amortization of premium	<u>150</u>	(386)

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues in the governmental funds. 2,463

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	(70)	
Pension expense	(518)	
Change in accrued post employment benefit liability	(69)	
Change in accrued interest on debt	(5)	

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. (651)

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. 780

Change in net position of governmental activities \$ 4,758

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, 2019
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds								Governmental Activities - Internal Service Funds	
	Parking	Transit	Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Nonmajor Airport		Total
Assets										
Current assets:										
Equity in pooled cash and investments	\$ 11,817	\$ 7,247	\$ 18,008	\$ 8,886	\$ 11,395	\$ 1,747	\$ 4,081	\$ 202	\$ 63,383	\$ 34,783
Receivables (net of allowance for uncollectibles):										
Accounts and unbilled usage	18	33	1,576	1,045	835	167	1	24	3,699	292
Interest	73	42	165	76	177	12	65	2	612	262
Notes	-	-	-	-	-	-	373	-	373	-
Due from other governments	-	56	1	2	81	-	70	14	224	29
Inventories	-	347	-	354	-	-	-	-	701	515
Prepaid item	-	11	11	11	11	-	-	15	59	-
Total current assets	11,908	7,736	19,761	10,374	12,499	1,926	4,590	257	69,051	35,881
Noncurrent assets:										
Restricted assets:										
Equity in pooled cash and investments	291	7	6,249	4,813	14,644	-	4,038	108	30,150	-
Advances to other funds	-	-	-	-	3,923	-	-	-	3,923	-
Capital assets:										
Land	3,489	2,630	759	6,296	2,264	2,264	620	11,995	30,317	45
Buildings	41,647	15,399	36,858	24,019	5,467	-	5,338	5,458	134,186	1,481
Improvements other than buildings	328	-	7,261	2,742	411	-	9	478	11,229	50
Machinery and equipment	1,622	15,154	9,700	11,621	294	27	88	293	38,799	22,019
Infrastructure	-	955	158,260	69,068	19,435	65,041	-	17,868	330,627	3,040
Accumulated depreciation	(21,902)	(16,382)	(84,715)	(41,494)	(17,995)	(16,234)	(4,654)	(10,715)	(214,091)	(13,672)
Construction in progress	-	-	1,679	1,074	-	990	-	-	3,743	201
Total noncurrent assets	25,475	17,763	136,051	78,139	28,443	52,088	5,439	25,485	368,883	13,164
Total assets	37,383	25,499	155,812	88,513	40,942	54,014	10,029	25,742	437,934	49,045
Deferred Outflows of Resources										
Pension related deferred outflows	217	638	359	445	422	29	152	14	2,276	378
OPEB related deferred outflows	57	178	78	103	118	3	27	3	567	76
Total deferred outflows of resources	274	816	437	548	540	32	179	17	2,843	454
Liabilities										
Current liabilities:										
Accounts payable	108	202	182	268	160	1	48	4	973	628
Contracts payable	25	2	543	65	-	40	-	24	699	-
Accrued liabilities	48	164	66	91	96	9	30	3	507	3,635
Employee vested benefits	37	132	54	81	85	2	31	3	425	70
Due to other governments	-	-	3	20	1	-	28	-	52	-
Interest payable	31	-	210	130	-	-	-	-	371	-
Capital lease obligation	567	-	-	-	-	-	-	-	567	-
Bonded debt payable (net of unamortized premium and discounts)	-	-	2,774	1,595	-	-	-	-	4,369	-
Total current liabilities	816	500	3,832	2,250	342	52	137	34	7,963	4,333
Noncurrent liabilities:										
Liabilities payable from restricted assets:										
Deposits	1	6	-	1,109	8	-	792	8	1,924	-
Advances from other funds	1,423	-	-	-	-	-	-	-	1,423	-
Employee vested benefits	26	90	39	59	61	2	23	2	302	54
Capital lease obligation	8,846	-	-	-	-	-	-	-	8,846	-
Bonded debt payable (net of unamortized premium and discounts)	-	-	7,914	8,872	-	-	-	-	16,786	-
Net pension liability	822	2,394	1,409	1,707	1,530	108	578	52	8,600	1,455
Other post employment benefits liability	250	777	343	448	514	13	118	13	2,476	329
Landfill closure/postclosure liability	-	-	-	-	9,751	-	-	-	9,751	-
Total noncurrent liabilities	11,368	3,267	9,705	12,195	11,864	123	1,511	75	50,108	1,838
Total liabilities	12,184	3,767	13,537	14,445	12,206	175	1,648	109	58,071	6,171
Deferred Inflows of Resources										
Pension related deferred inflows	58	170	100	121	109	8	41	4	611	103
OPEB related deferred inflows	8	26	12	15	17	-	4	-	82	10
Deferred amount on refunding	-	-	99	79	-	-	-	-	178	-
Total deferred inflow of resources	66	196	211	215	126	8	45	4	871	113
Net Position										
Net investment in capital assets	15,771	17,756	119,015	62,828	9,876	52,088	1,401	25,377	304,112	13,164
Restricted by bond ordinance	-	-	6,036	3,505	-	-	-	-	9,541	-
Restricted by state statute	-	-	-	-	4,877	-	-	-	4,877	-
Restricted for future improvements	291	-	-	-	-	-	-	100	391	-
Restricted by grant agreement	-	-	-	-	-	-	3,246	-	3,246	-
Unrestricted	9,345	4,596	17,450	8,068	14,397	1,775	3,868	169	59,668	30,051
Total net position	\$ 25,407	\$ 22,352	\$ 142,501	\$ 74,401	\$ 29,150	\$ 53,863	\$ 8,515	\$ 25,646	\$ 381,835	\$ 43,215
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.								17,555		
Net position of business-type activities								\$ 399,390		

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

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2019
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds								Governmental Activities - Internal Service Funds	
	Parking	Transit	Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Nonmajor Airport		Total
Operating Revenues:										
Charges for services	\$ 5,982	\$ 2,171	\$ 12,831	\$ 9,640	\$10,017	\$ 1,568	\$ 295	\$ 361	\$42,865	\$ 20,092
Miscellaneous	34	78	193	20	98	5	128	2	558	-
Total operating revenues	<u>6,016</u>	<u>2,249</u>	<u>13,024</u>	<u>9,660</u>	<u>10,115</u>	<u>1,573</u>	<u>423</u>	<u>363</u>	<u>43,423</u>	<u>20,092</u>
Operating Expenses:										
Personal services	1,750	4,165	3,030	3,650	3,216	265	931	83	17,090	2,377
Commodities	342	923	1,537	1,251	1,258	103	265	39	5,718	2,490
Services and charges	1,632	2,471	2,273	1,987	5,428	159	8,850	350	23,150	12,413
	3,724	7,559	6,840	6,888	9,902	527	10,046	472	45,958	17,280
Depreciation	1,277	1,208	4,487	2,468	1,645	1,302	119	1,008	13,514	2,018
Total operating expenses	<u>5,001</u>	<u>8,767</u>	<u>11,327</u>	<u>9,356</u>	<u>11,547</u>	<u>1,829</u>	<u>10,165</u>	<u>1,480</u>	<u>59,472</u>	<u>19,298</u>
Operating income (loss)	1,015	(6,518)	1,697	304	(1,432)	(256)	(9,742)	(1,117)	(16,049)	794
Nonoperating Revenues (Expenses):										
Gain (loss) on disposal of capital assets	-	(4)	-	1	(5)	-	-	-	(8)	(29)
Insurance recoveries	-	-	-	-	-	-	280	-	280	-
Operating grants	-	2,152	-	-	104	-	9,443	14	11,713	-
Interest income	189	146	524	418	705	42	135	7	2,166	692
Interest expense	(468)	-	(131)	(218)	-	-	-	-	(817)	-
Total nonoperating revenues (expenses)	<u>(279)</u>	<u>2,294</u>	<u>393</u>	<u>201</u>	<u>804</u>	<u>42</u>	<u>9,858</u>	<u>21</u>	<u>13,334</u>	<u>663</u>
Income (loss) before capital contributions and transfers	736	(4,224)	2,090	505	(628)	(214)	116	(1,096)	(2,715)	1,457
Capital contributions	-	-	1,827	488	13	902	-	38	3,268	-
Transfers in	15	3,564	2,145	2,638	5	2,143	106	100	10,716	1,233
Transfers out	-	(15)	(793)	(671)	(523)	(769)	(48)	-	(2,819)	(424)
Change in net position	751	(675)	5,269	2,960	(1,133)	2,062	174	(958)	8,450	2,266
Net Position, Beginning	<u>24,656</u>	<u>23,027</u>	<u>137,232</u>	<u>71,441</u>	<u>30,283</u>	<u>51,801</u>	<u>8,341</u>	<u>26,604</u>		<u>40,949</u>
Net Position, Ending	<u>\$ 25,407</u>	<u>\$ 22,352</u>	<u>\$ 142,501</u>	<u>\$ 74,401</u>	<u>\$ 29,150</u>	<u>\$ 53,863</u>	<u>\$ 8,515</u>	<u>\$ 25,646</u>		<u>\$ 43,215</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds									1,486	
Change in net position of business-type activities									<u>\$ 9,936</u>	

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

CITY OF IOWA CITY, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2019
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds								Governmental	
	Parking	Transit	Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Nonmajor Airport	Total	Activities - Internal Service Funds
Cash Flows From Operating Activities										
Receipts from customers and users	\$ 6,012	\$ 2,291	\$ 13,016	\$ 9,875	\$ 9,940	\$ 1,570	\$ 438	\$ 362	\$ 43,504	\$ 19,917
Payments to suppliers	(1,996)	(4,798)	(3,698)	(3,300)	(6,211)	(252)	(9,126)	(373)	(29,754)	(13,836)
Payments to employees	(1,774)	(4,139)	(2,981)	(3,545)	(3,278)	(289)	(929)	(82)	(17,017)	(2,266)
Net cash flows from (used for) operating activities	2,242	(6,646)	6,337	3,030	451	1,029	(9,617)	(93)	(3,267)	3,815
Cash Flows From Noncapital Financing Activities										
Grants received	-	2,157	-	-	106	-	9,407	12	11,682	-
Transfers from other funds	15	3,564	2	112	5	1	106	100	3,905	-
Transfers to other funds	-	(15)	(793)	(658)	(523)	(769)	(48)	-	(2,806)	(424)
Repayment/(payment) of notes receivable	-	-	-	-	-	-	24	-	24	-
Advances to other funds	-	-	-	-	(2,500)	-	-	-	(2,500)	-
Repayment of advances from other funds	-	-	-	-	243	-	-	-	243	-
Repayment of advances to other funds	(243)	-	-	-	-	-	-	-	(243)	-
Net cash flows from (used for) noncapital financing activities	(228)	5,706	(791)	(546)	(2,669)	(768)	9,489	112	10,305	(424)
Cash Flows From Capital and Related Financing Activities										
Capital grants received	-	1,114	1,284	-	13	-	-	43	2,454	-
Acquisition and construction of property and equipment	(54)	(57)	(1,261)	(837)	(2,015)	(105)	(1)	(119)	(4,449)	(2,028)
Proceeds from sale of property	-	-	-	1	-	-	-	-	1	256
Proceeds from insurance recoveries	-	-	-	-	-	-	280	-	280	-
Principal paid on capital lease obligation	(2,545)	-	-	-	-	-	-	-	(2,545)	-
Interest paid on capital lease obligation	(477)	-	-	-	-	-	-	-	(477)	-
Principal paid on bonded debt	-	-	(6,135)	(1,510)	-	-	-	-	(7,645)	-
Interest paid on bonded debt	-	-	(515)	(269)	-	-	-	-	(784)	-
Net cash flows used for capital and related financing activities	(3,076)	1,057	(6,627)	(2,615)	(2,002)	(105)	279	(76)	(13,165)	(1,772)
Cash Flows From Investing Activities										
Interest on investments	198	138	491	444	754	41	128	7	2,201	672
Net increase (decrease) in cash and cash equivalents	(864)	255	(590)	313	(3,466)	197	279	(50)	(3,926)	2,291
Cash and Cash Equivalents, Beginning	12,972	6,999	24,847	13,386	29,505	1,550	7,840	360	97,459	32,492
Cash and Cash Equivalents, Ending	\$ 12,108	\$ 7,254	\$ 24,257	\$ 13,699	\$ 26,039	\$ 1,747	\$ 8,119	\$ 310	\$ 93,533	\$ 34,783
Reconciliation of operating income (loss) to net cash flows from (used for) operating activities:										
Operating income (loss)	\$ 1,015	\$ (6,518)	\$ 1,697	\$ 304	\$ (1,432)	\$ (256)	\$ (9,742)	\$ (1,117)	\$ (16,049)	\$ 794
Adjustments to reconcile operating income (loss) to net cash flows from (used for) operating activities:										
Depreciation expense	1,277	1,208	4,487	2,468	1,645	1,302	119	1,008	13,514	2,018
Changes in:										
Receivables:										
Accounts and unbilled usage	(4)	48	(7)	67	(142)	(3)	2	-	(39)	(197)
Due from other governments	-	(6)	(1)	56	(34)	-	-	-	15	22
Inventories	-	(22)	-	54	-	-	-	-	32	6
Prepaid item	-	8	8	8	7	-	-	7	38	-
Accounts payable	(22)	(1,377)	102	(117)	(24)	10	22	9	(1,397)	87
Accrued liabilities	2	13	(2)	6	10	1	(1)	(1)	28	973
Employee vested benefits	(1)	8	(10)	2	2	2	(3)	1	1	10
Due to other governments	-	(13)	2	(7)	-	-	(33)	-	(51)	-
Deposits	-	-	-	92	1	-	13	(1)	105	-
Net pension liability	(72)	(118)	5	27	(148)	(35)	(24)	(1)	(366)	37
Deferred outflows of resources	2	(23)	5	(14)	(18)	7	5	(1)	(37)	(7)
Deferred inflows of resources	9	34	1	19	17	(1)	8	1	88	24
Other post employment benefits liability	36	112	50	65	75	2	17	2	359	48
Landfill closure/postclosure liability	-	-	-	-	492	-	-	-	492	-
Total adjustments	1,227	(128)	4,640	2,726	1,883	1,285	125	1,024	12,782	3,021
Net cash flows from (used for) operating activities	\$ 2,242	\$ (6,646)	\$ 6,337	\$ 3,030	\$ 451	\$ 1,029	\$ (9,617)	\$ (93)	\$ (3,267)	\$ 3,815
Noncash Investing, Capital, and Financing Activities:										
Contributions of capital assets from government and others	\$ -	\$ -	\$ 2,686	\$ 3,014	\$ -	\$ 3,044	\$ -	\$ -	\$ 8,744	\$ 1,233
Contributions of capital assets to government and others	\$ -	\$ -	\$ -	\$ 13	\$ 413	\$ -	\$ -	\$ -	\$ 426	\$ 21
Capital grants not yet received	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ 2	\$ -
Operating grants not yet received	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70	\$ 14	\$ 84	\$ -

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, 2019

(amounts expressed in thousands)

	<u>Agency Funds</u>
Assets	
Equity in pooled cash and investments	\$ 121
Interest receivable	1
Total assets	<u>\$ 122</u>
Liabilities	
Accounts payable	\$ 30
Due to agency	92
Total liabilities	<u>\$ 122</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, 2019

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) 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, 2019

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

The *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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

The *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.

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

The City has one nonmajor enterprise fund, the *Airport Fund* is used to account for the operation and maintenance of the airport facility.

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

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

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

Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenditures and expenses, as appropriate, during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of other post employment benefit obligation, net pension liability, landfill closure and post-closure care costs, total capacity of the landfill at closure, and calculation of the costs of claims incurred, but not reported.

Cash and Investments

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

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

Receivables and Revenue Recognition

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

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

Inventories

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

Capital Assets

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

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

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB 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, 2019

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 and OPEB related items.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

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 \$27,054,994 in revenues and other financing sources and by \$83,011,721 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, 2019

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, 2019 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 or other short-term corporate debt; 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; and warrants or improvement certificates of a drainage district.

At June 30, 2019 the City of Iowa City had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>
Federal Home Loan Bank Notes	\$ 10,501,455	September 2019 to October 2022
Federal Home Loan Mortgage Corporation Notes	6,034,180	November 2020 to April 2024
Federal Farm Credit Bank Notes	6,003,840	June 2021 to June 2022
Natixis NY Branch Commercial Paper	4,987,500	August 2019
United States Treasury Notes	1,970,820	March 2020
	<u>\$ 29,497,795</u>	

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

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.

The recurring fair value measurement for the Federal Home Loan Bank securities of \$10,501,455, the Federal Home Loan Mortgage Corporation securities of \$6,034,180, the Federal Farm Credit Bank securities of \$6,003,840 and the United States Treasury securities of \$1,970,820 were determined using the last reported sales price at current exchange rates (Level 1 inputs).

The fair value measurement for the Natixis NY Branch commercial paper of \$4,987,500 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 \$13,464,888, 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 operating funds to investments that mature within 397 days. The portion of operating funds in excess of 33% of operating funds may be invested in certificates of deposit which mature within 63 months or less. Funds not identified as operating funds may be invested in instruments with maturities longer than 397 days.

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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

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.

3. Interfund Balances and Transfers

Interfund balances for the year ended June 30, 2019, consisted of the following:

	Advances from			
	General	Debt Service	Sanitation	Total
<u>Advances to:</u>				
Other Shared Revenue and Grants	\$ -	\$ 96,694	\$ -	\$ 96,694
Other Construction	-	-	2,500,000	2,500,000
Nonmajor Governmental Parking	56,012	-	-	56,012
	-	-	1,423,385	1,423,385
 Total	\$ 56,012	\$ 96,694	\$ 3,923,385	\$ 4,076,091

Interfund balances at June 30, 2019, include advances due to/from other funds, which represent amounts for construction loans, a revenue bond redemption loan and negative cash balance funding. The \$56,012 advance to the Nonmajor Governmental Funds is expected to be repaid within the next year. \$81,980 of the \$96,694 advance to the Other Shared Revenue and Grants Fund is not expected to be repaid within the next year. \$2,407,355 of the \$2,500,000 advance to the Other Construction Fund is not expected to be repaid within the next year. \$1,173,649 of the \$1,423,385 advance to the Parking Fund is not expected to be repaid within the next year.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfer from					
	General	Other Shared Revenue and Grants	Employee Benefits	Capital Projects Other Construction	Capital Projects Bridge, Street and Traffic Control Construction	Nonmajor Governmental
<u>Transfer to:</u>						
General	\$ -	\$ 79,864	\$ 10,480,205	\$ -	\$ -	\$ 939,926
Other Shared Revenue and Grants	1,000,000	-	451,026	-	-	-
Debt Service	20,052	-	-	-	-	1,938,721
Capital Projects Other Construction	4,411,321	368,720	-	-	-	132,806
Capital Projects Bridge, Street and Traffic Control Construction	70,781	2,586,153	-	-	-	-
Nonmajor Governmental	263,031	248,476	-	-	-	-
Parking	-	-	-	-	-	-
Transit	3,563,749	-	-	-	-	-
Wastewater Treatment	1,877	-	-	-	2,143,583	-
Water	1,628	-	-	50,795	2,475,969	-
Sanitation	5,499	-	-	-	-	-
Stormwater	1,036	-	-	328,422	1,813,399	-
Housing Authority	-	-	-	-	-	106,470
Nonmajor Enterprise	100,000	-	-	-	-	-
Internal Service	25,885	38,229	-	104,520	617,179	-
Total Transfer to	\$ 9,464,859	\$ 3,321,442	\$ 10,931,231	\$ 483,737	\$ 7,050,130	\$ 3,117,923

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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

Transfer from							
Transit	Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Internal Service	Total Transfer from
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,949	\$ -	\$ 11,547,944
-	-	-	-	-	-	-	1,451,026
-	-	-	-	-	-	-	1,958,773
-	24,000	258,662	-	369,000	-	402,941	5,967,450
-	769,425	400,000	-	400,000	-	-	4,226,359
-	-	-	-	-	-	-	511,507
15,000	-	-	-	-	-	-	15,000
-	-	-	-	-	-	-	3,563,749
-	-	-	-	-	-	-	2,145,460
-	-	-	110,000	-	-	-	2,638,392
-	-	-	-	-	-	-	5,499
-	-	-	-	-	-	-	2,142,857
-	-	-	-	-	-	-	106,470
-	-	-	-	-	-	-	100,000
-	-	12,500	413,458	-	-	21,350	1,233,121
<u>\$ 15,000</u>	<u>\$ 793,425</u>	<u>\$ 671,162</u>	<u>\$ 523,458</u>	<u>\$ 769,000</u>	<u>\$ 47,949</u>	<u>\$ 424,291</u>	<u>\$ 37,613,607</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

4. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning July 1, 2018	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 30,893,959	\$ 474,285	\$ 560,500	\$ 30,807,744
Construction in progress	42,282,566	32,936	21,831,532	20,483,970
Total capital assets, not being depreciated	<u>73,176,525</u>	<u>507,221</u>	<u>22,392,032</u>	<u>51,291,714</u>
Capital assets, being depreciated:				
Buildings	65,255,604	1,204,473	95,545	66,364,532
Improvements other than buildings	7,556,845	18,458	49,897	7,525,406
Machinery and equipment	43,857,060	4,755,201	3,240,972	45,371,289
Infrastructure	160,799,168	39,475,577	-	200,274,745
Total capital assets being depreciated	<u>277,468,677</u>	<u>45,453,709</u>	<u>3,386,414</u>	<u>319,535,972</u>
Less accumulated depreciation for:				
Buildings	26,258,222	1,669,439	57,318	27,870,343
Improvements other than buildings	3,790,773	268,200	34,686	4,024,287
Machinery and equipment	26,578,055	3,692,558	2,917,597	27,353,016
Infrastructure	46,007,497	3,980,665	-	49,988,162
Total accumulated depreciation	<u>102,634,547</u>	<u>9,610,862</u>	<u>3,009,601</u>	<u>109,235,808</u>
Total capital assets, being depreciated, net	<u>174,834,130</u>	<u>35,842,847</u>	<u>376,813</u>	<u>210,300,164</u>
Governmental activities capital assets, net	<u>\$ 248,010,655</u>	<u>\$ 36,350,068</u>	<u>\$ 22,768,845</u>	<u>\$ 261,591,878</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

	Beginning July 1, 2018	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2019
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 30,317,185	\$ -	\$ -	\$ 30,317,185
Construction in progress	<u>15,297,287</u>	<u>-</u>	<u>11,553,403</u>	<u>3,743,884</u>
Total capital assets, not being depreciated	<u>45,614,472</u>	<u>-</u>	<u>11,553,403</u>	<u>34,061,069</u>
Capital assets, being depreciated:				
Buildings	134,116,842	80,890	12,738	134,184,994
Improvements other than buildings	11,156,502	82,305	9,440	11,229,367
Machinery and equipment	34,971,952	4,420,793	592,872	38,799,873
Infrastructure	<u>311,221,178</u>	<u>19,406,379</u>	<u>-</u>	<u>330,627,557</u>
Total capital assets being depreciated	<u>491,466,474</u>	<u>23,990,367</u>	<u>615,050</u>	<u>514,841,791</u>
Less accumulated depreciation for:				
Buildings	64,261,561	3,423,766	12,738	67,672,589
Improvements other than buildings	6,936,561	394,160	6,844	7,323,877
Machinery and equipment	24,576,412	1,702,154	586,444	25,692,122
Infrastructure	<u>105,411,337</u>	<u>7,994,077</u>	<u>-</u>	<u>113,405,414</u>
Total accumulated depreciation	<u>201,185,871</u>	<u>13,514,157</u>	<u>606,026</u>	<u>214,094,002</u>
Total capital assets, being depreciated, net	<u>290,280,603</u>	<u>10,476,210</u>	<u>9,024</u>	<u>300,747,789</u>
Business-type activities capital assets, net	<u>\$ 335,895,075</u>	<u>\$ 10,476,210</u>	<u>\$ 11,562,427</u>	<u>\$ 334,808,858</u>
Depreciation expense was charged to functions as follows:				
Governmental activities:				
Public safety				\$ 1,582,503
Public works				4,567,853
Culture and recreation				3,049,099
Community and economic development				59,486
General government				<u>351,921</u>
Total depreciation expense - governmental activities				<u>\$ 9,610,862</u>
Business-type activities:				
Parking				\$ 1,276,760
Transit				1,208,434
Wastewater treatment				4,487,298
Water				2,467,789
Sanitation				1,644,858
Stormwater				1,301,537
Housing authority				119,128
Nonmajor enterprise				<u>1,008,353</u>
Total depreciation expense - business-type activities				<u>\$ 13,514,157</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

5. Capital Lease Obligation

In 2017, 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, \$516,596 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, 2019, were as follows:

Fiscal Year Ending June 30	Business-type Activities
2020	\$ 941,621
2021	941,621
2022	941,621
2023	941,621
2024	941,621
2025-2029	4,708,107
2030-2032	2,822,615
Total minimum lease payments	12,238,827
Less: amount representing interest	(2,825,803)
Present value of minimum lease payments	<u>\$ 9,413,024</u>

Changes in Capital Lease Obligation

Changes in the capital lease obligation for the year ended June 30, 2019, was as follows:

	July 1, 2018	Issues	Retirements	June 30, 2019	Due Within One Year
Business-type activities:	<u>\$ 11,958,305</u>	<u>\$ -</u>	<u>\$ 2,545,281</u>	<u>\$ 9,413,024</u>	<u>\$ 566,983</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

6. Long Term Debt

Changes in Debt for Bonds

Bond debt activity for the year ended June 30, 2019, was as follows:

	<u>July 1, 2018</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 51,880,000	\$ 12,535,000	\$ 11,945,000	\$ 52,470,000	\$ 11,245,000
Plus: Unamortized					
Premium	1,003,524	80,675	151,560	932,638	151,560
Total general obligation bonds	<u>52,883,524</u>	<u>12,615,675</u>	<u>12,096,560</u>	<u>53,402,638</u>	<u>11,396,560</u>
Revenue bonds	15,065,000	-	135,000	14,930,000	140,000
Less: Unamortized					
Discounts	29,736	-	2,124	27,612	2,124
Total revenue bonds	<u>15,035,264</u>	<u>-</u>	<u>132,876</u>	<u>14,902,388</u>	<u>137,876</u>
	<u>\$ 67,918,788</u>	<u>\$ 12,615,675</u>	<u>\$ 12,229,436</u>	<u>\$ 68,305,026</u>	<u>\$ 11,534,436</u>
Business-type activities:					
Revenue bonds	27,785,000	-	7,645,000	20,140,000	4,075,000
Plus: Unamortized					
Premium	1,310,062	-	294,352	1,015,710	294,352
Total revenue bonds	<u>\$ 29,095,062</u>	<u>\$ -</u>	<u>\$ 7,939,352</u>	<u>\$ 21,155,710</u>	<u>\$ 4,369,352</u>

General Obligation Bonds

Various issues of general obligation bonds totaling \$52,470,000 are outstanding as of June 30, 2019. The bonds have interest rates ranging from 1.00% to 3.00% and mature in varying annual amounts ranging from \$765,000 to \$4,125,000 per issue, with the final maturities due in the year ending June 30, 2029. 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, 2019

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

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	\$ 11,245,000	\$ 1,196,696
2021	7,160,000	943,923
2022	7,320,000	786,163
2023	6,475,000	628,413
2024	5,745,000	475,513
2025-2029	14,525,000	828,738
Total	\$ 52,470,000	\$ 4,859,446

Revenue Bonds

As of June 30, 2019, the following unmatured revenue bond issues are outstanding:

	Wastewater Treatment	Water	Taxable Urban Renewal
Original issue amount	\$ 13,910,000	\$ 14,510,000	\$ 15,460,000
Interest rates	2.0% to 5.0%	1.5% to 5.0%	1.0% to 3.9%
Annual maturities	\$ 500,000 to	\$ 420,000 to	\$ 140,000 to
	\$ 2,085,000	\$ 1,225,000	\$ 965,000
Amount outstanding	\$ 9,875,000	\$ 10,265,000	\$ 14,930,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 140,000	\$ 451,635	\$ 4,075,000	\$ 685,365
2021	140,000	448,695	4,250,000	477,665
2022	1,110,000	445,475	4,350,000	298,690
2023	1,110,000	413,045	3,840,000	149,270
2024	1,105,000	380,345	1,745,000	55,825
2025-2029	5,015,000	1,415,425	1,880,000	32,325
2030-2034	4,555,000	672,245	-	-
2035-2036	1,755,000	79,350	-	-
Total	\$ 14,930,000	\$ 4,306,215	\$ 20,140,000	\$ 1,699,140

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: Taxable Urban Renewal Revenue bonds – maximum debt service due on the bonds in any succeeding fiscal year. Wastewater Revenue and Water Revenue bonds – 10% of the original principal amounts of all related bond issues.
(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, 2019, the Wastewater Treatment Fund had net revenue of \$6,708,000 and the amount of principal and interest due was \$6,674,000. In fiscal year ended June 30, 2019, the Water Fund had net revenues of \$3,190,000 and the amount of principal and interest due was \$1,790,000.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

Summary of Bond Issues

General obligation and revenue bonds payable at June 30, 2019, are comprised of the following issues:

	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2019
General Obligation Bonds:					
Multi-Purpose	June 2012	9,070,000	2.0 - 2.25	6/22	2,935,000
Multi-Purpose	July 2013	7,230,000	1.0 - 2.0	6/23	3,380,000
Refunded Multi-Purpose (1)	June 2014	11,980,000	2.0 - 3.0	6/24	4,875,000
Multi-Purpose	June 2015	7,785,000	2.0 - 2.25	6/25	4,915,000
Multi-Purpose	June 2016	8,795,000	2.0 - 3.0	6/26	6,785,000
Multi-Purpose	June 2017	9,765,000	2.0 - 2.5	6/27	7,960,000
Multi-Purpose	June 2018	8,895,000	1.8 - 2.65	6/28	8,085,000
Taxable Multi-Purpose	June 2018	3,100,000	2.35 - 2.6	6/20	1,000,000
Multi-Purpose	June 2019	12,535,000	2.0 - 2.25	6/29	12,535,000
Total General Obligation Bonds					<u>\$ 52,470,000</u>
	Date of Issue	Amount Issued	Interest Rates	Final Maturity	Outstanding June 30, 2019
Revenue Bonds:					
Refunded Wastewater					
Treatment Bonds (2)	June 2016	9,360,000	3.0 - 4.0	7/21	5,600,000
Refunded Wastewater					
Treatment Bonds (3)	June 2017	4,550,000	2.0 - 5.0	7/22	4,275,000
Refunded Water Bonds (4)	June 2012	4,950,000	1.5 - 2.1	7/22	2,100,000
Refunded Water Bonds (5)	June 2016	3,650,000	1.5 - 5.0	7/24	2,865,000
Refunded Water Bonds (6)	June 2017	5,910,000	2.0 - 2.25	7/25	5,300,000
Taxable Urban Renewal	Nov. 2012	2,655,000	1.0 - 3.9	6/32	2,125,000
Taxable Urban Renewal	Sept. 2016	12,805,000	3.0	6/36	12,805,000
Total Revenue Bonds					<u>\$ 35,070,000</u>
					<u>\$ 87,540,000</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

- (1) This bond issue is an advance refunding of portions of the September 2006 and May 2007 General Obligation Bonds.
- (2) This bond issue refunded the October 2008 Wastewater Revenue Bond.
- (3) This bond issue refunded the May 2009 Wastewater Revenue Bonds.
- (4) This bond issue refunded the October 2002 Water Revenue Bonds.
- (5) This bond issue refunded the October 2008 Water Revenue Bonds.
- (6) 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, 2019, there were three series of Industrial Development Revenue Bonds outstanding, with an aggregate principal amount payable of \$30,180,439.

Debt Legal Compliance

Legal Debt Margin:

As of June 30, 2019, 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	\$ 5,810,610
Utilities	<u>97,051</u>
Total valuation	<u>\$ 5,907,661</u>
Debt limit, 5% of total assessed valuation	\$ 295,383
Debt applicable to debt limit:	
General obligation bonds	52,470
Urban renewal revenue bonds	14,930
Letters of credit	603
Other legal indebtedness (TIF rebates)	<u>27,704</u>
Total net debt applicable to limit	<u>95,707</u>
Legal debt margin	<u>\$ 199,676</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

7. Pension and Retirement Systems

The City contributes to two employee retirement systems, the Municipal Fire and Police Retirement System of Iowa (MFPRSI) and the Iowa Public Employees Retirement System (IPERS). MFPRSI is governed by a nine-member Board of Trustees. Though separate and apart from state government, the Board is authorized by the state legislature, which also establishes by statute the pension and disability benefits and the System's funding mechanism. IPERS is administered by the State of Iowa. All full-time employees must participate in either MFPRSI or IPERS. As of June 30, 2019, the City had the following balances related to its pension accounts:

	<u>IPERS</u>	<u>MFPRSI</u>	<u>Total</u>
Net Pension Liability	\$ 25,419,730	\$ 22,071,429	\$ 47,491,159
Deferred Inflows	1,805,612	745,549	2,551,161
Deferred Outflows	6,757,724	6,773,622	13,531,346
Pension Expense	3,105,633	3,387,651	6,493,284

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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

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.

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, 2019.

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 26.02% for the year ended June 30, 2019.

The City's contributions to MFPRSI for the year ended June 30, 2019 was \$2,902,433.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

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, 2019.

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

At June 30, 2019, the City reported a liability of \$22,071,429 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City’s proportion was 3.706970% which was an increase of .058335% from its proportions measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$3,387,651. At June 30, 2019, 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	\$ 592,510	\$ 299,410
Change of assumptions	1,885,125	176,377
Net difference between projected and actual earnings on pension plan investments	1,079,607	-
Changes in proportion and differences between City contributions and proportionate share of contributions	313,947	269,762
City contributions subsequent to the measurement date	2,902,433	-
Total	\$ 6,773,622	\$ 745,549

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

\$2,902,433 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, 2020. 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, 2020	\$ 2,057,622
June 30, 2021	1,058,600
June 30, 2022	(281,407)
June 30, 2023	237,718
June 30, 2024	53,107
	\$ 3,125,640

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2007 to June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50 percent of Scale BB beginning in 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 best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	3.3 %
Emerging Markets	9.0
Emerging Markets Debt	6.3
Large Cap	5.5
Small Cap	5.8
Master Limited Partnerships (MLP)	9.0
International Large Cap	7.3
Tactical Asset Allocation	6.4
Private Equity	9.0
Private Non-Core Real Estate	8.0
Private Core Real Estate	6.0

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate 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%, 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% lower (6.5%) or 1% higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability:	\$ 36,825,425	\$ 22,071,429	\$ 9,855,615

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, 2019, there were no amounts due to MFPRSI.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

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.

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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

Contributions

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.

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of pay and the City contributed 9.44% for a total rate of 15.73%.

The City's total contributions to IPERS for the year ended June 30, 2019 were \$2,912,438.

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

At June 30, 2019, the City reported a liability of \$25,419,730 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the City's proportion was .4016869% which was an increase of .004871% from its proportions measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$3,105,633. At June 30, 2019, 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	\$ 139,373	\$ 574,527
Change of assumptions	3,626,282	-
Net difference between projected and actual earnings on pension plan investments	-	698,452
Changes in proportion and differences between City contributions and proportionate share of contributions	79,631	532,633
City contributions subsequent to the measurement date	2,912,438	-
Total	\$ 6,757,724	\$ 1,805,612

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

\$2,912,438 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, 2020. 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, 2020	\$ 1,450,835
June 30, 2021	752,407
June 30, 2022	(184,610)
June 30, 2023	30,575
June 30, 2024	(9,533)
	<u>\$ 2,039,674</u>

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

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	27.0 %	1.97 %
Domestic Equity	22.0	6.01
International Equity	15.0	6.48
Private Equity	11.0	10.81
Private Real Assets	7.5	4.14
Public Real Assets	7.0	2.91
Public Credit	3.5	3.93
Private Credit	3.0	3.11
Global smart beta equity	3.0	6.23
Cash	1.0	(0.25)
Total	100.0 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed employee 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 to current active and inactive employees. 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 7.0%, 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% lower (6.0%) or 1% higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability:	\$ 43,142,390	\$ 25,419,730	\$ 10,553,053

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

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, 2019, 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, 2019, was as follows:

	July 1, 2018	Issues	Retirements	June 30, 2019	Due Within One Year
Governmental activities:	\$ 210,784	\$ -	\$ -	\$ 210,784	\$ -

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 \$210,784 due on August 1, 2025.

Changes in Long-Term Liabilities - Employee Vested Benefits

Employee Vested Benefits activity for the year ended June 30, 2019, was as follows:

	July 1, 2018	Issues	Retirements	June 30, 2019	Due Within One Year
Governmental activities:	\$ 2,240,484	\$ 1,331,738	\$ 1,252,770	\$ 2,319,452	\$ 1,307,338
Business-type activities:	\$ 727,245	\$ 424,905	\$ 424,180	\$ 727,970	\$ 424,616

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, 2019

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

Landfill Closure Post-closure care activity for the year ended June 30, 2019, was as follows:

	July 1, 2018	Issues	Retirements	June 30, 2019	Due Within One Year
Business-type activities:	\$ 9,259,218	\$ 491,861	\$ -	\$ 9,751,079	\$ -

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, 2019, is \$9,751,079, which is based on 57.85% usage (filled) of the landfill and is included in accrued liabilities within the Sanitation Fund. It is estimated that an additional amount of approximately \$7,104,719 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, 2019, was determined by a licensed professional engineer and approximated at \$16,855,798. 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, 2019. 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, 2019, the Sanitation Fund had \$14,319,333 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, 2019

Changes in Long-Term Liabilities – Other Postemployment Benefits (OPEB)

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. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	65
Active employees	<u>573</u>
Total	<u><u>638</u></u>

Total OPEB Liability: The City’s total OPEB liability of \$8,877,831 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

Actuarial Assumptions: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2019)	2.60% per annum
Rates of salary increases (effective June 30, 2019)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation
Discount rate (effective June 30, 2019)	3.51%, compounded annually, including inflation
Healthcare cost trend rate (effective June 30, 2019)	8.50% initial rate decreasing by .5% annually to an ultimate rate of 5.00%

Discount Rate: The discount rate used to measure the total OPEB liability was 3.51% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS and MFPRSI.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 7,589,740
Changes for the year:	
Service Cost	552,791
Interest	296,944
Difference between expected and actual experience	1,160,860
Changes in assumptions	225,633
Benefit payments	(948,137)
Net changes	1,288,091
Total OPEB liability end of year	\$ 8,877,831

Changes of assumptions reflect a change in the discount rate from 3.87% in fiscal year 2018 to 3.51% in fiscal year 2019.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

Sensitivity of the City’s Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.51%) or 1% higher (4.51%) than the current discount rate.

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB liability	\$ 9,526,999	\$ 8,877,831	\$ 8,262,262

Sensitivity of the City’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rate that is 1% lower (7.50%) or 1% higher (9.50%) than the current healthcare cost trend rate.

	1% Decrease (7.50%)	Healthcare Cost Trend Rate (8.50%)	1% Increase (9.50%)
Total OPEB liability	\$ 7,839,926	\$ 8,877,831	\$ 10,108,808

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2019, the City recognized OPEB expense of \$1,048,935. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,044,774	\$ 301,454
Change of assumptions	988,937	-
Total	\$ 2,033,711	\$ 301,454

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

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

Year Ended	Total
June 30, 2020	\$ 199,200
June 30, 2021	199,200
June 30, 2022	199,200
June 30, 2023	199,200
June 30, 2024	199,200
Thereafter	736,257
	<u>\$ 1,732,257</u>

9. Short Term Debt

Changes in Short-Term Liabilities - Notes Payable

Notes Payable activity for the year ended June 30, 2019, was as follows:

	<u>July 1, 2018</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Governmental activities:	<u>\$ 475,000</u>	<u>\$ 810,000</u>	<u>\$ 682,500</u>	<u>\$ 602,500</u>	<u>\$ 602,500</u>

During FY19, the City entered into additional multiple short-term loans totaling \$810,000 and repaid multiple short-term loans totaling \$682,500. The outstanding loans mature one year from the date of the loan and bear interest rates ranging from 2.00% to 5.50%. The loans were used to fund the acquisition and rehabilitation of single family homes as part of the UniverCity Neighborhood Partnership Program (UniverCity). UniverCity is a cooperative effort of the City of Iowa City and the University of Iowa dedicated to ensuring that the University of Iowa Campus and surrounding neighborhoods remain vital, safe, affordable, and attractive places to live and work for both renters and homeowners. The short-term loans have been repaid and will be repaid with the proceeds from the sale of the rehabilitated homes. The total available lines of credit total \$3,000,000 of which \$602,500 is outstanding as of June 30, 2019.

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.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

- 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.

Components of Fund Balance

	General	Other Shared Revenue and Grants	Employee Benefits	Other Construction	Bridge, Street and Traffic Control Construction	Debt Service	Other Governmental Funds	Total
Nonspendable:								
Perpetual Care Principal	\$ 69,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,000
Inventory	-	135,255	-	-	-	-	-	135,255
Prepaid Items	818,159	-	88,704	-	-	-	-	906,863
Total Nonspendable	<u>887,159</u>	<u>135,255</u>	<u>88,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,111,118</u>
Restricted for:								
Public Safety	362,021	-	-	-	-	-	-	362,021
Debt Service	-	-	-	-	-	9,673,871	-	9,673,871
GO Bond Projects	-	-	-	16,624,377	10,816,804	-	-	27,441,181
State Funding	-	3,363,436	-	-	-	-	-	3,363,436
Grant Agreement	-	-	-	-	-	-	3,556,869	3,556,869
Affordable Housing	-	1,635,738	-	-	-	-	-	1,635,738
Economic Development	-	-	-	-	-	-	993,418	993,418
Notes Receivable	1,329,209	-	-	-	-	-	-	1,329,209
Property Held for Resale	86,800	-	-	-	-	-	-	86,800
Public Safety Employee Benefits	-	-	3,865,784	-	-	-	-	3,865,784
Other Restricted	29,660	80,557	-	-	-	-	354,968	465,185
Total Restricted	<u>1,807,690</u>	<u>5,079,731</u>	<u>3,865,784</u>	<u>16,624,377</u>	<u>10,816,804</u>	<u>9,673,871</u>	<u>4,905,255</u>	<u>52,773,512</u>
Assigned to:								
Library Programs	986,872	-	-	-	-	-	-	986,872
Replacement and Acquisition Reserves	2,446,819	-	-	-	-	-	-	2,446,819
Other Assigned	131,520	-	-	-	-	-	-	131,520
Total Assigned	<u>3,565,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,565,211</u>
Unassigned:								
	34,357,800	(17,585)	-	-	-	(25,641)	(15,470)	34,299,104
Total Fund Balances	<u>\$ 40,617,860</u>	<u>\$ 5,197,401</u>	<u>\$ 3,954,488</u>	<u>\$ 16,624,377</u>	<u>\$ 10,816,804</u>	<u>\$ 9,648,230</u>	<u>\$ 4,889,785</u>	<u>\$ 91,748,945</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

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, 2019 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 thirty-one 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.

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, 2019 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, 2019 and 2018 are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2017 – 2018	\$ 2,289,000	\$ 1,309,000	\$ 1,425,000	\$ 2,173,000
2018 – 2019	2,173,000	1,510,000	976,000	2,707,000

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 \$11,791,187. 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, 2019 and 2018 are as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2017 – 2018	\$ 385,000	\$ 7,893,000	\$ 7,868,000	\$ 410,000
2018 – 2019	410,000	9,735,000	9,295,000	850,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

12. Commitments and Contingencies

Contractual Commitments

The total outstanding contractual commitments as of June 30, 2019 are as follows:

<u>Fund</u>	<u>Project</u>	<u>Amount</u>
Bridge, street and traffic control construction	Paving and Bridge Construction, Engineering Design and Consulting	\$ 3,666,250
Other construction	Public Works & Culture and Recreation Construction	11,436,844
Parking	Parking Facility Restoration Repair	22,720
Wastewater	Sewer Construction & Riverfront Crossings Park & Generator Relocation	1,483,539
Water	Water Construction & Water Plant Roof Replacement, Water Pressure Zone Improvement	162,471
Transit	Pedestrian/Transit Amenities	15,850
Airport	Runway Obstruction Mitigation	35,439
Stormwater	Stormwater System Improvements & Storm Sewer Replacements	<u>66,529</u>
		<u>\$ 16,889,642</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 \$27,703,850 exist, of which \$1,418,774 is expected to be paid in the next fiscal year. These items are expensed in the period in which they are paid. There were payments made in the current fiscal year in the amount of \$769,594. 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, 2019

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. 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 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, 2019, \$108,978 of property tax was diverted from the City 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, 2019 under agreements entered into by any entities.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2019

15. New Governmental Accounting Standards Board (GASB) Standards

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

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. 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.

Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, will be effective for fiscal year ending June 30, 2020. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period.

Statement No. 90, Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61 will be effective for fiscal year ending June 30, 2020. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Statement No. 91, Conduit Debt Obligations will be effective for fiscal year ending June 30, 2022. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

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, 2019
(dollar amounts expressed in thousands)

	Governmental Fund Types Actual Budgetary Basis	Enterprise Fund Types Actual Budgetary Basis	Total Actual Budgetary Basis
Revenues:			
Property taxes	\$ 59,113	\$ -	\$ 59,113
Delinquent property taxes	2	-	2
Tax increment financing taxes	2,565	-	2,565
Other city taxes	2,993	-	2,993
Special assessments	-	-	-
Licenses and permits	2,981	25	3,006
Intergovernmental	18,088	13,181	31,269
Charges for services	6,018	41,556	47,574
Use of money and property	2,510	2,979	5,489
Miscellaneous	2,559	805	3,364
Total revenues	96,829	58,546	155,375
Expenditures/Expenses:			
Public safety	24,590	-	24,590
Public works	9,929	-	9,929
Health and social services	300	-	300
Culture and recreation	13,911	-	13,911
Community and economic development	9,163	-	9,163
General government	9,005	-	9,005
Debt service	13,678	-	13,678
Capital outlay	39,753	-	39,753
Business-type	-	60,937	60,937
Total expenditures/expenses	120,329	60,937	181,266
Excess (deficiency) of revenues over (under) expenditures/expenses	(23,500)	(2,391)	(25,891)
Other financing sources and uses, net	15,950	(708)	15,242
Net change in fund balances	(7,550)	(3,099)	(10,649)
Balances, beginning of year	96,465	96,954	193,419
Balances, end of year	\$ 88,915	\$ 93,855	\$ 182,770

See Note to Required Supplementary Information.

Budgeted Amounts			
Original	Final		Final to Actual Variance - Positive (Negative)
\$ 59,174	\$ 59,174	\$	(61)
-	-		2
2,622	2,622		(57)
2,933	2,933		60
1	1		(1)
2,041	2,041		965
32,315	42,111		(10,842)
47,372	47,919		(345)
2,439	2,742		2,747
3,238	4,267		(903)
<u>152,135</u>	<u>163,810</u>		<u>(8,435)</u>
25,483	26,060		1,470
9,757	10,178		249
300	310		10
15,021	15,044		1,133
9,086	11,422		2,259
9,528	10,015		1,010
13,722	13,806		128
23,581	81,248		41,495
61,092	73,062		12,125
<u>167,570</u>	<u>241,145</u>		<u>59,879</u>
(15,435)	(77,335)		51,444
<u>11,926</u>	<u>17,869</u>		<u>(2,627)</u>
(3,509)	(59,466)	\$	<u><u>48,817</u></u>
134,883	193,419		
<u>\$ 131,374</u>	<u>\$ 133,953</u>		

CITY OF IOWA CITY

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

For the Year Ended June 30, 2019
(dollar amounts expressed in thousands)

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 96,829	\$ (4,057)	\$ 92,772
Expenditures	120,329	(12,828)	107,501
Net	(23,500)	8,771	(14,729)
Other financing sources and uses, net	15,950	(11,282)	4,668
Beginning Fund Balances	96,465	5,345	101,810
Ending Fund Balances	\$ 88,915	\$ 2,834	\$ 91,749

	Enterprise Fund Types		
	Budget Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 58,546	\$ 2,304	\$ 60,850
Expenditures	60,937	(648)	60,289
Net	(2,391)	2,952	561
Other financing sources and uses, net	(708)	8,597	7,889
Beginning Fund Balances	96,954	276,431	373,385
Ending Fund Balances	\$ 93,855	\$ 287,980	\$ 381,835

See Note to Required Supplementary Information.

City of Iowa City, Iowa
Note to Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2019

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 \$11,675,000 and expenditures by \$73,575,000. 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 Five Years***

(amounts expressed in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	3.706970%	3.648635%	3.697128%	3.704972%	3.778137%
City's proportionate share of the net pension liability	\$ 22,071	\$ 21,398	\$ 23,117	\$ 17,406	\$ 13,696
City's covered payroll	10,743	10,347	10,019	9,716	9,648
City's proportionate share of the net pension liability as a percentage of its covered payroll	205.45%	206.80%	230.73%	179.15%	141.96%
Plan fiduciary net position as a percentage of the total pension liability	81.07%	80.60%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions	\$ 2,902	\$ 2,759	\$ 2,682	\$ 2,782
Contributions in relation to the statutorily required contribution	<u>(2,902)</u>	<u>(2,759)</u>	<u>(2,682)</u>	<u>(2,782)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 11,155	\$ 10,743	\$ 10,347	\$ 10,019
Contributions as a percentage of covered payroll	26.02%	25.68%	25.92%	27.77%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 2,955	\$ 2,906	\$ 2,383	\$ 2,277	\$ 1,654	\$ 1,336
<u>(2,955)</u>	<u>(2,906)</u>	<u>(2,383)</u>	<u>(2,277)</u>	<u>(1,654)</u>	<u>(1,336)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 9,716	\$ 9,648	\$ 9,122	\$ 9,197	\$ 8,310	\$ 7,860
30.41%	30.12%	26.12%	24.76%	19.90%	17.00%

City of Iowa City, Iowa

Notes to Required Supplementary Information - Pension Liability

**Municipal Fire and Police Retirement System of Iowa
Year ended June 30, 2019**

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

The 2018 valuation changed postretirement mortality rates on the RP-2014 Blue Collar Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvements with 50% of Scale BB beginning in 2017.

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

City of Iowa City, Iowa

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

**Iowa Public Employees' Retirement System
For the Last Five Years***

(amounts expressed in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.4016869%	0.3968158%	0.3962696%	0.4159256%	0.4378904%
City's proportionate share of the net pension liability	\$ 25,420	\$ 26,433	\$ 24,938	\$ 20,549	\$ 17,366
City's covered payroll	30,190	29,619	28,448	28,495	28,654
City's proportionate share of the net pension liability as a percentage of its covered payroll	84.20%	89.24%	87.66%	72.11%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	83.62%	82.21%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions	\$ 2,912	\$ 2,696	\$ 2,645	\$ 2,540
Contributions in relation to the statutorily required contribution	<u>(2,912)</u>	<u>(2,696)</u>	<u>(2,645)</u>	<u>(2,540)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 30,852	\$ 30,190	\$ 29,619	\$ 28,448
Contributions as a percentage of covered payroll	9.44%	8.93%	8.93%	8.93%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 2,545	\$ 2,559	\$ 2,442	\$ 2,327	\$ 1,877	\$ 1,780
<u>(2,545)</u>	<u>(2,559)</u>	<u>(2,442)</u>	<u>(2,327)</u>	<u>(1,877)</u>	<u>(1,780)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 28,495	\$ 28,654	\$ 28,170	\$ 28,833	\$ 27,013	\$ 26,764
8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

City of Iowa City, Iowa

Notes to Required Supplementary Information - Pension Liability

Iowa Public Employees' Retirement System Year ended June 30, 2019

Changes of benefit terms:

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

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of an experience study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.5% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.

- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the 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 Changes in the City's Total OPEB Liability, Related Ratios and Notes

For the Last Two Years

(amounts expressed in thousands)

	2019	2018
Service Cost	\$ 553	\$ 502
Interest	297	245
Difference between expected and actual experience	1,161	(377)
Changes in assumptions	225	982
Benefit payments	(948)	(174)
Net change in total OPEB liability	1,288	1,178
Total OPEB liability beginning of year	7,590	6,412
Total OPEB liability end of year	<u>\$ 8,878</u>	<u>\$ 7,590</u>
City's covered-employee payroll	\$ 42,007	\$ 40,933
Total OPEB liability as a percentage of covered-employee payroll	21.13%	18.54%

Note: GASB Statement No. 75 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.

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2019	3.51%
Year ended June 30, 2018	3.87%

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.

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

CITY OF IOWA CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2019
(amounts expressed in thousands)

	Special Revenue			Total
	Economic Development	Community Development Block Grant	Metropolitan Planning Organization of Johnson County	
Assets				
Equity in pooled cash and investments	\$ 994	\$ -	\$ 305	\$ 1,299
Receivables:				
Property tax	377	-	-	377
Interest	9	-	2	11
Notes	-	3,557	-	3,557
Due from other governments	-	66	65	131
Total assets	\$ 1,380	\$ 3,623	\$ 372	\$ 5,375
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 45	\$ 5	\$ -	\$ 50
Accrued liabilities	-	5	17	22
Advances from other funds	-	56	-	56
Total liabilities	45	66	17	128
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property taxes	357	-	-	357
Total deferred inflows of resources	357	-	-	357
Fund balances:				
Restricted	993	3,557	355	4,905
Unassigned	(15)	-	-	(15)
Total fund balances	978	3,557	355	4,890
Total liabilities, deferred inflows of resources and fund balances	\$ 1,380	\$ 3,623	\$ 372	\$ 5,375

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2019
(amounts expressed in thousands)

	Special Revenue			Total
	Economic Development	Community Development Block Grant	Metropolitan Planning Organization of Johnson County	
Revenues				
Property taxes	\$ 2,928	\$ -	\$ -	\$ 2,928
Intergovernmental	35	1,132	365	1,532
Use of money and property	34	36	7	77
Miscellaneous	-	156	7	163
Total revenues	2,997	1,324	379	4,700
Expenditures				
Current:				
Community and economic development	816	1,387	619	2,822
Excess (deficiency) of revenues over (under) expenditures	2,181	(63)	(240)	1,878
Other Financing Sources (Uses)				
Transfers in	176	3	333	512
Transfers out	(2,904)	(214)	-	(3,118)
Total other financing sources and (uses)	(2,728)	(211)	333	(2,606)
Net change in fund balances	(547)	(274)	93	(728)
Fund Balances, Beginning	1,525	3,831	262	5,618
Fund Balances, Ending	\$ 978	\$ 3,557	\$ 355	\$ 4,890



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, equipment and vehicle rental from a central vehicle pool, and two-way radios provided to other City departments.

Central Services Fund – accounts for the support services of photocopying, mail and overnight shipping 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, 2019

(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 15,766	\$ 710	\$ 15,075	\$ 3,232	\$ 34,783
Receivables:					
Accounts and unbilled usage	-	-	292	-	292
Interest	77	5	158	22	262
Due from other governments	29	-	-	-	29
Inventories	515	-	-	-	515
Total current assets	<u>16,387</u>	<u>715</u>	<u>15,525</u>	<u>3,254</u>	<u>35,881</u>
Noncurrent assets:					
Capital assets:					
Land	45	-	-	-	45
Buildings	1,298	-	-	183	1,481
Improvements other than buildings	50	-	-	-	50
Machinery and equipment	20,386	145	19	1,469	22,019
Infrastructure	-	-	-	3,040	3,040
Accumulated depreciation	(12,208)	(93)	(19)	(1,352)	(13,672)
Construction in progress	116	-	-	85	201
Total noncurrent assets	<u>9,687</u>	<u>52</u>	<u>-</u>	<u>3,425</u>	<u>13,164</u>
Total assets	<u>26,074</u>	<u>767</u>	<u>15,525</u>	<u>6,679</u>	<u>49,045</u>
Deferred Outflows of Resources					
Pension related deferred outflows	169	5	33	171	378
OPEB related deferred outflows	40	3	3	30	76
Total deferred outflows of resources	<u>209</u>	<u>8</u>	<u>36</u>	<u>201</u>	<u>454</u>
Liabilities					
Current liabilities:					
Accounts payable	170	12	219	227	628
Accrued liabilities	34	1	3,564	36	3,635
Employee vested benefits	46	2	3	19	70
Total current liabilities	<u>250</u>	<u>15</u>	<u>3,786</u>	<u>282</u>	<u>4,333</u>
Noncurrent liabilities:					
Employee vested benefits	35	1	2	16	54
Net pension liability	632	21	126	676	1,455
Other post employment benefits liability	171	13	13	132	329
Total noncurrent liabilities	<u>838</u>	<u>35</u>	<u>141</u>	<u>824</u>	<u>1,838</u>
Total liabilities	<u>1,088</u>	<u>50</u>	<u>3,927</u>	<u>1,106</u>	<u>6,171</u>
Deferred Inflows of Resources					
Pension related deferred inflows	45	1	9	48	103
OPEB related deferred inflows	6	-	-	4	10
	<u>51</u>	<u>1</u>	<u>9</u>	<u>52</u>	<u>113</u>
Net Position					
Net investment in capital assets	9,687	52	-	3,425	13,164
Unrestricted	15,457	672	11,625	2,297	30,051
Total net position	<u>\$ 25,144</u>	<u>\$ 724</u>	<u>\$ 11,625</u>	<u>\$ 5,722</u>	<u>\$ 43,215</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2019
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Operating Revenues:					
Charges for services	\$ 6,806	\$ 236	\$ 10,681	\$ 2,369	\$ 20,092
Total operating revenues	<u>6,806</u>	<u>236</u>	<u>10,681</u>	<u>2,369</u>	<u>20,092</u>
Operating Expenses:					
Personal services	1,073	38	207	1,059	2,377
Commodities	1,878	10	81	521	2,490
Services and charges	529	112	11,466	306	12,413
	<u>3,480</u>	<u>160</u>	<u>11,754</u>	<u>1,886</u>	<u>17,280</u>
Depreciation	1,739	25	-	254	2,018
Total operating expenses	<u>5,219</u>	<u>185</u>	<u>11,754</u>	<u>2,140</u>	<u>19,298</u>
Operating income (loss)	<u>1,587</u>	<u>51</u>	<u>(1,073)</u>	<u>229</u>	<u>794</u>
Nonoperating Revenues:					
Gain (loss) on disposal of capital assets	207	-	-	(236)	(29)
Interest income	315	17	290	70	692
Total nonoperating revenues	<u>522</u>	<u>17</u>	<u>290</u>	<u>(166)</u>	<u>663</u>
Income (loss) before transfers	2,109	68	(783)	63	1,457
Transfers in	511	-	-	722	1,233
Transfers out	<u>(123)</u>	<u>(100)</u>	<u>(21)</u>	<u>(180)</u>	<u>(424)</u>
Change in net position	2,497	(32)	(804)	605	2,266
Net Position, Beginning	<u>22,647</u>	<u>756</u>	<u>12,429</u>	<u>5,117</u>	<u>40,949</u>
Net Position, Ending	<u>\$ 25,144</u>	<u>\$ 724</u>	<u>\$ 11,625</u>	<u>\$ 5,722</u>	<u>\$ 43,215</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2019

(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 6,828	\$ 236	\$ 10,484	\$ 2,369	\$ 19,917
Payments to suppliers	(2,454)	(116)	(10,569)	(697)	(13,836)
Payments to employees	(1,053)	(38)	(207)	(968)	(2,266)
Net cash flows from (used for) operating activities	<u>3,321</u>	<u>82</u>	<u>(292)</u>	<u>704</u>	<u>3,815</u>
Cash Flows From Noncapital Financing Activities					
Transfers to other funds	(123)	(100)	(21)	(180)	(424)
Net cash flows used for noncapital financing activities	<u>(123)</u>	<u>(100)</u>	<u>(21)</u>	<u>(180)</u>	<u>(424)</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of property and equipment	(1,733)	(17)	-	(278)	(2,028)
Proceeds from sale of property	251	-	-	5	256
Net cash flows used for capital and related financing activities	<u>(1,482)</u>	<u>(17)</u>	<u>-</u>	<u>(273)</u>	<u>(1,772)</u>
Cash Flows From Investing Activities					
Interest on investments	350	16	241	65	672
Net increase (decrease) in cash and cash equivalents	2,066	(19)	(72)	316	2,291
Cash and Cash Equivalents, Beginning	<u>13,700</u>	<u>729</u>	<u>15,147</u>	<u>2,916</u>	<u>32,492</u>
Cash and Cash Equivalents, Ending	<u>\$ 15,766</u>	<u>\$ 710</u>	<u>\$ 15,075</u>	<u>\$ 3,232</u>	<u>\$ 34,783</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income	\$ 1,587	\$ 51	\$ (1,073)	\$ 229	\$ 794
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation expense	1,739	25	-	254	2,018
Changes in:					
Receivables:					
Accounts and unbilled usage	-	-	(197)	-	(197)
Due from other governments	22	-	-	-	22
Inventories	6	-	-	-	6
Accounts payable	(53)	6	4	130	87
Accrued liabilities	(2)	-	975	-	973
Employee vested benefits	5	-	1	4	10
Net pension liability	(11)	-	(8)	56	37
Deferred outflows of resources	(7)	(1)	3	(2)	(7)
Deferred inflows of resources	10	(1)	1	14	24
Other post employment benefits liability	25	2	2	19	48
Total adjustments	<u>1,734</u>	<u>31</u>	<u>781</u>	<u>475</u>	<u>3,021</u>
Net cash flows from (used for) operating activities	<u>\$ 3,321</u>	<u>\$ 82</u>	<u>\$ (292)</u>	<u>\$ 704</u>	<u>\$ 3,815</u>
Noncash Investing, Capital, and Financing Activities:					
Contributions of capital assets from government and others	\$ 511	\$ -	\$ -	\$ 722	\$ 1,233
Contributions of capital assets to government and others	\$ -	\$ -	\$ 21	\$ -	\$ 21

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, 2019
(amounts expressed in thousands)

Project Green	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
Assets				
Equity in pooled cash and investments	\$ 150	\$ 63	\$ 92	\$ 121
Interest receivable	1	1	1	1
Total assets	<u>\$ 151</u>	<u>\$ 64</u>	<u>\$ 93</u>	<u>\$ 122</u>
Liabilities				
Accounts payable	\$ 12	\$ 30	\$ 12	\$ 30
Due to agency	139	34	81	92
Total liabilities	<u>\$ 151</u>	<u>\$ 64</u>	<u>\$ 93</u>	<u>\$ 122</u>

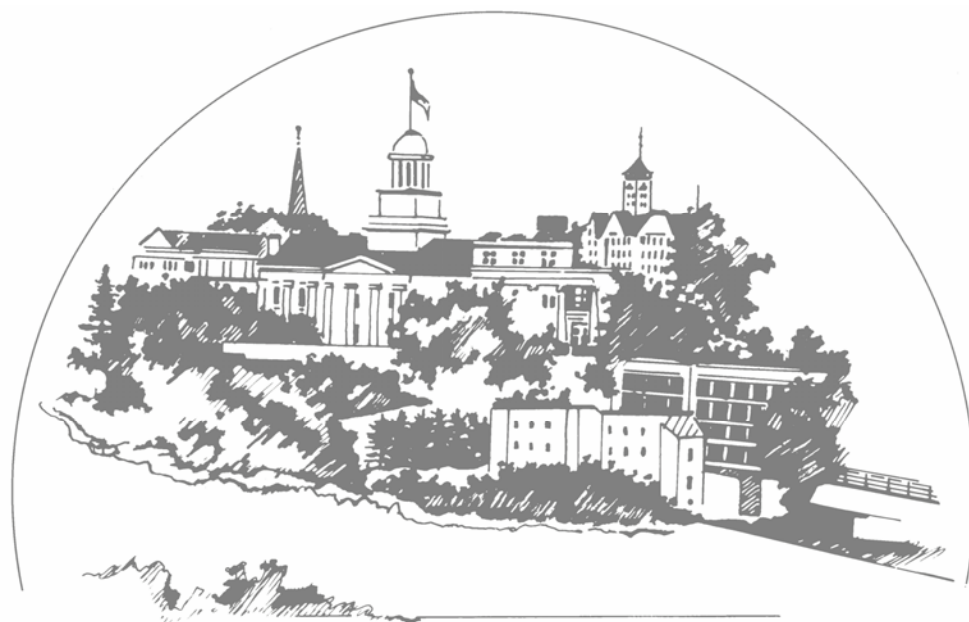
Statistical Section Tabs

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.	109
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	114
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.	124
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.	134
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.	136

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)

	2010	2011	2012	2013 ¹	2014	2015	2016 ²	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 111,703	\$ 123,935	\$ 135,998	\$ 133,989	\$ 138,482	\$ 153,729	\$ 163,362	\$ 183,651	\$ 203,077	\$ 208,028
Restricted	25,588	31,179	35,021	22,867	39,958	36,447	42,154	47,676	41,490	38,819
Unrestricted	32,478	36,862	38,906	50,744	39,758	15,520	18,402	16,264	17,646	20,124
Total governmental activities net position	<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>	<u>\$ 262,213</u>	<u>\$ 266,971</u>
Business-type activities										
Net investment in capital assets	\$ 172,601	\$ 186,177	\$ 195,073	\$ 253,617	\$ 264,727	\$ 279,272	\$ 279,679	\$ 285,912	\$ 294,109	\$ 304,111
Restricted	17,588	20,658	20,176	19,033	19,438	22,389	22,269	21,238	22,219	18,055
Unrestricted	65,725	61,032	58,850	74,370	71,542	57,367	69,472	76,664	73,126	77,224
Total business-type activities net position	<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>	<u>\$ 389,454</u>	<u>\$ 399,390</u>
Primary government										
Net investment in capital assets	\$ 284,304	\$ 310,112	\$ 331,071	\$ 387,606	\$ 403,209	\$ 433,001	\$ 443,041	\$ 469,563	\$ 497,186	\$ 512,139
Restricted	43,176	51,837	55,197	41,900	59,396	58,836	64,423	68,914	63,709	56,874
Unrestricted	98,203	97,894	97,756	125,114	111,300	72,887	87,874	92,928	90,772	97,348
Total primary government net position	<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>	<u>\$ 651,667</u>	<u>\$ 666,361</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)

	2010	2011	2012	2013 ¹	2014	2015	2016 ²	2017	2018	2019
Expenses										
Governmental activities:										
Public safety	\$ 19,955	\$ 18,867	\$ 21,186	\$ 20,989	\$ 22,721	\$ 21,193	\$ 22,029	\$ 24,002	\$ 25,191	\$ 26,265
Public works	16,806	19,145	17,556	10,240	8,258	11,037	10,839	12,032	12,813	16,324
Culture and recreation	12,238	10,811	13,107	14,481	16,586	14,049	14,422	15,525	16,363	16,009
Community and economic development	16,913	16,501	16,305	10,596	10,059	7,093	6,786	8,253	12,019	16,022
General government	7,549	7,356	7,591	7,513	7,687	7,752	6,240	6,124	6,858	7,524
Debt service	2,970	2,841	2,400	2,237	1,797	1,517	1,287	1,481	1,414	1,444
Total governmental activities expenses	76,431	75,521	78,145	66,056	67,108	62,641	61,603	67,417	74,658	83,588
Business-type activities:										
Wastewater	11,274	10,971	11,069	10,464	21,139	12,131	11,866	11,233	11,392	11,413
Water	8,309	8,523	8,781	9,074	8,723	8,403	8,149	8,921	9,472	9,543
Sanitation	7,705	7,461	8,315	7,279	8,402	8,114	8,735	9,123	9,408	10,858
Housing authority	7,838	7,448	7,911	7,658	7,703	7,873	8,378	8,798	9,535	10,170
Parking	4,536	4,135	4,167	4,579	4,093	4,678	4,460	4,620	5,590	5,461
Airport	724	1,049	1,127	1,086	1,209	1,612	1,597	1,402	1,680	1,466
Stormwater	1,187	1,418	1,304	1,318	1,314	2,091	1,989	2,432	1,844	1,832
Cable television	645	638	689	-	781	704	-	-	-	-
Transit	-	-	-	6,998	7,795	7,379	7,486	7,263	8,071	8,833
Total business-type activities expenses	42,218	41,643	43,363	49,148	61,159	52,985	52,660	53,792	56,992	59,576
Total primary government expenses	\$ 118,649	\$ 117,164	\$ 121,508	\$ 115,204	\$ 128,267	\$ 115,626	\$ 114,263	\$ 121,209	\$ 131,650	\$ 143,164
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 2,980	\$ 3,279	\$ 3,401	\$ 4,098	\$ 3,626	\$ 3,926	\$ 4,813	\$ 5,286	\$ 4,438	\$ 4,870
Public works	1,061	1,117	1,112	52	61	388	628	724	62	290
Culture and recreation	773	872	825	775	808	801	823	842	836	854
Community and economic development	-	-	-	-	45	50	1,044	36	441	548
General government	2,574	2,931	2,817	2,763	3,030	2,975	1,252	1,524	1,520	1,717
Operating grants and contributions	15,554	13,517	8,682	4,731	3,231	8,701	9,941	10,828	10,245	13,758
Capital grants and contributions	8,291	6,048	6,078	6,876	5,580	11,556	3,999	9,952	1,459	1,972
Total governmental activities program revenues	31,233	27,764	22,915	19,295	16,381	28,397	22,500	29,192	19,001	24,009
Business-type activities:										
Charges for services:										
Wastewater	12,637	12,836	12,670	12,832	12,559	12,189	12,266	12,277	12,626	12,831
Water	7,957	8,054	8,419	8,583	8,443	8,527	9,134	9,275	9,473	9,640
Sanitation	8,096	8,259	8,115	8,181	8,467	9,015	9,215	9,927	10,014	10,017
Housing authority	180	208	207	205	213	237	300	321	323	295
Parking	5,377	5,234	4,743	5,043	5,294	5,502	5,438	5,453	5,648	5,982
Airport	289	293	306	314	328	349	333	345	348	361
Stormwater	617	641	811	974	1,093	1,147	1,168	1,544	1,560	1,568
Cable Television	790	809	824	816	773	750	-	-	-	-
Transit ¹	-	-	-	2,117	2,185	2,289	2,099	2,089	2,216	2,171
Capital grants and contributions: Wastewater	2,115	2,394	3,223	30,181	7,105	1,370	3,415	2,226	1,913	1,827
Capital grants and contributions: Water	572	973	977	494	539	581	254	869	483	488
Capital grants and contributions: Sanitation	6	-	2	-	-	-	-	-	22	13
Capital grants and contributions: Airport	3,311	358	1,576	2,452	5,214	137	260	58	49	38
Capital grants and contributions: Stormwater	541	140	436	226	711	792	370	1,251	892	902
Capital grants and contributions: Housing authority	25	11	-	-	-	-	-	-	-	-
Capital grants and contributions: Parking	-	269	4	-	-	-	-	-	-	-
Capital grants and contributions: Transit	-	-	-	898	243	-	308	395	3,827	-
Operating grants and contributions: Housing authority	7,765	7,438	6,782	6,968	6,721	7,628	8,318	8,532	9,065	9,443
Operating grants and contributions: Water	6	-	-	442	6	2	-	-	-	-
Operating grants and contributions: Airport	-	-	-	11	56	232	128	69	72	14
Operating grants and contributions: Sanitation	6	10	-	23	27	25	3	-	3	104
Operating grants and contributions: Wastewater	-	-	-	-	62	21	-	-	-	-
Operating grants and contributions: Stormwater	-	-	-	13	13	279	95	-	2	-
Operating grants and contributions: Transit	-	-	-	1,767	2,118	2,082	2,095	2,235	2,088	2,152
Total business-type activities program revenues	50,290	47,927	49,095	82,540	62,170	53,154	55,199	56,866	60,624	57,846
Total primary government revenues	\$ 81,523	\$ 75,691	\$ 72,010	\$ 101,835	\$ 78,551	\$ 81,551	\$ 77,699	\$ 86,058	\$ 79,625	\$ 81,855
Net (Expense) / Revenues										
Governmental activities										
	\$ (45,198)	\$ (47,757)	\$ (55,230)	\$ (46,761)	\$ (50,727)	\$ (34,244)	\$ (39,103)	\$ (38,225)	\$ (55,657)	\$ (59,579)
Business-type activities										
	8,072	6,284	5,732	33,392	1,011	169	2,539	3,074	3,632	(1,730)
Total primary government net expense	\$ (37,126)	\$ (41,473)	\$ (49,498)	\$ (13,369)	\$ (49,716)	\$ (34,075)	\$ (36,564)	\$ (35,151)	\$ (52,025)	\$ (61,309)
General Revenues and Other Changes in Net Position										
Governmental activities:										
General revenues:										
Property taxes	\$ 49,467	\$ 48,011	\$ 50,516	\$ 51,017	\$ 50,551	\$ 52,205	\$ 53,114	\$ 57,649	\$ 59,046	\$ 61,739
Road use tax ³	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	1,535	2,464	2,491	2,609	2,778	2,810	2,717	2,802	2,706	2,935
Grants and contributions not restricted to specific purposes	-	-	-	-	-	1,048	2,080	1,583	1,547	1,552
Earnings on investments	1,766	1,539	1,823	841	973	1,188	1,045	1,397	2,368	3,257
Miscellaneous	3,893	6,230	4,228	4,390	4,353	5,518	4,464	3,369	3,656	3,329
Gain on sale of assets	-	761	2,950	1,312	1,651	135	218	2,151	140	186
Transfers	(625)	(4,020)	(3,867)	(10,485)	(6,192)	(10,057)	(6,395)	(7,053)	1,814	(8,661)
Reassignments	-	-	-	-	-	-	82	-	-	-
Total governmental activities	69,702	69,964	73,179	65,131	61,325	52,847	57,325	61,898	71,277	64,337

(continued)

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

Last Ten Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	2010	2011	2012	2013 ¹	2014	2015	2016 ²	2017	2018	2019
Business-type activities:										
General revenues:										
Earnings on investments	1,311	954	813	671	494	707	715	938	1,496	2,166
Gain on sale of assets	230	314	336	293	725	856	2,463	69	2,438	1
Miscellaneous	464	381	484	918	265	374	362	1,260	456	838
Transfers	625	4,020	3,867	10,485	6,192	10,057	6,395	7,053	(1,814)	8,661
Reassignments	-	-	-	-	-	-	(82)	-	-	-
Special items	-	-	-	-	-	(574)	-	-	-	-
Extraordinary items	-	-	(5,000)	-	-	-	-	-	-	-
Total business-type activities	<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>	<u>2,576</u>	<u>11,666</u>
Total primary government	<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>	<u>\$ 73,853</u>	<u>\$ 76,003</u>
Change in Net Position										
Governmental activities	\$ 24,504	\$ 22,207	\$ 17,949	\$ 18,370	\$ 10,598	\$ 18,603	\$ 18,222	\$ 23,673	\$ 15,620	\$ 4,758
Business-type activities	10,702	11,953	6,232	45,759	8,687	11,589	12,392	12,394	6,208	9,936
Total primary government	<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>	<u>\$ 21,828</u>	<u>\$ 14,694</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)

	2010	2011 ¹	2012	2013 ²	2014	2015	2016 ³	2017	2018	2019
General Fund										
Nonspendable	\$ -	\$ 331	\$ 314	\$ 69	\$ 69	\$ 69	\$ 69	\$ 788	\$ 793	\$ 887
Restricted	-	16,268	23,779	25,689	26,533	25,291	18,975	9,974	1,942	1,808
Committed	-	-	-	-	-	-	4,699	5,199	4,962	-
Assigned	-	3,542	5,191	1,744	3,400	-	1,143	1,342	1,437	3,565
Reserved	406	-	-	-	-	4,483	-	-	-	-
Unassigned	-	15,931	14,273	17,113	17,907	19,286	23,366	24,793	28,516	34,358
Unreserved	26,101	-	-	-	-	-	-	-	-	-
Total general fund	<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>	<u>\$ 37,650</u>	<u>\$ 40,618</u>
All other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 344	\$ 165	\$ 224
Restricted	-	34,889	34,853	28,108	31,285	27,897	38,266	63,941	64,033	50,966
Reserved	3,903	-	-	-	-	-	-	-	-	-
Designated for long-term debt	13,952	-	-	-	-	-	-	-	-	-
Unassigned	-	(1,741)	(366)	(5,844)	(9)	-	-	-	(38)	(59)
Unreserved, reported in:										
Special revenue funds	(1,674)	-	-	-	-	-	-	-	-	-
Capital projects funds	8,043	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<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>	<u>\$ 64,160</u>	<u>\$ 51,131</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)

	2010	2011	2012	2013 ¹	2014	2015	2016 ²	2017	2018	2019
Revenues:										
Property taxes and assessments	\$ 59,143	\$ 59,387	\$ 61,649	\$ 62,483	\$ 53,797	\$ 55,014	\$ 55,831	\$ 60,452	\$ 61,753	\$ 64,672
Licenses and permits	1,211	1,412	1,307	1,784	1,660	1,806	3,056	3,521	2,734	2,981
Intergovernmental	31,404	29,870	21,952	19,941	17,636	21,086	20,230	24,140	14,944	16,828
Charges for services	2,433	2,515	2,614	1,800	1,819	2,204	3,357	2,355	2,295	2,690
Fines and forfeits	-	-	-	-	-	-	760	750	695	776
Use of money and property	1,599	1,479	1,768	782	909	1,080	946	1,235	1,937	2,564
Miscellaneous	4,784	7,749	5,750	6,325	6,040	7,045	2,913	2,101	2,875	2,261
Total governmental activities revenues	\$ 100,574	\$ 102,412	\$ 95,040	\$ 93,115	\$ 81,861	\$ 88,235	\$ 87,093	\$ 94,554	\$ 87,233	\$ 92,772
Expenditures										
Current										
Public safety	\$ 19,108	\$ 18,717	\$ 20,091	\$ 20,648	\$ 21,370	\$ 21,996	\$ 21,701	\$ 22,513	\$ 23,360	\$ 24,295
Public works	13,311	14,766	15,462	8,503	8,432	12,071	9,466	9,186	10,052	10,894
Culture and recreation	11,266	12,498	13,075	13,000	13,087	11,821	12,257	13,341	14,208	13,709
Community and economic development	10,520	8,878	8,037	8,219	8,196	5,711	5,346	7,695	11,074	15,723
General government	7,191	7,695	7,553	7,286	7,184	7,608	6,007	5,882	6,017	6,579
Debt service										
Principal	9,354	10,386	13,294	16,465	13,560	12,564	13,230	13,305	11,895	12,080
Interest	3,064	2,889	2,543	2,339	1,903	1,669	1,475	1,597	1,570	1,589
Capital projects	17,690	21,873	16,006	17,861	14,528	14,762	14,848	18,405	28,225	22,632
Total expenditures	\$ 91,504	\$ 97,702	\$ 96,061	\$ 94,321	\$ 88,260	\$ 88,202	\$ 84,330	\$ 91,924	\$ 106,401	\$ 107,501
Excess (deficiency) of revenues over (under) expenditures	\$ 9,070	\$ 4,710	\$ (1,021)	\$ (1,206)	\$ (6,399)	\$ 33	\$ 2,763	\$ 2,630	\$ (19,168)	\$ (14,729)
Other financing sources (uses):										
Issuance of long-term debt	\$ -	\$ 16,165	\$ 9,690	\$ 2,655	\$ 19,730	\$ 7,785	\$ 9,405	\$ 22,570	\$ 11,995	\$ 12,535
Issuance of refunding debt	-	10,930	-	-	-	-	-	-	-	-
Sale of capital assets	222	845	3,619	1,369	1,684	165	252	2,292	140	758
Insurance Recoveries	20	594	53	-	-	-	-	-	-	-
Premium (discount) on issuance of bonds	-	394	165	(42)	385	199	441	120	236	81
Payment of refunded bonds	-	(11,085)	-	-	-	-	-	-	-	-
Transfers in	16,742	18,658	19,499	25,198	13,040	13,089	25,133	34,675	34,666	25,663
Transfers out	(17,446)	(22,722)	(23,181)	(35,493)	(16,134)	(23,430)	(28,502)	(47,033)	(32,440)	(34,369)
Total other financing sources (uses)	\$ (462)	\$ 13,779	\$ 9,845	\$ (6,313)	\$ 18,705	\$ (2,192)	\$ 6,729	\$ 12,624	\$ 14,597	\$ 4,668
Net change in fund balances	\$ 8,608	\$ 18,489	\$ 8,824	\$ (7,519)	\$ 12,306	\$ (2,159)	\$ 9,492	\$ 15,254	\$ (4,571)	\$ (10,061)
Debt service as a percentage of noncapital expenditures	15.3%	16.2%	18.6%	24.0%	20.7%	19.8%	21.2%	19.9%	17.1%	15.6%

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

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>
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
2018	59,730	8,427	1,046	-	976	70,179
2019	62,407	8,820	1,302	-	965	73,494

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

Assessed Valuation

	Tax Collection Year:									
	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011	FY2010
Residential	\$ 4,255,597,838	\$ 4,001,761,478	\$ 3,882,757,454	\$ 3,603,743,609	\$ 3,488,112,611	\$ 3,367,051,717	\$ 3,284,249,136	\$ 3,182,636,485	\$ 3,122,874,615	\$ 3,065,278,624
Agricultural (taxed at Ag rate)	2,625,810	3,425,692	3,720,671	3,553,520	3,680,920	2,655,640	2,516,440	2,263,884	2,314,823	1,499,347
Multi-Residential	471,420,082	411,460,472	410,426,868	-	-	-	-	-	-	-
Commercial	915,964,068	821,949,555	805,734,128	1,129,397,979	1,144,437,631	1,113,600,025	1,149,535,927	1,146,182,052	1,139,935,432	1,055,126,085
Industrial	71,553,904	72,635,554	73,206,895	74,399,739	80,153,614	72,834,630	73,400,730	73,044,725	72,283,702	67,288,971
Railroads	3,549,414	3,984,932	4,096,577	4,015,580	3,827,506	3,205,451	2,619,932	1,799,383	1,593,188	2,098,465
Utilities w/out Gas & Electric	7,099,293	6,734,894	7,375,066	8,239,789	9,599,528	10,816,940	11,051,685	10,729,898	9,491,730	9,304,801
Gross valuation	5,727,810,409	5,321,952,577	5,187,317,659	4,823,350,216	4,729,811,810	4,570,164,403	4,523,373,850	4,416,656,427	4,348,493,490	4,200,596,293
Less: Military exemption	2,579,836	2,635,396	2,727,994	2,828,002	2,939,122	3,059,502	3,096,542	3,163,216	3,239,146	3,324,338
Net valuation	5,725,230,573	5,319,317,181	5,184,589,665	4,820,522,214	4,726,872,688	4,567,104,901	4,520,277,308	4,413,493,211	4,345,254,344	4,197,271,955
Incremental value	85,379,709	80,577,275	72,666,677	42,307,287	21,131,574	14,113,908	11,712,327	25,408,838	25,408,841	117,812,738
Gas and Electric Utilities	97,050,716	94,582,279	92,987,351	87,728,294	78,642,915	87,100,183	83,538,109	81,240,051	79,196,417	61,065,832
Total Assessed valuation	\$ 5,907,660,998	\$ 5,494,476,735	\$ 5,350,243,693	\$ 4,950,557,795	\$ 4,826,647,177	\$ 4,668,318,992	\$ 4,615,527,744	\$ 4,520,142,100	\$ 4,449,859,602	\$ 4,376,150,525
Percent change	7.520%	2.696%	8.074%	2.567%	3.392%	1.144%	2.110%	1.579%	1.684%	2.639%

Taxable Valuation

	Tax Collection Year:									
	FY2019	FY2018	FY2017	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011	FY2010
Assessment Limitation:										
Residential rollback	55.6209%	56.9391%	55.6259%	55.7335%	54.4002%	52.8166%	50.7518%	48.5299%	46.9094%	45.5893%
Agricultural rollback	54.4480%	47.4996%	46.1068%	44.7021%	43.3997%	59.9334%	57.5411%	69.0152%	66.2715%	93.8568%
Multi-Residential rollback	78.75%	82.50%	86.25%	NA	NA	NA	NA	NA	NA	NA
Commercial and Railroad rollback	90.0%	90.0%	90.0%	90.0%	95.0%	NA	NA	NA	NA	NA
Industrial rollback	90.0%	90.0%	90.0%	90.0%	95.0%	NA	NA	NA	NA	NA
Residential	\$ 2,356,529,643	\$ 2,274,451,551	\$ 2,155,033,296	\$ 2,008,493,138	\$ 1,894,079,854	\$ 1,776,096,066	\$ 1,666,036,081	\$ 1,544,260,536	\$ 1,464,643,790	\$ 1,384,088,145
Agricultural (taxed at Ag rate)	1,429,547	1,618,090	1,706,955	1,588,496	1,597,501	1,591,636	1,447,988	1,562,422	1,534,056	1,407,234
Multi-Residential	368,969,925	337,946,106	353,335,857	-	-	-	-	-	-	-
Commercial	819,505,276	734,200,396	720,036,878	1,016,458,199	1,086,556,293	1,113,600,025	1,149,535,927	1,146,182,052	1,139,935,432	1,055,126,085
Industrial	64,152,540	64,688,055	65,301,535	66,959,765	76,128,877	72,834,630	73,400,730	73,044,725	72,283,702	67,288,971
Railroads	3,194,473	3,586,439	3,686,919	3,614,022	3,636,130	3,205,451	2,619,932	1,799,383	1,593,188	2,098,465
Utilities w/out Gas & Electric	7,099,293	6,734,894	7,375,066	8,239,789	9,599,528	10,816,940	11,051,685	10,729,898	9,491,730	9,304,801
Gross valuation	3,620,880,697	3,423,225,531	3,306,476,506	3,105,353,409	3,071,598,183	2,978,144,748	2,904,092,343	2,777,579,016	2,689,481,898	2,519,313,701
Less: Military exemption	2,579,836	2,635,396	2,727,994	2,828,002	2,939,122	3,059,502	3,096,542	3,163,216	3,239,146	3,324,338
Net valuation	3,618,300,861	3,420,590,135	3,303,748,512	3,102,525,407	3,068,659,061	2,975,085,246	2,900,995,801	2,774,415,800	2,686,242,752	2,515,989,363
Incremental value	85,379,369	80,559,947	72,650,838	33,331,128	21,131,574	14,113,908	11,712,327	25,408,838	25,408,841	117,812,738
Gas and Electric Utilities	41,797,475	41,702,196	44,986,783	46,785,426	47,004,994	46,813,214	47,404,050	48,337,968	46,333,208	45,156,750
Total Taxable Valuation	\$ 3,745,477,705	\$ 3,542,852,278	\$ 3,421,386,133	\$ 3,182,641,961	\$ 3,136,795,629	\$ 3,036,012,368	\$ 2,960,112,178	\$ 2,848,162,606	\$ 2,757,984,801	\$ 2,678,958,851
Percent change	5.719%	3.550%	7.501%	1.462%	3.320%	2.564%	3.931%	3.270%	2.950%	4.371%

Total Direct Tax Rate

City of Iowa City	\$ 16.183	\$ 16.333	\$ 16.583	\$ 16.651	\$ 16.705	\$ 16.805	\$ 17.269	\$ 17.842	\$ 17.757	\$ 17.853
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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)

	Fiscal Year:	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
	Levy Year:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City:											
General Fund	\$	8.10000	\$ 8.10000	\$ 8.10000	\$ 8.10000	\$ 8.10000	\$ 8.10000	\$ 8.10000	\$ 8.10000	\$ 8.10000	\$ 8.10000
Emergency Levy		0.25607	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Debt Service Fund		4.21934	4.43847	4.64901	4.44287	4.02965	4.12963	3.92833	3.82846	3.57846	3.22846
Employee Benefits		3.63680	3.58146	3.52580	3.19286	3.16331	2.96331	3.11277	3.14415	3.14415	3.34415
Capital Improvement		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Other		1.64041	1.63662	1.56669	1.53291	1.51226	1.51226	1.50986	1.51044	1.51044	1.51044
Total City	\$	17.85262	\$ 17.75655	\$ 17.84150	\$ 17.26864	\$ 16.80522	\$ 16.70520	\$ 16.65096	\$ 16.58305	\$ 16.33305	\$ 16.18305
Johnson County	\$	7.38568	\$ 7.22207	\$ 6.98984	\$ 6.74909	\$ 6.73712	\$ 6.74168	\$ 6.90337	\$ 6.77140	\$ 6.85143	\$ 6.53594
Iowa City Community School District		14.19136	14.68972	14.59055	14.07327	13.68792	13.69999	13.86773	13.98935	13.95855	14.85629
Kirkwood		0.84042	0.92566	0.99870	1.07888	1.06473	1.05754	1.06125	1.08048	1.13174	1.20354
Other		0.32561	0.32119	0.33310	0.32919	0.37333	0.32315	0.32784	0.32450	0.33036	0.30557
Total Tax Rate	\$	40.59569	\$ 40.91519	\$ 40.75369	\$ 39.49907	\$ 38.66832	\$ 38.52756	\$ 38.81115	\$ 38.74878	\$ 38.60513	\$ 39.08439

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

Note:

Does not include the tax rate for agriculture.

Taxpayers in the Iowa City Community School District Area

CITY OF IOWA CITY, IOWA

LEVIES 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>
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
2018	56,458	56,434	100.0	0	56,434	100.0
2019	59,174	59,252	100.1	2	59,254	100.1

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 taxpayers¹</u>	<u>Type of Business</u>	<u>2010</u>			<u>2019</u>		
		<u>Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Taxable Valuation</u>	<u>Taxable Valuation</u>	<u>Rank</u>	<u>% of Total Taxable Valuation</u>
ACT Inc (Am College Testing Prgrm)	Educational Testing Service	\$ 45,553	1	1.03 %	\$ 51,020	1	1.49 %
BBCS Hawkeye Housing LLC	Real Estate Mangment	-	-	N/A	45,357	2	1.33
Tailwind Iowa City LLC	Real Estate Mangment	-	-	N/A	33,054	3	0.97
Mid-American Energy Company	Public Gas and Electric Utility	40,242	2	1.02	29,924	4	0.87
Rise at Riverfront Crossing Owner LLC	Real Estate Developer	-	-	N/A	28,415	5	0.83
Vesper Iowa City LLC	Real Estate Developer	-	-	N/A	27,191	6	0.79
Ann Gerdin Trust (formerly Russell Gerdin)	Warehousing	19,003	3	0.39	25,448	7	0.74
Midwestone Bank	Finanacial	-	-	N/A	23,630	8	0.69
Dealer Properties IC LLC (Billion Auto)	Car Dealerships	-	-	N/A	21,465	9	0.63
Proctor & Gamble LLC	Manufacturing Company	13,752	9	0.29	18,677	10	0.55
Christian Retirement Services (Oaknoll)	Retirement Community	-	-	N/A	-	-	N/A
SouthGate Development Company	RealEstate Developer	18,532	4	0.46	-	-	N/A
National Computer Systems (Pearson)	Information Services	14,317	8	0.38	-	-	N/A
MEHSM LC (Sycamore Mall)	Shopping Mall	16,411	5	0.34	-	-	N/A
Plaza Towers LLC	Condo/Hotel/Commercial space	14,575	7	0.32	-	-	N/A
United Natural Foods	Wholesale Distribution Company	13,095	10	0.30	-	-	N/A
Alpha Inc.	Industrial	15,426	6	0.27	-	-	N/A
Total		<u>\$ 210,906</u>		<u>4.80 %</u>	<u>\$ 304,181</u>		<u>8.89 %</u>

Sources:

¹City of Iowa City Assessor's Office



CITY OF IOWA CITY, IOWA

LARGER WATER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	<u>2010</u>			<u>2019</u>		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
Proctor & Gamble	\$ 599,272	1	7.92 %	\$ 884,980	1	8.73 %
Veterans Administration Medical Center	72,671	2	0.96	108,501	2	1.07
Campus Apartments	69,206	3	0.91	69,523	3	0.69
Mercy Hospital	68,177	4	0.90	62,721	4	0.62
Tailwind Iowa City LLC formerly Dolphin Lake	50,696	7	0.67	62,045	5	0.61
Dominium JIT Srv formerly Mark IV Apts	55,672	6	0.74	52,530	6	0.52
Graduate Hotel	-	-	N/A	48,311	7	0.48
Seville Apts	33,442	10	0.44	38,770	8	0.38
Iowa City School District	-	-	N/A	37,848	9	0.37
Emerald Court Apts	-	-	N/A	32,840	10	0.32
Robert's Dairy	59,055	5	0.78	-	-	N/A
Penningroth Apts	49,431	8	0.65	-	-	N/A
University of Iowa Mayflower	43,246	9	0.57	-	-	N/A
	<u>\$ 1,100,868</u>		<u>14.54 %</u>	<u>\$ 1,398,069</u>		<u>13.79 %</u>
 Total Water System Charges	 \$ 7,568,378			 \$ 10,139,587		

Sources:

City of Iowa City Revenue Division

CITY OF IOWA CITY, IOWA

SALES HISTORY AND WATER SYSTEM CHARGES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Sales Cubic Feet Sold</u>	<u>Water System Charges</u>
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
2018	293,046,636	9,953,510
2019	289,055,329	10,139,587

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

LARGER SEWER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	<u>2010</u>			<u>2019</u>		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	\$ 2,010,239	1	16.03 %	\$ 2,145,648	1	16.73 %
Proctor & Gamble	1,195,084	2	9.53	1,317,634	2	10.28
Iowa City Landfill	102,083	5	0.81	249,780	3	1.95
Veterans Administration Medical Center	96,082	7	0.77	133,486	4	1.04
Mercy Hospital	117,571	4	0.94	100,293	5	0.78
Campus Apartments	96,613	6	0.77	77,874	6	0.61
Dominium JIT Srv formerly Mark IV Apts	78,338	10	0.62	60,449	7	0.47
Tailwind Iowa City LLC formerly Dolphin Lake	83,082	9	0.66	57,910	8	0.45
Seville Apts	-	-	N/A	53,432	9	0.42
Graduate Hotel	-	-	N/A	50,597	10	0.39
Robert's Dairy	199,968	3	1.59	-	-	N/A
Penningroth Apts	88,289	8	0.70	-	-	N/A
	<u>\$ 4,067,349</u>		<u>32.42 %</u>	<u>\$ 4,247,103</u>		<u>33.12 %</u>
 Total Sewer System Charges	 \$ 12,541,905			 \$ 12,822,250		

Sources:

City of Iowa City Revenue Department

CITY OF IOWA CITY, IOWA

SALES HISTORY AND SEWER SYSTEM CHARGES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sewer Sales Cubic Feet Sold</u>	<u>Sewer System Charges</u>
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
2018	283,246,320	12,524,540
2019	288,537,266	12,822,250

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>				<u>Business-Type Activities</u>		<u>Total Primary Government</u>	<u>Percentage of Personal Income²</u>	<u>Per Capita²</u>
	<u>General Obligation Bonds¹</u>	<u>Revenue Bonds¹</u>	<u>Available Line of Credit</u>	<u>Capital Loan Note</u>	<u>General Obligation Bonds¹</u>	<u>Revenue Bonds¹</u>			
2010	71,791,737	-	2,200,000	210,784	3,731,167	79,281,888	157,215,576	2.56	2,317
2011	77,743,957	-	2,550,000	210,784	3,130,849	75,857,306	159,492,896	2.38	2,313
2012	74,225,654	-	2,318,225	210,784	1,483,473	69,059,307	147,297,443	2.08	2,136
2013	57,688,803	2,614,644	2,550,000	210,784	1,182,315	62,764,738	127,011,284	1.73	1,811
2014	64,132,510	2,616,768	3,000,000	210,784	886,157	57,568,517	128,414,736	1.66	1,794
2015	59,421,203	2,618,892	3,350,000	210,784	590,000	45,566,903	111,757,782	1.44	1,522
2016	55,998,392	2,491,016	3,000,000	210,784	295,000	39,951,661	101,946,853	1.27	1,374
2017	52,571,254	15,168,140	3,000,000	210,784	-	34,420,914	105,371,092	1.22	1,390
2018	52,883,524	15,035,264	3,000,000	210,784	-	29,095,062	100,224,634	1.14	1,314
2019	53,402,638	14,902,388	3,000,000	210,784	-	21,155,710	92,671,520	1.02	1,178

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 134.

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)

Fiscal Year	Property Assessed Value²	Debt Payable from Governmental	Debt Payable from Proprietary	Gross Bonded Debt	Debt Service Fund Balance	Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita³
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	591
2018	5,494,459	52,884	-	52,884	8,609	44,275	8.06 : 1000	580
2019	5,907,661	53,403	-	53,403	9,648	43,755	7.41 : 1000	556

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 134.

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 June 30	<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>
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
2018	11,895	1,570	13,465	138,841	.10 : 1.00
2019	12,080	1,589	13,669	141,870	.10 : 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, 2019

(amounts expressed in thousands, except per capita)

<u>Name of Governmental Unit</u>	<u>Total General Long-Term Direct Debt Outstanding</u>	<u>Percent Applicable to the City of Iowa City</u>	<u>Amount Applicable to the City of Iowa City</u>	<u>Debt/Actual Market Value</u> ²	<u>Per Capita</u> ³
City of Iowa City	\$ 68,130	100.00 %	\$ 68,130	1.24 %	\$ 865.8370
Iowa City Community School District ¹	115,095	57.24	65,880	1.23	837.2427
Johnson County ¹	5,145	42.22	2,172	0.04	27.6031
Clear Creek- Amana Community School District ¹	81,155	0.04	32	0.00	0.4067
Kirkwood Comm. College ¹	80,231	14.19	11,385	0.21	144.6874
Total Overlapping Debt	<u>281,626</u>		<u>79,469</u>		<u>1,009.9399</u>
Total Direct & Overlapping Debt	<u>\$ 349,756</u>		<u>\$ 147,599</u>		<u>1,875.7769</u>
Per capita assessed value					<u>\$ 75,078</u>

¹ Long term debt outstanding includes only GO debt.

² City Property Assessed Value of 5,907,661 came from the Iowa Department of Management

³ Population for FY19 of 78,687 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)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assessed Valuation	\$ 4,376,151	\$ 4,449,860	\$ 4,520,142	\$ 4,615,527	\$ 4,668,319	\$ 4,826,648	\$ 4,950,559	\$ 5,350,228	\$ 5,494,459	\$ 5,907,661
Debt Limit	218,808	222,493	226,007	230,776	233,416	241,332	247,528	267,511	274,723	295,383
G.O. Bonds	75,050	80,575	75,320	58,550	64,420	59,340	55,350	51,645	51,880	52,470
TIF Rev. Bonds	-	-	-	2,655	2,655	2,655	2,525	15,200	15,065	14,930
Letters of credit	498	1,616	805	538	1,943	2,005	582	663	475	603
TIF rebates	1,223	867	574	307	170	18,206	13,506	17,356	25,012	27,954
Total net debt applicable to limit	76,771	83,058	76,699	62,050	69,188	82,206	71,963	84,864	92,432	95,957
Legal debt margin	<u>\$ 142,037</u>	<u>\$ 139,435</u>	<u>\$ 149,308</u>	<u>\$ 168,726</u>	<u>\$ 164,228</u>	<u>\$ 159,126</u>	<u>\$ 175,565</u>	<u>\$ 182,647</u>	<u>\$ 182,291</u>	<u>\$ 199,426</u>
Total net debt applicable to the limit as a percentage of debt limit	35.09%	37.33%	33.94%	26.89%	29.64%	34.06%	29.07%	31.72%	33.65%	32.49%

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	
2019	11,945,000	1,589,182	13,534,182	12,776,082	758,100	51,880,000
2020	11,245,000	1,196,696	12,441,696	11,685,567	756,129	52,470,000
2021	7,160,000	943,923	8,103,923	7,347,535	756,388	41,225,000
2022	7,320,000	786,163	8,106,163	7,350,684	755,479	34,065,000
2023	6,475,000	628,413	7,103,413	6,405,098	698,315	26,745,000
2024	5,745,000	475,513	6,220,513	5,978,063	242,450	20,270,000
2025	4,705,000	346,513	5,051,513	4,814,803	236,710	14,525,000
2026	3,935,000	240,700	4,175,700	4,012,916	162,784	9,820,000
2027	2,985,000	147,325	3,132,325	2,969,008	163,317	5,885,000
2028	1,940,000	72,600	2,012,600	2,012,600	-	2,900,000
2029	960,000	21,600	981,600	981,600	-	960,000
Total	\$ 64,415,000	\$ 6,448,628	\$ 70,863,628	\$ 66,333,956	\$ 4,529,672	

CITY OF IOWA CITY, IOWA
SCHEDULE OF REVENUE BOND COVERAGE

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended <u>June 30</u>	<u>Revenue</u>	<u>Expenses</u> ¹	Net Revenue Available for <u>Debt Service</u>	Annual Debt Service ²			Ratio of <u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
Parking Revenue³							
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	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-
Wastewater Treatment Revenue⁴							
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
2018	13,181	6,622	6,559	3,580	756	4,336	1.51
2019 ⁸	13,548	6,840	6,708	6,135	539	6,674	1.68
Water Revenue⁵							
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
2018	9,838	6,949	2,889	1,455	394	1,849	1.56
2019	10,078	6,888	3,190	1,510	280	1,790	1.78

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.

⁸ Ratio of Coverage excludes the amount called early of \$2,670,000.

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	
2019	7,780,000	1,273,639	9,053,639	6,674,450	1,789,854	589,335	42,850,000
2020	4,215,000	1,056,400	5,271,400	2,876,800	1,802,965	591,635	35,070,000
2021	4,390,000	899,161	5,289,161	2,877,425	1,823,041	588,695	30,855,000
2021	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	\$ 42,850,000	\$ 7,171,197	\$ 50,021,197	\$ 17,378,300	\$ 12,817,347	\$ 19,825,550	

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

Sewer

Fiscal Year	Principal	Interest	Total
2019	6,135,000	539,450	6,674,450
2020	2,510,000	366,800	2,876,800
2021	2,620,000	257,425	2,877,425
2022	2,660,000	152,500	2,812,500
2023	2,085,000	52,125	2,137,125
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
Total	<u>\$ 16,010,000</u>	<u>\$ 1,368,300</u>	<u>\$ 17,378,300</u>

Water

Fiscal Year	Principal	Outstanding Interest	Total
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	-	-	-
2029	-	-	-
Total	<u>\$ 11,775,000</u>	<u>\$ 1,042,347</u>	<u>\$ 12,817,347</u>

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE (continued)

Taxable Urban Renewal

Fiscal Year	Principal	Outstanding		Total
		Interest		
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>\$ 15,065,000</u>	<u>\$ 4,760,550</u>		<u>\$ 19,825,550</u>

CITY OF IOWA CITY, IOWA
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population⁶</u>	<u>Personal Income¹</u>	<u>Per Capita Personal Income¹</u>	<u>Average Increase</u>	<u>School Enrollment²</u>	<u>Unemployment Rate³</u>	<u>Retail Sales⁴</u>
2010	67,862	6,133,100	40,090	2.23	13,319	5.0	725,329,723
2011	68,947	6,695,500	43,060	7.41	13,638	4.8	741,407,021
2012	68,947	7,068,900	44,546	3.45	13,862	4.1	767,122,555
2013	70,133	7,323,900	45,323	1.74	14,057	3.8	793,201,342
2014	71,591	7,754,000	47,247	4.25	14,162	3.5	649,794,164
2015	73,415	8,026,300	48,161	1.93	14,495	2.9	838,853,686
2016	74,220	8,275,200	49,040	1.83	15,186	3.2	853,258,347
2017	75,798	8,602,600	50,164	2.29	15,299	3.0	874,928,988
2018 ⁵	76,290	8,819,377	51,428	2.52	15,334	2.2	854,538,416
2019 ⁵	78,687	9,090,368	53,008	3.07	15,619	2.4	865,628,890

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 2018 or 2019 are not available. Amounts projected based on average increase over previous 9 years.

⁶ US Census Bureau Population number is not available for 2018 or 2019. Amounts projected based on an average over previous 9 years

CITY OF IOWA CITY, IOWA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employers	2010			2019		
	Employees	Rank	Percentage	Employees	Rank	Percentage
University of Iowa	35,069	1	36.9 %	30,012	1	29.0 %
Veterans Administration Medical Center	1,351	4	1.4	2,115	2	2.0
Iowa City Community School District	1,676	2	1.8	1,518	3	1.5
Mercy Hospital	1,266	5	1.3	1,299	4	1.3
ACT Inc. (formerly American College Testing Program)	1,221	6	1.3	1,079	5	1.0
Hy Vee	1,166	7	1.2	1,033	6	1.0
City of Iowa City	957	8	1.0	962	7	0.9
Proctor and Gamble	-	-	N/A	959	8	0.9
NCS Pearson	1,400	3	1.5	775	9	0.7
Johnson County	-	-	N/A	554	10	0.5
International Automotive Components formerly Lear Corp	838	9	0.9	-	-	N/A
Gillette Canada (Oral B Laboratories)	720	10	0.8	-	-	N/A
	<u>45,664</u>		<u>48.1 %</u>	<u>40,306</u>		<u>38.8 %</u>
Total Employees	95,000			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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police	103.25	98	97	103	105	105	105	105	105	107
Animal Shelter ¹	6	6	6	-	-	-	-	-	-	-
Fire	57	66	65	65	65	64	64	64	64	64
Inspection Services	15.55	15.55	15.55	15.55	13.55	13.55	12.85	13.5	13.5	15.6
Public Works										
Public Works Admin	2	2	2	2	2	2	2	2	2	2
Engineering ⁵	11.35	12.1	12.1	12.1	12.1	12.1	12	16	16	16
Flood Recovery	-	0.4	0.4	0.4	0.38	-	-	-	-	-
Culture and Recreation										
Parks and Rec Admin	2	2	2	2	2	2	2	2	2	2
Recreation	15.42	15.42	15.42	15.42	15.42	15.42	14.42	15.42	14.75	14
Parks	13	13	13	13	13	13	13	16	16	16
Forestry	3	3	3	3	3	3	3	3	3	5
Cemetery	3	3	3	3	3	3	3	3	3	3
CBD Maintenance	3	3	3	3	3	3	3	-	-	-
Library	43.14	43.14	43.64	43.63	45.13	45.13	44.77	46.17	46.17	46.17
Senior Center	6.31	6.31	6.5	6.5	6.5	6.5	6.5	7	7	7
Community and Economic Development	9.05	9.1	9.1	8.4	8.95	8.95	10.8	12.63	13.13	13.13
General Government										
City Council	7	7	7	7	7	7	7	7	7	7
City Clerk	4	4	4	4	4	4	4	4	4	4
City Attorney	6	5.6	5.6	5.6	5.6	5.6	5.5	5.5	5.5	5.5
City Manager ²	3	3	3	5	6	6	10.5	10.5	9	9
Personnel	4	4	4	4	3	3	3	3	3	3
Human Rights	2.5	2.5	2.5	2	2	2	2	2	2	2
Finance	26.3	26.24	27.53	23.47	23.97	22.47	23.07	23.13	22.13	22.28
Government Buildings	4.96	4.96	4.83	4.83	4.83	4.83	5.33	4.33	5	4
Energy Conservation	0.25	-	-	-	-	-	-	-	-	-
Transit ³	58.5	56.25	56.25	-	-	-	-	-	-	-
Special Revenue										
Employee Benefits	0.29	0.26	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
CIP / Roads	2	-	-	-	-	-	-	-	-	-
Flood Mitigation Grants	-	1.6	1.6	-	-	-	-	-	-	-
Community Development	3.88	3.83	3.83	3.33	2.98	2.98	2.83	-	-	-
UniverCity Program	-	-	-	0.2	-	-	-	-	-	-
Traffic Engineering	4.15	4.15	4.15	4.15	4.15	4.15	3.9	4.5	3	3
Streets	25.5	25.5	25.5	25.5	25.5	25.5	25.25	25.5	29	29
MPOJC (formerly JCCOG)	6.6	6.6	6.6	5.6	5.6	5.6	4.7	4.7	4.7	5.2
Other Shared Revenues	-	-	-	1.6	1.62	-	-	-	-	-
Library Development	1	1	1	1	-	-	-	-	-	-
Capital Projects Administration ⁵	-	3	5	6	6	5	4	-	-	-
Internal Service Funds										
Information Technology	12.3	11.3	11.8	10.86	9.86	9.86	9.86	9.8	10.8	9.8
Equipment	11.26	11.26	11.26	10.75	10.75	10.75	10.75	10.75	10.75	10.75
Central Services	0.75	0.75	0.75	0.76	0.5	0.5	0.5	0.5	0.5	0.5
Risk Management	1.93	2.01	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Business-Type Activities										
Parking	33.25	32.75	32.75	29.25	26.25	26.25	23.13	21.63	21.63	21.38
Mass Transit ³	-	-	-	51.75	51.25	51.25	51.13	53.63	54.63	53.38
Wastewater Treatment	25.6	25.6	25.4	25.4	24.4	24.65	24.65	25.4	26	26
Water	32.75	32.75	32.75	32.75	31.75	32	32	31.75	31.75	31.75
Sanitation	35.85	35.85	37.85	37.85	35.85	35.85	33.35	31.5	31.5	32.76
Airport	1.75	1.75	1.75	1	1	1	1	1	1	1
Cable Television ⁴	6.44	6.69	6.63	6.63	6.63	5.63	-	-	-	-
Stormwater	1.9	1.9	2.1	2.1	2.1	2.6	2.6	2.1	1.5	1.5
Housing Authority	13.25	13.25	13.25	13.18	12.19	10.19	10.19	9.6	9.6	9.5
Total	630.03	633.37	637.74	623.91	615.16	607.66	598.93	599.89	601.89	605.55

Source: City's Financial Plan

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Public Safety										
Police¹										
Physical arrests	5,983	6,590	5,911	4,468	6,192	5,595	5,465	4,482	4,488	4,418
Traffic Violations	4,446	3,403	3,761	2,499	3,718	3,356	2,989	2,246	3,103	2,463
Fire¹										
Number of calls answered	4,472	4,635	5,173	4,713	5,828	6,016	6,974	6,749	7,122	5,568
Inspections conducted	2,145	1,806	1,970	1,431	2,032	1,903	2,459	874	1,031	801
Parking										
Parking Violations	118,717	109,553	96,117	88,909	60,680	65,196	57,549	62,930	50,346	61,330
Wastewater Treatment										
Daily average treatment in million gallons	12.86	10.37	8.28	9.84	10.02	9.76	10.48	8.32	7.77	10.97
Maximum daily capacity of plant in million gallons	41.1	41.1	41.1	41.1	41.1	43.3	43.3	43.3	43.3	43.3
Number of sewer system customers	23,344	23,527	23,529	24,059	24,389	24,533	25,085	25,485	26,069	26,270
Water										
Daily average consumption in million gallons	5.48	5.51	5.49	5.54	5.64	5.33	5.32	5.50	5.84	5.69
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	23,657	23,875	24,086	24,442	24,790	23,089	23,638	24,025	24,595	24,818
Commercial	1,481	1,498	1,489	1,491	1,491	1,409	1,415	1,425	1,436	1,431
Industrial	15	15	15	15	15	14	14	14	15	15
Other	153	156	200	204	202	135	131	134	136	139
Total Customers	25,306	25,544	25,790	26,152	26,498	24,647	25,198	25,598	26,182	26,403
Sanitation										
Number of Customers	14,831	14,926	15,030	15,177	15,331	14,811	15,620	15,917	15,960	16,112
Tonnage	8,869	8,969	8,935	8,956	9,160	9,210	9,476	9,623	9,694	8,989
Landfill										
Tonnage	150,369	147,265	148,953	111,445	115,624	123,692	126,875	137,025	140,658	127,587

Sources: Various city divisions.

Notes:

¹ Numbers are based on a calendar year and 2019 figures are compiled through 9/30/19 for FIRE and 10/14/19 for Police.

CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	18	18	18	20	20	20	24	23	23
Fire										
Stations	3	3	4	4	4	4	4	4	4	4
Fire apparatus	9	9	11	11	11	11	10	10	10	10
Public Works										
Streets										
Miles	272	272	275	276	279	281	283	286	288	292
Street lights	3,410	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,307	3,166
Culture and Recreation										
Library										
Library	1	1	1	1	1	1	1	1	1	1
Cemetery										
Acreage	40	40	40	40	40	40	40	40	40	40
Parks										
Acreage	40	41	41	42	43	46	46	49	50	51
Acreage	1,335	1,354	1,441	1,506	1,897	1,897	1,902	1,932	1,942	1,947
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	30	30	30	27	27	27	27	27	27	27
Tennis courts	12	12	12	12	12	12	12	9	9	9
Soccer fields	20	20	20	20	20	20	20	20	20	20
Pickle Ball Courts	-	-	-	-	-	-	-	8	8	8
Futsal Courts	-	-	-	-	-	-	-	2	2	2
Full Basketball Courts	-	-	-	-	-	-	-	3	3	3
Gaga Pits	-	-	-	-	-	-	-	-	2	2
Parking										
Facilities	5	5	5	5	5	5	5	6	6	6
Spaces	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,686	3,686	3,686
Wastewater Treatment										
Miles of sanitary sewer	291	292	294	295	298	300	301	304	306	307
Miles of storm sewer	122	124	127	128	131	133	136	139	140	142
Number of treatment plants	2	2	2	2	1	1	1	1	1	1
Number of service connectors	23,093	23,308	23,529	23,851	24,175	24,533	25,085	25,485	26,069	26,270
Water										
Miles of water mains	264	264	266	268	271	273	275	277	279	281
Number of city owned fire hydrants	2,662	2,680	2,735	3,330	3,385	3,415	3,447	3,503	3,529	3,564
Sanitation										
Landfills										
Acreage	395	395	411	411	411	418	418	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 City Council
City of Iowa City, Iowa
Iowa City, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iowa City, Iowa, as of and for the year ended June 30, 2019, 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, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Iowa City, Iowa'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 City of Iowa City, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Iowa City, Iowa'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 City of Iowa City, Iowa'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, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Iowa City, Iowa'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 of Iowa City, Iowa's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Moline, Illinois
December 11, 2019



**Independent Auditor’s Report on Compliance For
Each Major Federal Program and On Internal Control
Over Compliance Required By the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited City of Iowa City, Iowa’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Iowa City, Iowa’s major federal programs for the year ended June 30, 2019. City of Iowa City, Iowa’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 compliance for each of City of Iowa City, Iowa’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 Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Iowa City, Iowa’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, 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, 2019.

Report on Internal Control Over Compliance

Management of City of Iowa City, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Iowa City, Iowa'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 City of Iowa City, Iowa's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

The City of Iowa City, Iowa's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Iowa City, Iowa's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Bohnsack & Frommelt LLP

Moline, Illinois
December 11, 2019

City of Iowa City, Iowa

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct:				
Community Development Block Grants (CDBG)/ Entitlement Grants Cluster:				
CDBG/Entitlement Grants	14.218	B-16-MC-19-0009	\$ 21,582	\$ 21,582
CDBG/Entitlement Grants	14.218	B-17-MC-19-0009	137,275	355,012
CDBG/Entitlement Grants	14.218	B-18-MC-19-0009	146,716	351,700
CDBG/Entitlement Grants	14.218	B-19-MC-19-0009	-	4,256
Subtotal CDBG/Entitlement Grants Cluster			<u>305,573</u>	<u>732,550</u>
Home Investment Partnerships Program	14.239	M-14-MC-190205	715	715
Home Investment Partnerships Program	14.239	M-15-MC-190205	128,438	128,438
Home Investment Partnerships Program	14.239	M-16-MC-190205	192,548	199,854
Home Investment Partnerships Program	14.239	M-17-MC-190205	267,911	306,632
Home Investment Partnerships Program	14.239	M-18-MC-190205	216,632	269,700
Home Investment Partnerships Program	14.239	M-19-MC-190205	583	583
			<u>806,827</u>	<u>905,922</u>
Public and Indian Housing	14.850	IA022-00000117D	-	254
Public and Indian Housing	14.850	IA022-00000118D	-	98,291
Public and Indian Housing	14.850	IA022-00000119D	-	87,714
			<u>-</u>	<u>186,259</u>
Housing Voucher Program Cluster:				
Section 8 Housing Choice Vouchers	14.871	IA022VO	-	9,172,148
Public Housing Capital Fund	14.872	IA05P022501-17	-	4,312
Public Housing Capital Fund	14.872	IA05P022501-18	-	80,009
			<u>-</u>	<u>84,321</u>
Total U.S. Department of Housing and Urban Development			<u>1,112,400</u>	<u>11,081,200</u>
U.S. Department of the Interior				
Direct:				
Historic Preservation Fund Grants-In-Aid	15.904	P17AP00060	-	8,026
Indirect:				
Pass-through State Historical Society of Iowa				
Historic Preservation Fund Grants-In-Aid	15.904	2018-05	-	3,000
Historic Preservation Fund Grants-In-Aid	15.904	2018-06	-	3,500
Historic Preservation Fund Grants-In-Aid	15.904	2018-07	-	6,000
			<u>-</u>	<u>12,500</u>
Total U.S. Department of the Interior			<u>-</u>	<u>20,526</u>
U.S. Department of Justice				
Direct:				
Bulletproof Vest Partnership Program	16.607	2017-BUBX17089255	-	8,077
Edward Byrne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0661	-	5,026

(Continued)

City of Iowa City, Iowa

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Justice (Continued)				
Indirect:				
Pass-through International Association of Chiefs of Police, Inc.				
Crime Victim Assistance-Discretionary Grants	16.582	IACP-2018-7586-04	\$ 39,732	\$ 298,067
Pass-through Iowa Department of Justice Violence Against Women Formula Grants	16.588	VW-19-04-CJ	-	65,916
Pass-through Iowa Governor's Office of Drug Control Policy				
Public Safety Partnership and Community Policing Grants	16.710	17-CAMP-05	10,195	13,634
Public Safety Partnership and Community Policing Grants	16.710	18-COPS Heroin-03	2,078	3,880
			12,273	17,514
Edward Byrne Memorial Justice Assistance Grant	16.738	16-JAG-249496	63,634	99,690 (1)
Total U.S. Department of Justice			<u>115,639</u>	<u>494,290</u>
U.S. Department of Transportation				
Direct:				
Airport Improvement Program	20.106	3-19-0047-024-2017	-	160
Federal Transit Cluster:				
Federal Transit-Formula Grants	20.507	IA-2019-014-01-00	-	1,582,896
Indirect:				
Pass-through Iowa Department of Transportation				
Highway Planning and Construction Program Cluster:				
Highway Planning and Construction Program	20.205	BROS-3715(663)--8J-52	-	58,644
Highway Planning and Construction Program	20.205	TAP-U-3715(665)- -8I-52	-	249,218
			-	307,862
Pass-through Iowa Department of Transportation and Metropolitan Planning Organization of Johnson County				
Highway Planning and Construction Program Cluster:				
Highway Planning and Construction Program	20.205	19MPO-MPOJC	-	184,912
Subtotal Highway Planning and Construction Program Cluster			-	492,774
Metropolitan Transportation Planning and State and Non- Metropolitan Planning and Research	20.505	19MPO-MPOJC	-	45,088
Pass-through Iowa Department of Transportation Formula Grants for Rural Areas	20.509	IA-2016-027-371-16	-	2,663
Transit Services Program Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	IA-2016-026-02-371-SFY19	-	110,056

(Continued)

City of Iowa City, Iowa

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation (Continued)				
Indirect:				
Pass-through Iowa Department of Public Safety/ Governor's Traffic Safety Bureau				
Highway Safety Cluster:				
National Priority Safety Programs	20.600	PAP 19-402-M0PT, Task 11	\$ -	\$ 28,306
National Priority Safety Programs	20.616	PAP 18-405d-M6OT, Task 18	-	4,657
Subtotal Highway Safety Cluster			-	32,963
Total U.S. Department of Transportation			-	2,266,600
Total Expenditures of Federal Awards			\$ 1,228,039	\$ 13,862,616

(1) Total CFDA 16.738 \$104,716

See Notes to the Schedule of Expenditures of Federal Awards.

City of Iowa City, Iowa

**Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of the City under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the entity.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting for governmental funds and accrual basis of accounting for proprietary funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures of federal awards are recognized in the accounting period when the liability is incurred and has met the eligibility criteria of the federal grant.

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to the revenue. In the governmental funds, revenue from federal grants is recognized when the revenue is both measurable and available. In proprietary funds, revenue from federal grants is recognized when it is earned.

Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

The City has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Iowa City, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency identified? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency identified? Yes None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program Federal Transit Cluster:
20.507	Federal Transit-Formula Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

(Continued)

City of Iowa City, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

II. Findings Relating to the Basic Financial Statements as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Internal Control

No matters reported.

B. Instances of Noncompliance

No matters reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control for Federal Awards

2019-001

U.S. Department of Housing and Urban Development
Community Development Block Grants (CDBG)/ Entitlement Grants Cluster:
Community Development Block Grants/
Entitlement Grants CFDA 14.218 (Direct)

Federal Award Numbers:

B-16-MC-19-0009

B-17-MC-19-0009

B-18-MC-19-0009

B-19-MC-19-0009

Federal Award Year: 2019

Finding: The City of Iowa City, Iowa has inadequate documentation of pre-inspections and post-inspections performed on homeowner occupied rehabilitation projects.

Criteria: The Office of Management and Budget (OMB), in the *Compliance Supplement*, requires the City to ensure the work is properly completed when using CDBG funds for rehabilitation. The City is to document pre-inspections and post-inspections performed. Per 24 CFR section 570.506,

....(9) For each residential rehabilitation activity determined to aid in the prevention or elimination of slums or blight in a slum or blighted area: ... (ii) A pre-rehabilitation inspection report describing the deficiencies in each structure to be rehabilitated; and (iii) Details and scope of CDBG assisted rehabilitation, by structure....

The OMB's *Compliance Supplement* specifies the City is to maintain documentation that the City inspects the rehabilitation work upon completion.

Condition: The City does not document pre-inspections performed. For post-inspections, the City relies on a form to be signed by a licensed inspector and to list the date the inspection was performed. This form is not required to be signed prior to the City payment of CDBG funds to contractors and the date section is not required to be completed.

Questioned Costs: \$0

Context: The City has allocated \$235,000 of the CDBG award to housing rehabilitation in the FY19 Annual Action Plan.

Effect: Noncompliance with program requirements could occur and not be timely identified.

City of Iowa City, Iowa

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019**

Cause: The City has not required inspections employees to document pre-inspections and post-inspections.

Identification of as a Repeat Finding: This is not repeat finding.

Recommendation: We recommend the City require each rehabilitation file to include a formal pre-inspection document that clearly lists the issues and what to incorporate within the rehabilitation project. We recommend the City require formal documentation of the post-rehabilitation inspection prior to issuance of payments.

Response and Corrective Action Plan: Housing rehabilitation staff will begin completing formal documentation of the pre- and post-rehabilitation inspections starting immediately. Staff will use an ongoing file checklist to ensure that proper documentation is maintained throughout each rehabilitation project. The Neighborhood Services Coordinator will review inspection documentation prior to approval of payments.

B. Instances of Noncompliance

No matters reported.

IV. Other Findings Related to Required Statutory Reporting

IV-A-19 Certified Budget – Expenditures for the year ended June 30, 2019 did not exceed the amounts budgeted.

IV-B-19 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-19 Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-19 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-19 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 insure that the coverage is adequate for current operations.

IV-F-19 Council Minutes – No transactions requiring Council approval which had not been approved by the Council were noted.

IV-G-19 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-19 Revenue Notes – There were no instances of noncompliance with revenue note provisions.

IV-I-19 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.

IV-J-19 Payment of General Obligation Bonds – The City appears to be in compliance with Chapter 384.4 of the Code of Iowa.



CITY OF IOWA CITY

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City of Iowa City, Iowa

**Corrective Action Plan
Year Ended June 30, 2019**

Findings	Corrective Action Plan	Anticipated Date of Completion and Responsible Contact Person
Findings Relating to Federal Awards:		
2019-001 The City has inadequate documentation of pre-inspections and post-inspections performed on homeowner occupied rehabilitation projects.	See response and corrective action plan at 2019-001	Tracy Hightshoe June 30, 2020