



City of Iowa City
Comprehensive Annual
Financial Report

For the Fiscal Year Ended
June 30, 2018



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

CITY OF IOWA CITY, IOWA

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PREPARED BY:

FINANCE DEPARTMENT
CITY OF IOWA CITY, IOWA



Introductory Section Tab

CITY OF IOWA CITY, IOWA

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December 11, 2018



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, 2018 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, 2018. 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 494 full-time and 43 part-time permanent municipal employees and 404 temporary employees, including a police force of 83 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 29,700 employees. The University of Iowa had an enrollment in fall 2018 of 32,948 students, which is a decrease of 616 students from a record high of 33,564 students in the fall of 2017. 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 150 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 2018, as compared to 2.7% for the State of Iowa, and 4.0% for the national average.

The rate of new housing construction increased in comparison to the prior year based on the number of building permits issued. This consisted of 157 new single-family houses in 2017 as compared to 172 in 2016; multi-family dwelling units added during fiscal year 2017 was 203, compared to 556 in 2016; and mixed commercial/residential developments added 150 dwelling units in 2017 versus 340 residential units in 2016. Altogether these housing additions totaled 510 units valued at \$99,676,806 in 2017 versus a total of 1,068 units valued at \$206,478,670 in 2016.

In addition to the decrease in residential construction in 2017, the City also had a decrease in commercial construction. The value of permits for commercial construction decreased by \$57,651,210 to \$5,005,776 from 2016 to 2017; however, the value of remodeling permits for residential and commercial properties increased by \$14,578,688 to \$107,666,214 from 2016 to 2017. Although there was a decrease in building permit issuance in 2017 versus 2016, the 2016 building permit issuance was an all-time high 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 2017 is estimated to be 75,798 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 2018. 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 nearly 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 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 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, currently under construction is 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. Near this area is the City's aging public works complex, which is being targeted for replacement and redevelopment. A plan for replacement is underway with construction of a new Public Works Facility beginning in 2018 and anticipated completion in 2019.

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 (FY2018 – FY2020) 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 \$17,181,000 between fiscal year 2015 to fiscal year 2024, and the maximum reimbursement from the State during that time period would be \$16,572,000 for a net loss in revenues of \$609,000. For fiscal years 2015 through 2018, the City received actual State "backfill" payments for the commercial and industrial rollback totaling \$6,257,898.

This bill also limited the annual taxable valuation growth of residential and agricultural property to 3 percent, instead of the previous limit of 4 percent. The impact of this provision is that the taxable percentage of residential property is expected grow at a slower pace. Without this change, the estimated taxable percentage of residential property was estimated to be 60.85% in fiscal year 2024. With this provision in place, the estimated taxable percentage in fiscal year 2024 is estimated to be 55.11%, a reduction of 5.74%. Based on the assessed value of residential property in Iowa City, the cumulative loss is estimated to be \$21,560,000 from fiscal year 2015 to fiscal year 2024. The City will not receive any money from the State due to lost revenue from this provision.

SF295 also established a multi-residential property classification that includes mobile home parks, assisted living facilities, and property primarily intended for human habitation. A gradual rollback will be applied to these properties to eventually tax them similarly to residential property, rather than commercial, by fiscal year 2024. The estimated cumulative loss from fiscal year 2015 to fiscal year 2024 is \$15,945,500, 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 fiscal year 2017 was \$946,740; the estimated loss in fiscal year 2018 is \$1,200,714.

Due to the passage of SF295, the City estimates its net revenue losses to be \$5,872,655 for fiscal years 2015 through 2018. The cumulative net revenue loss from fiscal years 2015 through 2024 is estimated to be \$38,115,000. 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 five consecutive years to \$16.183 in fiscal year 2019. This has been a reduction of \$1.086 per \$1,000 of assessed value or 6.29% over that time period.

In looking at expenses for the FY18 – FY20 Financial Plan and FY19 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 2.60% each year; however, the budgeted full time equivalents (FTE) has decreased from 607.66 in FY15 to 605.54 in FY19. In addition, public safety pension contribution rates increased slightly in FY19 but are projected to decrease slightly in FY20. The City has averaged an increase in its health insurance premium rates of approximately 3.11% over the previous six years, and is not projecting any dramatic changes to this trend in FY19 or FY20. Employee contributions, deductibles, and out-of-pocket maximums are expected to increase in both FY19 and FY20.

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, 2017. 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-three 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, 2018. 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 seventh 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, 2018. 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,



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

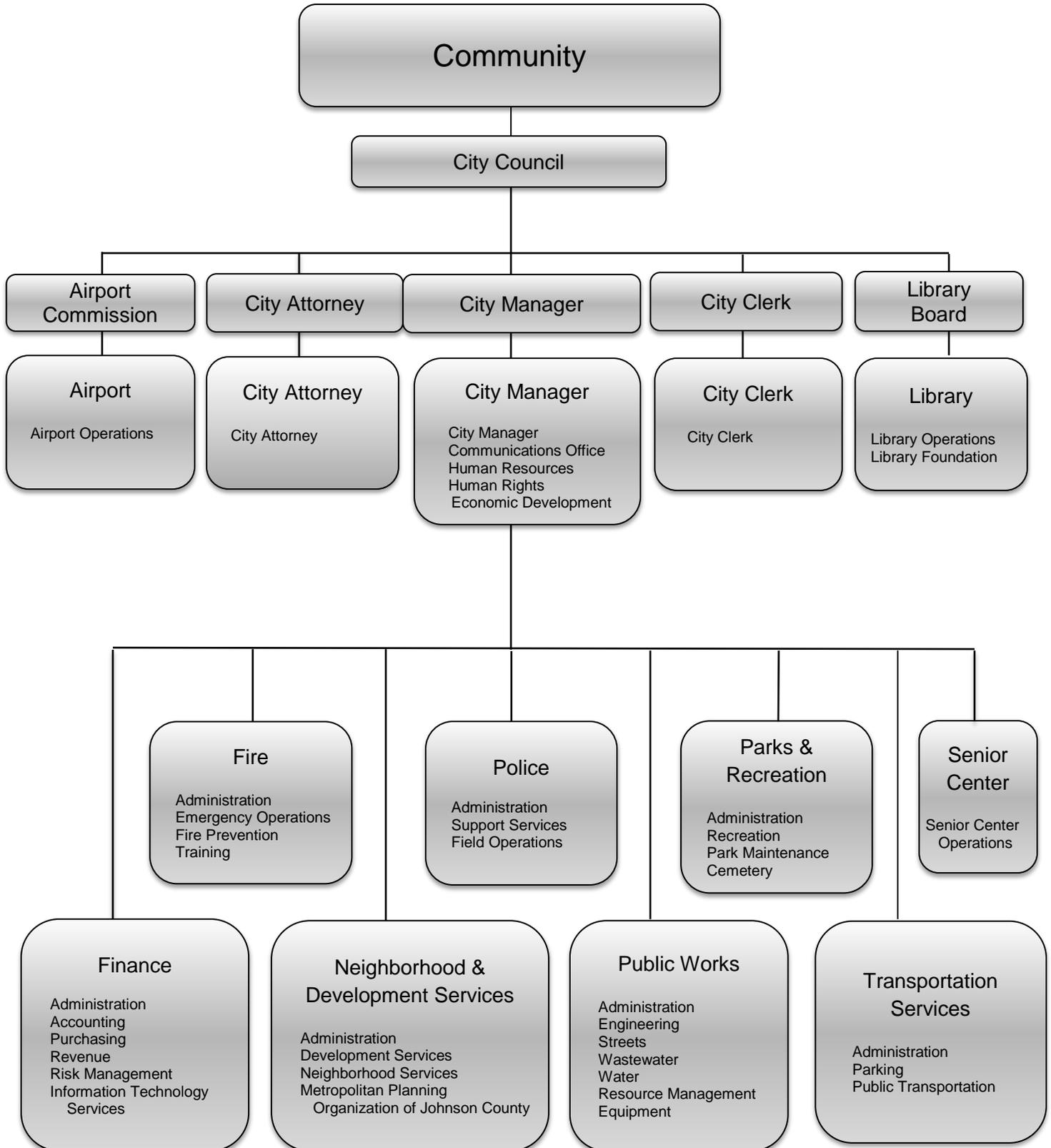
June 30, 2017

Christopher P. Morrill

Executive Director/CEO

City of Iowa City

Organization Chart



CITY OF IOWA CITY, IOWA
LISTING OF CITY OFFICIALS

June 30, 2018

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	Kingsley Botchway II	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	Susan Craig	July 28, 1975
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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the basic financial statements, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the City's net positions for governmental activities and business-type activities, and the aggregate remaining fund information has been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 84-98, 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, 2018 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, 2018

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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, 2018. 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, 2018 by \$651,667,000 (net position). Of this amount, \$136,743,000 (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 \$21,828,000 during the fiscal year. Governmental activities increased by \$15,620,000 and business-type activities increased by \$6,208,000.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$101,810,000, a decrease of \$4,571,000 in comparison with the prior year. Of this total amount, approximately \$28,478,000 or 28.0% is unassigned and available for spending at the City's discretion.
- At the end of the current fiscal year, the City's unassigned fund balance for the General Fund was \$28,516,000 or 59.2% 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 – 82 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 \$651,667,000 at the close of the fiscal year ended June 30, 2018.

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, 2018

(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2017		2017		2017	
	2018	(not restated)	2018	(not restated)	2018	(not restated)
Current and other assets	\$ 192,519	\$ 190,352	\$ 120,389	\$ 119,968	\$ 312,908	\$ 310,320
Capital assets	248,011	226,143	335,893	335,064	583,904	561,207
Total assets	440,530	416,495	456,282	455,032	896,812	871,527
Deferred outflows of resources	12,114	13,131	2,806	2,345	14,920	15,476
Long-term liabilities outstanding	114,709	112,931	62,121	68,385	176,830	181,316
Current and other liabilities	14,738	11,042	6,730	4,379	21,468	15,421
Total liabilities	129,447	123,973	68,851	72,764	198,298	196,737
Deferred inflows of resources	60,984	58,062	783	799	61,767	58,861
Net position:						
Net investment in						
capital assets	157,106	183,651	294,109	285,912	451,215	469,563
Restricted	41,490	47,676	22,219	21,238	63,709	68,914
Unrestricted	63,617	16,264	73,126	76,664	136,743	92,928
Total net position	\$ 262,213	\$ 247,591	\$ 389,454	\$ 383,814	\$ 651,667	\$ 631,405

A portion of the City's net position, \$63,709,000 or 9.8%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net position, \$136,743,000 or 21.0%, 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, 2018, 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 FY18's operation.

Governmental Activities: Governmental activities increased the City's net position by \$15,620,000. The increase in net position of governmental activities is primarily due to receiving grants to fund expenses for operations and capital assets.

The total revenues for governmental activities for FY18 were \$88,464,000. Governmental activities are primarily funded through taxes, \$61,752,000 or 69.8%, and grants and contributions, \$11,704,000 or 13.2%. Taxes increased from the prior year by \$1,301,000, mostly due to increased property taxes which was due to an increase in the taxable value of all property. Grants and contributions decreased from prior year by \$9,076,000 which is due to City's expenses for a large flood mitigation project that were reimbursed in the prior year.

Expenses for governmental activities totaled \$74,658,000. Governmental activities are tracked by function including Public Safety, Public Works, Community and Economic Development, Culture and Recreation, and General Government. In FY18, Public Safety accounted for the highest portion of governmental expenses, \$25,191,000 or 33.7%, and increased over the prior year due to increases in salaries and benefits. Culture and Recreation expenses of \$16,363,000 or 21.9% made up another large portion of the governmental expenses and increased over the prior year due mainly to an increase in pension expense. Public Works expenses of \$12,813,000 or 17.2% made up the third highest portion of governmental expenses and increased due to increases in salaries and benefits.

Business-type Activities: Business-type activities increased the City's total net position by \$6,208,000. The increase in net position was primarily from the Parking and Transit funds. The increase in Parking is due to the sale of land. The increase in Transit is due to grants to purchase buses. For all business-type activities, revenues exceeded expenses by \$8,022,000.

Revenues for business-type activities totaled \$65,014,000. The primary revenue source for business-type activities is charges for services, \$42,208,000 or 64.9%. In addition for FY18, the City's business type-activities had a significant portion, \$18,416,000 or 28.3%, of their revenues from grants and contributions used to help fund operation and capital projects for business-type activities.

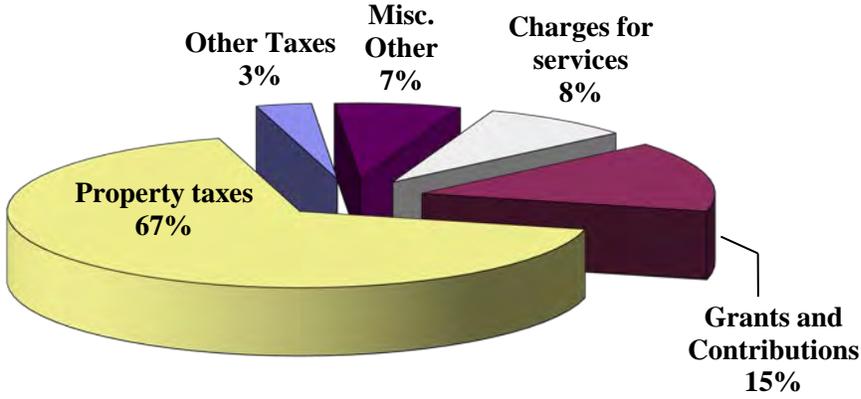
The total expenses for business-type activities in FY18 were \$56,992,000. Wastewater Treatment represented the highest portion of business-type activities, \$11,392,000 or 20.0%, with Housing Authority, \$9,535,000 or 16.7%, Water, \$9,472,000 or 16.6%, Sanitation, \$9,408,000 or 16.5%, and Transit, \$8,071,000 or 14.2%, making up the remainder of the majority of business-type activities expenses.

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

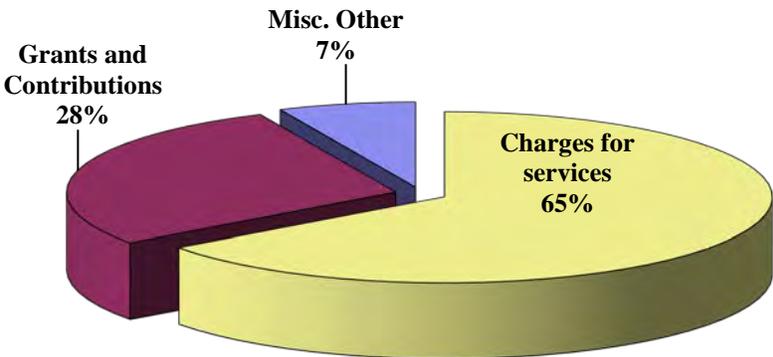
	Governmental activities		Business-type activities		Total	
	2017		2017		2017	
	2018	(not restated)	2018	(not restated)	2018	(not restated)
Revenues:						
Program Revenues:						
Charges for services	\$ 7,297	\$ 8,412	\$ 42,208	\$ 41,231	\$ 49,505	\$ 49,643
Operating grants and contributions	10,245	10,828	11,230	10,836	21,475	21,664
Capital grants and contributions	1,459	9,952	7,186	4,799	8,645	14,751
General Revenues:						
Property taxes	59,046	57,649	-	-	59,046	57,649
Other taxes	2,706	2,802	-	-	2,706	2,802
Grants and contributions not restricted to specific purposes	1,547	1,583	-	-	1,547	1,583
Earnings on investments	2,368	1,397	1,496	938	3,864	2,335
Gain on disposal of capital assets	140	2,151	2,438	69	2,578	2,220
Other	<u>3,656</u>	<u>3,369</u>	<u>456</u>	<u>1,260</u>	<u>4,112</u>	<u>4,629</u>
Total revenues	88,464	98,143	65,014	59,133	153,478	157,276
Expenses:						
Public safety	25,191	24,002	-	-	25,191	24,002
Public works	12,813	12,032	-	-	12,813	12,032
Culture and recreation	16,363	15,525	-	-	16,363	15,525
Community and economic development	12,019	8,253	-	-	12,019	8,253
General government	6,858	6,124	-	-	6,858	6,124
Interest on long-term debt	1,414	1,481	-	-	1,414	1,481
Wastewater treatment	-	-	11,392	11,233	11,392	11,233
Water	-	-	9,472	8,921	9,472	8,921
Sanitation	-	-	9,408	9,123	9,408	9,123
Housing authority	-	-	9,535	8,798	9,535	8,798
Parking	-	-	5,590	4,620	5,590	4,620
Airport	-	-	1,680	1,402	1,680	1,402
Stormwater	-	-	1,844	2,432	1,844	2,432
Transit	-	-	<u>8,071</u>	<u>7,263</u>	<u>8,071</u>	<u>7,263</u>
Total expenses	74,658	67,417	56,992	53,792	131,650	121,209
Change in net position before transfers	13,806	30,726	8,022	5,341	21,828	36,067
Transfers	<u>1,814</u>	<u>(7,053)</u>	<u>(1,814)</u>	<u>7,053</u>	<u>-</u>	<u>-</u>
Change in net position	15,620	23,673	6,208	12,394	21,828	36,067
Net position beginning of year, as restated	<u>246,593</u>	<u>223,918</u>	<u>383,246</u>	<u>371,420</u>	<u>629,839</u>	<u>595,338</u>
Net position end of year	<u>\$ 262,213</u>	<u>\$ 247,591</u>	<u>\$ 389,454</u>	<u>\$ 383,814</u>	<u>\$ 651,667</u>	<u>\$ 631,405</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.

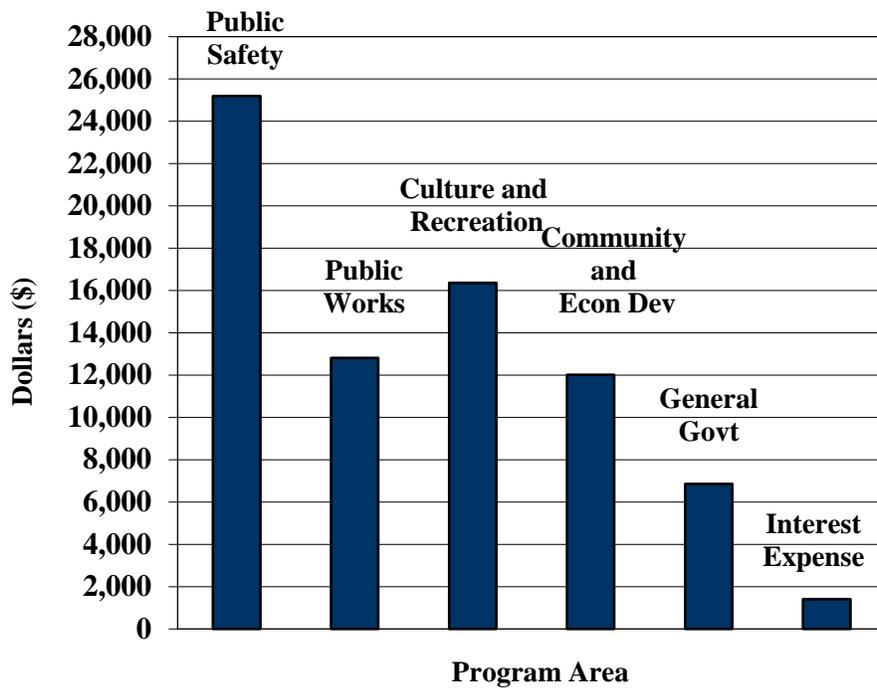
**Governmental Activities
FY2018 Revenue
by Source**



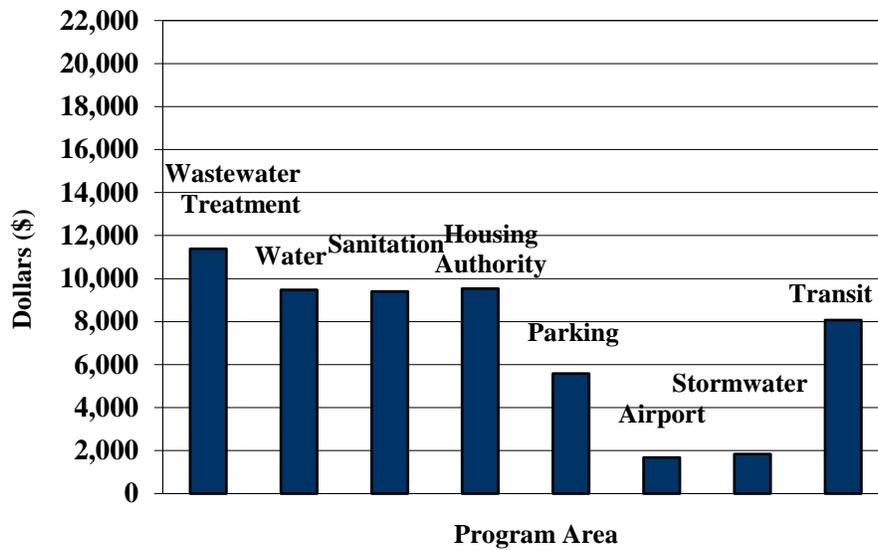
**Business-Type Activities
FY2018 Revenue
by Source**



**Governmental Activities
FY2018 Expenses
by Program Area**
(amounts expressed in thousands)



**Business-Type Activities
FY2018 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, 2018, the City's governmental funds reported combined ending fund balances of \$101,810,000, a decrease of \$4,571,000 in comparison with the prior year. Of this total amount, \$28,478,000 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 \$65,975,000 or 64.8% contains external restraints on its use. The committed and assigned fund balances of \$4,962,000 or 4.9% and \$1,437,000 or 1.4%, respectively, have been identified by the City to be used for specific purposes. The nonspendable fund balance is \$958,000 or 0.9%, 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, 2018, the unassigned fund balance of the General Fund was \$28,516,000 while General Fund's total fund balance was \$37,650,000. 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 59.2% of total General Fund expenditures of \$48,191,000, while total fund balance represents 78.1% of that same amount.

During the current fiscal year, the fund balance of the City's General Fund decreased by \$4,446,000. This is due to transfers out to other funds.

The fund balance in the Bridge, Street, and Traffic Control Construction Fund was \$15,098,000, a decrease of \$439,000. This fund accounts for transactions relating to the acquisition or construction of major streets, bridges, and traffic control facilities. The fund balance in the Other Construction Fund was \$26,752,000, a decrease of \$604,000. This fund accounts for the construction or replacement of other governmental general capital assets, such as administrative buildings, with various funding sources, including general obligation bonds, intergovernmental revenues, and contributions. The change in these fund balances is due to transfers out to other funds.

The ending fund balance of the Debt Service Fund was \$8,609,000, an increase of \$853,000, all of which is reserved for the payment of debt service (i.e. payment of general obligation principal and interest).

The ending fund balance of the Employee Benefits Fund was \$2,847,000, an increase of \$326,000 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 \$373,385,000, an increase in net position of \$5,633,000. 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, \$294,109,000 is net investment in capital assets. Unrestricted net position totaled \$57,057,000, a decrease of \$4,113,000 compared to the previous year.

The Internal Service funds showed net position totaling \$40,949,000 as of June 30, 2018, an increase of \$1,472,000 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 \$7,592,000 or 5.2% to a total of \$152,606,000 and the expenditure budget by \$74,315,000 or 42.9% to a total of \$247,645,000. 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, 2018 amounts to \$583,904,000, 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, 2018 increased by \$21,868,000 for governmental activities compared to the prior year and increased by \$829,000 for business-type activities from the prior year.

The following table reflects the \$583,904,000 investment in capital assets, net of accumulated depreciation.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 30,894	\$ 29,778	\$ 30,317	\$ 30,737	\$ 61,211	\$ 60,515
Buildings	38,998	39,464	69,855	73,297	108,853	112,761
Improvements other than buildings	3,766	3,954	4,220	4,341	7,986	8,295
Machinery and equipment	17,279	16,686	10,396	7,470	27,675	24,156
Infrastructure	114,792	113,494	205,809	209,505	320,601	322,999
Construction in progress	<u>42,282</u>	<u>22,767</u>	<u>15,296</u>	<u>9,714</u>	<u>57,578</u>	<u>32,481</u>
Total	<u>\$ 248,011</u>	<u>\$ 226,143</u>	<u>\$ 335,893</u>	<u>\$ 335,064</u>	<u>\$ 583,904</u>	<u>\$ 561,207</u>

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

- Work was completed for Phase 1 of the Riverfront Crossings Park. This park was constructed on the old wastewater plant site and it will also serve as a floodable area/wetlands area. The construction in progress balance at the beginning of the year was \$382,000. Additional expenses of \$2,727,000 were added in FY 18. The total cost of the project that was capitalized was \$3,109,000 and is funded primarily by the state. The Iowa Flood Mitigation Board approves funding for flood mitigation projects using either sales tax increments or funds appropriated by the General Assembly.
- Expenses for a variety of street and bridge construction were moved into construction in progress at the end of FY18 for a total balance of \$48,008,000. This construction in progress includes \$46,356,000 for the Iowa City Gateway Project, which will reconstruct and elevate Dubuque Street and Park Road Bridge to provide flood protection.

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

Debt Administration: At the end of the fiscal year, the City had total bonded debt outstanding of \$94,730,000. Of this amount, \$51,880,000 comprises debt backed by the full faith and credit of the City. \$4,435,000 or 8.5% of these bonds is debt that will be paid with Tax Increment Financing revenues. \$42,850,000 represents revenue bonds secured solely by specific revenue sources.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 51,880	\$ 51,645	\$ -	\$ -	\$ 51,880	\$ 51,645
Revenue bonds	15,065	15,200	27,785	32,820	42,850	48,020
Total	<u>\$ 66,945</u>	<u>\$ 66,845</u>	<u>\$ 27,785</u>	<u>\$ 32,820</u>	<u>\$ 94,730</u>	<u>\$ 99,665</u>

The City issued \$11,995,000 of General Obligation bonds during FY18. This increase in debt was offset by the retirement of debt for a net decrease of City's total bonded debt by \$4,935,000.

The City continues to have the same excellent bond rating on its General Obligation bonds that it has had for the past several years. This rating is given to those bonds judged to be of the best quality and carrying the smallest degree of investment risks. The City's bond ratings by Moody's Investors Services, Inc. as of June 30, 2018 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 \$274,723,000. With outstanding debt applicable to this limit of \$92,432,000 we are utilizing 33.6% 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 expenditures exceed revenues by \$2.3million in the General Fund for FY19 that strives to maintain current service delivery levels. The tax levy rate per \$1,000 of assessed valuation for FY19 is provided below:

General Levy	\$	8.100
Debt Service Levy		3.229
Employee Benefits Levy		3.344
Transit Levy		0.950
Liability Insurance Levy		0.290
Library Levy		<u>0.270</u>
Total City Levy	\$	<u>16.183</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, 2018
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 109,860	\$ 63,520	\$ 173,380
Receivables:			
Property tax	59,538	-	59,538
Accounts and unbilled usage	817	3,660	4,477
Interest	920	647	1,567
Notes	5,304	397	5,701
Internal balances	(16,069)	16,069	-
Due from other governments	4,067	1,327	5,394
Prepaid item	810	97	907
Inventories	602	733	1,335
Assets held for resale	562	-	562
Restricted assets:			
Equity in pooled cash and investments	26,108	33,939	60,047
Capital assets:			
Land and construction in progress	73,176	45,613	118,789
Other capital assets (net of accumulated depreciation)	174,835	290,280	465,115
Total assets	<u>440,530</u>	<u>456,282</u>	<u>896,812</u>
Deferred Outflows of Resources			
Pension related deferred outflows	11,477	2,561	14,038
OPEB related deferred outflows	637	245	882
Total deferred outflows of resources	<u>12,114</u>	<u>2,806</u>	<u>14,920</u>
Liabilities			
Accounts payable	5,168	2,402	7,570
Contracts payable	3,663	1,407	5,070
Accrued liabilities	4,193	479	4,672
Interest payable	134	520	654
Deposits	952	1,819	2,771
Advances from grantors	124	-	124
Due to other governments	29	103	132
Notes payable	475	-	475
Noncurrent liabilities:			
Due within one year:			
Employee vested benefits	1,253	424	1,677
Capital lease obligation	-	545	545
Bonds payable	9,612	5,269	14,881
Due in more than one year:			
Employee vested benefits	987	302	1,289
Net pension liability	38,867	8,966	47,833
Other post employment benefits liability	5,472	2,117	7,589
Notes payable	211	-	211
Capital lease obligation	-	11,413	11,413
Bonds payable	58,307	23,826	82,133
Landfill closure/post-closure liability	-	9,259	9,259
Total liabilities	<u>\$ 129,447</u>	<u>\$ 68,851</u>	<u>\$ 198,298</u>

(continued)

CITY OF IOWA CITY, IOWA

STATEMENT OF NET POSITION (continued)

June 30, 2018
(amounts expressed in thousands)

	Governmental Activities	Business-type Activities	Total
Deferred inflows of resources			
Unavailable revenues:			
Pension related deferred inflows	\$ 1,565	\$ 475	\$ 2,040
OPEB related deferred inflows	246	95	341
Deferred amount on refunding	-	213	213
Succeeding year property taxes	59,173	-	59,173
Total deferred inflows of resources	<u>60,984</u>	<u>783</u>	<u>61,767</u>
Net position			
Net investment in capital assets	157,106	294,109	451,215
Restricted for or by:			
Employee benefits	3,119	-	3,119
Capital projects	21,463	-	21,463
Debt service	8,423	-	8,423
Police	283	-	283
Other purposes	4,469	-	4,469
Bond ordinance	-	13,111	13,111
State statute	-	5,876	5,876
Future improvements	-	100	100
Grant agreement	3,733	3,132	6,865
Unrestricted	<u>63,617</u>	<u>73,126</u>	<u>136,743</u>
Total net position	<u>\$ 262,213</u>	<u>\$ 389,454</u>	<u>\$ 651,667</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, 2018
(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	\$ 25,191	\$ 4,438	\$ 272	\$ 15	\$ (20,466)	\$ -	\$ (20,466)
Public works	12,813	62	8,572	1,095	(3,084)	-	(3,084)
Culture and recreation	16,363	836	16	322	(15,189)	-	(15,189)
Community and economic development	12,019	441	1,385	27	(10,166)	-	(10,166)
General government	6,858	1,520	-	-	(5,338)	-	(5,338)
Interest on long-term debt	1,414	-	-	-	(1,414)	-	(1,414)
Total governmental activities	74,658	7,297	10,245	1,459	(55,657)	-	(55,657)
Business-type activities:							
Wastewater treatment	11,392	12,626	-	1,913	-	3,147	3,147
Water	9,472	9,473	-	483	-	484	484
Sanitation	9,408	10,014	3	22	-	631	631
Housing authority	9,535	323	9,065	-	-	(147)	(147)
Parking	5,590	5,648	-	-	-	58	58
Airport	1,680	348	72	49	-	(1,211)	(1,211)
Stormwater	1,844	1,560	2	892	-	610	610
Transit	8,071	2,216	2,088	3,827	-	60	60
Total business-type activities	56,992	42,208	11,230	7,186	-	3,632	3,632
Total	\$ 131,650	\$ 49,505	\$ 21,475	\$ 8,645	(55,657)	3,632	(52,025)
General revenues:							
Property taxes, levied for general purposes					59,046	-	59,046
Hotel/motel tax					1,046	-	1,046
Gas and electric tax					684	-	684
Utility franchise tax					976	-	976
Grants and contributions not restricted to specific purposes					1,547	-	1,547
Earnings on investments					2,368	1,496	3,864
Gain on disposal of capital assets					140	2,438	2,578
Miscellaneous					3,656	456	4,112
Transfers					1,814	(1,814)	-
Total general revenues and transfers					71,277	2,576	73,853
Changes in net position					15,620	6,208	21,828
Net position beginning of year, as restated					246,593	383,246	629,839
Net position end of year					\$ 262,213	\$ 389,454	\$ 651,667

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

CITY OF IOWA CITY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

(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	\$ 36,321	\$ 3,708	\$ 2,696	\$ 11,919	\$ 12,630	\$ 7,834	\$ 2,260	\$ 77,368
Receivables:								
Property tax	34,973	-	12,165	-	-	12,029	371	59,538
Accounts and unbilled usage	496	21	-	-	205	-	-	722
Interest	276	8	-	117	103	168	6	678
Notes	1,276	-	-	-	-	362	3,666	5,304
Advances to other funds	-	-	-	-	-	111	-	111
Due from other governments	1,941	653	299	262	753	-	108	4,016
Inventories	-	81	-	-	-	-	-	81
Prepaid item	726	-	84	-	-	-	-	810
Assets held for resale	562	-	-	-	-	-	-	562
Restricted assets:								
Equity in pooled cash and investments	1,904	1,207	-	17,088	5,852	57	-	26,108
Total assets	\$ 78,475	\$ 5,678	\$ 15,244	\$ 29,386	\$ 19,543	\$ 20,561	\$ 6,411	\$ 175,298
Liabilities, Deferred Inflows of Resources and Fund Balances								
Liabilities:								
Accounts payable	\$ 1,492	\$ 223	\$ 1	\$ 1,213	\$ 1,316	\$ -	\$ 382	\$ 4,627
Contracts payable	-	-	-	1,311	2,352	-	-	3,663
Accrued liabilities	1,391	96	2	-	19	-	23	1,531
Advances from other funds	-	111	-	-	-	-	-	111
Due to other governments	29	-	-	-	-	-	-	29
Interest payable	5	-	-	-	-	-	-	5
Notes payable	475	-	-	-	-	-	-	475
Liabilities payable from restricted assets:								
Deposits	947	5	-	-	-	-	-	952
Advances from grantors	113	6	-	5	-	-	-	124
Total liabilities	4,452	441	3	2,529	3,687	-	405	11,517
Deferred inflows of resources :								
Unavailable revenues:								
Succeeding year property taxes	34,764	-	12,095	-	-	11,952	362	59,173
Grants	9	1	-	13	753	-	26	802
Other	1,600	-	299	92	5	-	-	1,996
Total deferred inflows of resources	36,373	1	12,394	105	758	11,952	388	61,971
Fund balances:								
Nonspendable	793	81	84	-	-	-	-	958
Restricted	1,942	5,155	2,763	26,752	15,098	8,609	5,656	65,975
Committed	4,962	-	-	-	-	-	-	4,962
Assigned	1,437	-	-	-	-	-	-	1,437
Unassigned	28,516	-	-	-	-	-	(38)	28,478
Total fund balances	37,650	5,236	2,847	26,752	15,098	8,609	5,618	101,810
Total liabilities, deferred inflows of resources and fund balances	\$ 78,475	\$ 5,678	\$ 15,244	\$ 29,386	\$ 19,543	\$ 20,561	\$ 6,411	\$ 175,298

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, 2018
(amounts expressed in thousands)

Total governmental fund balances	\$	101,810
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.		40,949
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.		2,798
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		235,805
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	\$ 11,667	
Deferred inflows of resources	<u>(1,722)</u>	9,945
Net pension liabilities are not due and payable in the current period and therefore are not reported in the funds.		(37,449)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(2,126)
Accrued post employment benefit liabilities are not due and payable in the current period and therefore are not reported in the funds.		(5,191)
Bonds payable are not due and payable in the current period and therefore are not reported in the funds.		(67,919)
Notes payable are not due and payable in the current period and therefore are not reported in the funds.		(211)
Accrued interest on bonds		(129)
Internal balance due to integration of internal service funds		<u>(16,069)</u>
Total net position of governmental activities	\$	<u><u>262,213</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, 2018
(amounts expressed in thousands)

	Special Revenue			Capital Projects				Total
	General	Other Shared	Employee	Other Construction	Bridge, Street, and Traffic	Debt Service	Other Governmental	
		Revenue and Grants	Benefits		Control Construction		Funds	
Revenues								
Taxes	\$ 35,363	\$ -	\$ 10,908	\$ -	\$ -	\$ 12,700	\$ 2,782	\$ 61,753
Licenses and permits	2,734	-	-	-	-	-	-	2,734
Intergovernmental	3,786	8,656	292	371	127	332	1,380	14,944
Charges for services	1,465	422	316	43	49	-	-	2,295
Fines and forfeits	695	-	-	-	-	-	-	695
Use of money and property	1,164	85	-	245	184	207	52	1,937
Miscellaneous	1,878	156	153	163	477	-	48	2,875
Total revenues	47,085	9,319	11,669	822	837	13,239	4,262	87,233
Expenditures								
Current:								
Public safety	22,762	-	591	7	-	-	-	23,360
Public works	1,871	5,885	-	446	1,850	-	-	10,052
Culture and recreation	13,099	-	-	1,109	-	-	-	14,208
Community and economic development	2,785	492	-	5,352	-	-	2,445	11,074
General government	5,550	-	377	29	-	61	-	6,017
Debt service:								
Principal	-	-	-	-	-	11,895	-	11,895
Interest	-	-	-	-	-	1,570	-	1,570
Capital outlay	2,124	344	-	5,331	20,426	-	-	28,225
Total expenditures	48,191	6,721	968	12,274	22,276	13,526	2,445	106,401
Excess (deficiency) of revenues over (under) expenditures	(1,106)	2,598	10,701	(11,452)	(21,439)	(287)	1,817	(19,168)
Other Financing Sources (Uses)								
Issuance of debt	17	-	-	5,258	6,665	55	-	11,995
Sale of capital assets	140	-	-	-	-	-	-	140
Premiums on issuance of bonds	-	-	-	104	131	1	-	236
Transfers in	10,138	1,092	-	6,413	15,603	1,084	336	34,666
Transfers out	(13,635)	(4,975)	(10,375)	(927)	(1,399)	-	(1,129)	(32,440)
Total other financing sources and (uses)	(3,340)	(3,883)	(10,375)	10,848	21,000	1,140	(793)	14,597
Net change in fund balances	(4,446)	(1,285)	326	(604)	(439)	853	1,024	(4,571)
Fund Balances, Beginning	42,096	6,521	2,521	27,356	15,537	7,756	4,594	106,381
Fund Balances, Ending	\$ 37,650	\$ 5,236	\$ 2,847	\$ 26,752	\$ 15,098	\$ 8,609	\$ 5,618	\$ 101,810

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, 2018
(amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ (4,571)

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	\$ 27,549	
Capital assets contributed	945	
Depreciation expense	<u>(6,877)</u>	21,617

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	(11,995)	
Premium on bonds issued	(236)	
Repayments of debt	11,895	
Amortization of premium	<u>156</u>	(180)

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. (284)

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	2	
Pension expense	(1,429)	
Change in accrued post employment benefit liability	(432)	

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. 897

Change in net position of governmental activities \$ 15,620

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, 2018
(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	\$ 12,971	\$ 6,979	\$ 14,856	\$ 8,223	\$ 14,762	\$ 1,550	\$ 3,929	\$ 250	\$ 63,520	\$ 32,492
Receivables (net of allowance for uncollectibles):										
Accounts and unbilled usage	14	81	1,569	1,112	693	164	3	24	3,660	95
Interest	82	34	132	102	226	11	58	2	647	242
Notes	-	-	-	-	-	-	397	-	397	-
Due from other governments	-	1,169	-	58	49	-	34	17	1,327	51
Inventories	-	325	-	408	-	-	-	-	733	521
Prepaid item	-	19	19	19	18	-	-	22	97	-
Total current assets	<u>13,067</u>	<u>8,607</u>	<u>16,576</u>	<u>9,922</u>	<u>15,748</u>	<u>1,725</u>	<u>4,421</u>	<u>315</u>	<u>70,381</u>	<u>33,401</u>
Noncurrent assets:										
Restricted assets:										
Equity in pooled cash and investments	1	20	9,991	5,163	14,743	-	3,911	110	33,939	-
Advances to other funds	-	-	-	-	1,666	-	-	-	1,666	-
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	-	5,350	5,377	134,117	1,487
Improvements other than buildings	328	-	7,261	2,742	421	-	9	396	11,157	50
Machinery and equipment	1,575	14,252	7,633	10,833	252	27	106	293	34,971	21,748
Infrastructure	-	955	149,981	63,824	17,366	61,227	-	17,868	311,221	2,101
Accumulated depreciation	(20,632)	(15,633)	(80,228)	(39,112)	(16,375)	(14,933)	(4,566)	(9,707)	(201,186)	(13,561)
Construction in progress	-	1,306	7,961	3,494	821	1,634	-	80	15,296	336
Total noncurrent assets	<u>26,408</u>	<u>18,929</u>	<u>140,216</u>	<u>77,259</u>	<u>26,625</u>	<u>50,219</u>	<u>5,430</u>	<u>26,412</u>	<u>371,498</u>	<u>12,206</u>
Total assets	<u>39,475</u>	<u>27,536</u>	<u>156,792</u>	<u>87,181</u>	<u>42,373</u>	<u>51,944</u>	<u>9,851</u>	<u>26,727</u>	<u>441,879</u>	<u>45,607</u>
Deferred Outflows of Resources										
Pension related deferred outflows	251	716	408	490	471	38	172	15	2,561	415
OPEB related deferred outflows	25	77	34	44	51	1	12	1	245	32
Total deferred outflows of resources	<u>276</u>	<u>793</u>	<u>442</u>	<u>534</u>	<u>522</u>	<u>39</u>	<u>184</u>	<u>16</u>	<u>2,806</u>	<u>447</u>
Liabilities										
Current liabilities:										
Accounts payable	124	1,579	80	385	184	5	26	19	2,402	541
Contracts payable	31	-	426	205	705	4	-	36	1,407	-
Accrued liabilities	46	151	68	85	86	8	31	4	479	2,662
Employee vested benefits	37	127	61	80	83	1	33	2	424	64
Due to other governments	-	13	1	27	1	-	61	-	103	-
Interest payable	40	-	330	150	-	-	-	-	520	-
Capital lease obligation	545	-	-	-	-	-	-	-	545	-
Bonded debt payable (net of unamortized premium and discounts)	-	-	3,729	1,540	-	-	-	-	5,269	-
Total current liabilities	<u>823</u>	<u>1,870</u>	<u>4,695</u>	<u>2,472</u>	<u>1,059</u>	<u>18</u>	<u>151</u>	<u>61</u>	<u>11,149</u>	<u>3,267</u>
Noncurrent liabilities:										
Liabilities payable from restricted assets:										
Deposits	1	6	-	1,017	7	-	779	9	1,819	-
Advances from other funds	1,666	-	-	-	-	-	-	-	1,666	-
Employee vested benefits	27	87	42	58	61	1	24	2	302	50
Capital lease obligation	11,413	-	-	-	-	-	-	-	11,413	-
Bonded debt payable (net of unamortized premium and discounts)	-	-	13,358	10,468	-	-	-	-	23,826	-
Net pension liability	894	2,512	1,404	1,680	1,678	143	602	53	8,966	1,418
Other post employment benefits liability	214	665	293	383	439	11	101	11	2,117	281
Landfill closure/postclosure liability	-	-	-	-	9,259	-	-	-	9,259	-
Total noncurrent liabilities	<u>14,215</u>	<u>3,270</u>	<u>15,097</u>	<u>13,606</u>	<u>11,444</u>	<u>155</u>	<u>1,506</u>	<u>75</u>	<u>59,368</u>	<u>1,749</u>
Total liabilities	<u>15,038</u>	<u>5,140</u>	<u>19,792</u>	<u>16,078</u>	<u>12,503</u>	<u>173</u>	<u>1,657</u>	<u>136</u>	<u>70,517</u>	<u>5,016</u>
Deferred Inflows of Resources										
Pension related deferred inflows	47	133	74	89	89	8	32	3	475	75
OPEB related deferred inflows	10	29	13	17	20	1	5	-	95	14
Deferred amount on refunding	-	-	123	90	-	-	-	-	213	-
Total deferred inflow of resources	<u>57</u>	<u>162</u>	<u>210</u>	<u>196</u>	<u>109</u>	<u>9</u>	<u>37</u>	<u>3</u>	<u>783</u>	<u>89</u>
Net Position										
Net investment in capital assets	14,449	18,909	113,015	59,480	10,216	50,219	1,519	26,302	294,109	12,206
Restricted by bond ordinance	-	-	9,661	3,450	-	-	-	-	13,111	-
Restricted by state statute	-	-	-	-	5,876	-	-	-	5,876	-
Restricted for future improvements	-	-	-	-	-	-	-	100	100	-
Restricted by grant agreement	-	-	-	-	-	-	3,132	-	3,132	-
Unrestricted	<u>10,207</u>	<u>4,118</u>	<u>14,556</u>	<u>8,511</u>	<u>14,191</u>	<u>1,582</u>	<u>3,690</u>	<u>202</u>	<u>57,057</u>	<u>28,743</u>
Total net position	<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>\$ 373,385</u>	<u>\$ 40,949</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.									16,069	
Net position of business-type activities									<u>\$ 389,454</u>	

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, 2018
(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	\$ 5,648	\$ 2,216	\$ 12,626	\$ 9,473	\$10,014	\$ 1,560	\$ 323	\$ 348	\$42,208	\$ 19,284
Miscellaneous	35	69	87	73	79	7	93	13	456	-
Total operating revenues	5,683	2,285	12,713	9,546	10,093	1,567	416	361	42,664	19,284
Operating Expenses:										
Personal services	1,674	4,127	2,948	3,463	2,960	314	905	85	16,476	2,317
Commodities	502	810	1,250	1,427	403	73	85	70	4,620	2,258
Services and charges	1,614	2,235	2,424	2,059	5,301	217	8,434	393	22,677	10,832
	3,790	7,172	6,622	6,949	8,664	604	9,424	548	43,773	15,407
Depreciation	1,268	906	4,436	2,372	1,526	1,240	120	1,003	12,871	1,884
Total operating expenses	5,058	8,078	11,058	9,321	10,190	1,844	9,544	1,551	56,644	17,291
Operating income (loss)	625	(5,793)	1,655	225	(97)	(277)	(9,128)	(1,190)	(13,980)	1,993
Nonoperating Revenues (Expenses):										
Gain (loss) on disposal of capital assets	2,423	(23)	(53)	3	-	-	2	(144)	2,208	(30)
Operating grants	-	2,088	-	-	3	2	9,065	72	11,230	-
Interest income	129	80	468	292	444	24	54	5	1,496	430
Interest expense	(568)	-	(375)	(259)	-	-	-	-	(1,202)	-
Total nonoperating revenues (expenses)	1,984	2,145	40	36	447	26	9,121	(67)	13,732	400
Income (loss) before capital contributions and transfers	2,609	(3,648)	1,695	261	350	(251)	(7)	(1,257)	(248)	2,393
Capital contributions	-	3,827	1,913	483	22	892	-	49	7,186	-
Transfers in	-	3,376	531	1,041	1	1,623	30	110	6,712	1,202
Transfers out	-	-	(4,727)	(715)	(1,528)	(1,000)	(47)	-	(8,017)	(2,123)
Change in net position	2,609	3,555	(588)	1,070	(1,155)	1,264	(24)	(1,098)	5,633	1,472
Net Position, Beginning, as restated	22,047	19,472	137,820	70,371	31,438	50,537	8,365	27,702		39,477
Net Position, Ending	<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>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds									575	
Change in net position of business-type activities									<u>\$ 6,208</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, 2018
(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	\$ 5,679	\$ 2,219	\$ 12,669	\$ 9,472	\$ 10,118	\$ 1,557	\$ 717	\$ 360	\$ 42,791	\$ 19,362
Payments to suppliers	(2,187)	(1,678)	(3,839)	(3,294)	(5,082)	(358)	(8,500)	(471)	(25,409)	(13,078)
Payments to employees	(1,769)	(4,005)	(3,084)	(3,482)	(2,939)	(276)	(928)	(78)	(16,561)	(2,400)
Net cash flows from (used for) operating activities	1,723	(3,464)	5,746	2,696	2,097	923	(8,711)	(189)	821	3,884
Cash Flows From Noncapital Financing Activities										
Grants received	-	3,706	-	-	1	84	8,993	140	12,924	-
Transfers from other funds	-	3,376	231	-	1	-	30	110	3,748	-
Transfers to other funds	-	-	(2,000)	(715)	(486)	(1,000)	(47)	-	(4,248)	(1,453)
Repayment/(payment) of notes receivable	-	-	-	-	-	-	143	-	143	-
Repayment of advances from other funds	-	-	-	-	235	-	-	-	235	-
Repayment of advances to other funds	(235)	-	-	-	-	-	-	-	(235)	-
Net cash flows from (used for) noncapital financing activities	(235)	7,082	(1,769)	(715)	(249)	(916)	9,119	250	12,567	(1,453)
Cash Flows From Capital and Related Financing Activities										
Capital grants received	-	3,108	1,291	-	20	-	-	78	4,497	-
Acquisition and construction of property and equipment	(70)	(4,830)	(4,522)	(1,198)	(1,185)	(22)	(22)	(152)	(12,001)	(1,870)
Proceeds from sale of property	2,679	-	10	3	-	-	2	20	2,714	237
Principal paid on capital lease obligation	(2,524)	-	-	-	-	-	-	-	(2,524)	-
Interest paid on capital lease obligation	(576)	-	-	-	-	-	-	-	(576)	-
Principal paid on bonded debt	-	-	(3,556)	(1,443)	-	-	-	-	(4,999)	-
Interest paid on bonded debt	-	-	(755)	(395)	-	-	-	-	(1,150)	-
Net cash flows used for capital and related financing activities	(491)	(1,722)	(7,532)	(3,033)	(1,165)	(22)	(20)	(54)	(14,039)	(1,633)
Cash Flows From Investing Activities										
Interest on investments	78	61	436	232	310	18	61	4	1,200	277
Net increase (decrease) in cash and cash equivalents	1,075	1,957	(3,119)	(820)	993	3	449	11	549	1,075
Cash and Cash Equivalents, Beginning	11,897	5,042	27,966	14,206	28,512	1,547	7,391	349	96,910	31,417
Cash and Cash Equivalents, Ending	<u>\$ 12,972</u>	<u>\$ 6,999</u>	<u>\$ 24,847</u>	<u>\$ 13,386</u>	<u>\$ 29,505</u>	<u>\$ 1,550</u>	<u>\$ 7,840</u>	<u>\$ 360</u>	<u>\$ 97,459</u>	<u>\$ 32,492</u>
Reconciliation of operating income (loss) to net cash flows from (used for) operating activities:										
Operating income (loss)	\$ 625	\$ (5,793)	\$ 1,655	\$ 225	\$ (97)	\$ (277)	\$ (9,128)	\$ (1,190)	\$(13,980)	\$ 1,993
Adjustments to reconcile operating income (loss) to net cash flows from (used for) operating activities:										
Depreciation expense	1,268	906	4,436	2,372	1,526	1,240	120	1,003	12,871	1,884
Changes in:										
Receivables:										
Accounts and unbilled usage	(4)	(66)	(44)	(69)	5	(10)	(3)	-	(191)	62
Due from other governments	-	-	-	(57)	18	-	144	-	105	16
Inventories	-	(31)	-	61	-	-	-	-	30	(55)
Prepaid item	-	(19)	(19)	(19)	(18)	-	-	(19)	(94)	12
Accounts payable	(71)	1,420	(145)	148	(27)	(68)	(8)	11	1,260	55
Accrued liabilities	3	15	(1)	4	14	(1)	3	2	39	(84)
Employee vested benefits	(2)	17	(3)	17	-	-	2	1	32	1
Due to other governments	-	(3)	(1)	2	(1)	-	27	-	24	-
Deposits	-	-	-	52	2	-	160	(1)	213	-
Net pension liability	(101)	84	(65)	12	30	33	(6)	4	(9)	21
Deferred outflows of resources	(25)	(107)	(87)	(104)	(100)	2	(38)	(2)	(461)	(66)
Deferred inflows of resources	(4)	9	(26)	(7)	9	2	1	-	(16)	1
Other post employment benefits liability	34	104	46	59	68	2	15	2	330	44
Landfill closure/postclosure liability	-	-	-	-	668	-	-	-	668	-
Total adjustments	1,098	2,329	4,091	2,471	2,194	1,200	417	1,001	14,801	1,891
Net cash flows from (used for) operating activities	<u>\$ 1,723</u>	<u>\$ (3,464)</u>	<u>\$ 5,746</u>	<u>\$ 2,696</u>	<u>\$ 2,097</u>	<u>\$ 923</u>	<u>\$ (8,711)</u>	<u>\$ (189)</u>	<u>\$ 821</u>	<u>\$ 3,884</u>
Noncash Investing, Capital, and Financing Activities:										
Contributions of capital assets from government and others	\$ -	\$ -	\$ 922	\$ 1,524	\$ -	\$ 2,515	\$ -	\$ -	\$ 4,961	\$ 1,202
Contributions of capital assets to government and others	\$ -	\$ -	\$ 2,727	\$ -	\$ 1,042	\$ -	\$ -	\$ -	\$ 3,769	\$ 670
Capital grants not yet received	\$ -	\$ 1,114	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 5	\$ 1,121	\$ -
Operating grants not yet received	\$ -	\$ 5	\$ -	\$ -	\$ 2	\$ -	\$ 34	\$ 12	\$ 53	\$ -

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, 2018

(amounts expressed in thousands)

	<u>Agency Funds</u>
Assets	
Equity in pooled cash and investments	\$ 150
Interest receivable	1
Total assets	<u>\$ 151</u>
Liabilities	
Accounts payable	\$ 12
Due to agency	139
Total liabilities	<u>\$ 151</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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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 \$20,830,854 in revenues and other financing sources and by \$86,333,581 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, 2018

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, 2018 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, 2018, the City had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>
Federal Home Loan Bank Notes	\$ 10,385,215	November 2018 to October 2022
Federal Home Loan Mortgage Corporation Notes	5,974,160	May 2019 to March 2023
United States Treasury Notes	8,491,315	July 2018 to April 2019
Federal National Mortgage Association	1,058,048	June 2019
Natixis NY Branch Commercial Paper	2,967,427	September 2018 to November 2018
John Deere Capital Corporation		
Corporate Notes	997,690	October 2018
Toyota Motor Credit Corporation		
Corporate Notes	1,989,100	February 2019
	<u>\$ 31,862,955</u>	

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

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 \$10,385,215, the Federal Home Loan Mortgage Corporation securities of \$5,974,160, the Federal National Mortgage Association securities of \$1,058,048 and the United States Treasury securities of \$8,491,315 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 \$2,967,427 was determined using the last reported sales price at current exchange rates (Level 1 inputs).

The fair value measurements for the John Deere Capital Corporation corporate notes of \$997,690 and the Toyota Motor Credit Corporation corporate notes of \$1,989,100 were 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 \$14,047,707, which approximates fair value. The Diversified Portfolio consists of cash and short-term investments valued at amortized cost, which approximates fair value, pursuant to Governmental Accounting Standards Board Statement No. 79.

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

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

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

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

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, 2018, consisted of the following:

	Advances from		
	Debt Service	Sanitation	Total
<u>Advances to:</u>			
Parking	\$ -	\$ 1,665,852	\$ 1,665,852
Other Shared Revenue and Grants	110,893	-	110,893
Total	\$ 110,893	\$ 1,665,852	\$ 1,776,745

Interfund balances at June 30, 2018, include advances due to/from other funds, which represent amounts for construction loans and a revenue bond redemption loan. \$1,423,385 of the \$1,665,852 advance to the Parking Fund is not expected to be repaid within the next year. \$96,694 of the \$110,893 advance to the Other Shared Revenue and Grants Fund is not expected to be repaid within the next year.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

Interfund transfers for the year ended June 30, 2018, 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	\$ -	\$ 93,553	\$ 9,947,001	\$ 31,923	\$ -	\$ 18,356
Other Shared Revenue and Grants	650,093	-	427,642	-	13,941	-
Debt Service	20,052	-	-	256	-	1,064,028
Capital Projects Other Construction	994,403	1,018,570	-	-	20,986	17,082
Capital Projects Bridge, Street and Traffic Control Construction	8,338,836	3,212,990	-	-	-	-
Nonmajor Governmental	133,935	202,104	-	-	-	-
Transit	3,376,455	-	-	-	-	-
Wastewater Treatment	452	231,020	-	300,000	-	-
Water	392	-	-	87,810	952,848	-
Sanitation	1,324	-	-	-	-	-
Stormwater	249	-	-	67,252	411,444	-
Housing Authority	-	-	-	-	-	29,287
Nonmajor Enterprise	109,687	-	-	-	-	-
Internal Service	8,934	216,377	-	439,364	-	-
 Total Transfer to	 <u>\$ 13,634,812</u>	 <u>\$ 4,974,614</u>	 <u>\$ 10,374,643</u>	 <u>\$ 926,605</u>	 <u>\$ 1,399,219</u>	 <u>\$ 1,128,753</u>

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, 2018

Transfer from						
Wastewater Treatment	Water	Sanitation	Stormwater	Housing Authority	Internal Service	Total Transfer from
\$ -	\$ -	\$ -	\$ -	\$ 46,779	\$ -	\$ 10,137,612
-	-	-	-	-	-	1,091,676
-	-	-	-	-	-	1,084,336
1,622,867	500,000	486,141	300,000	-	1,453,180	6,413,229
2,085,761	215,467	860,954	700,000	-	188,961	15,602,969
-	-	-	-	-	-	336,039
-	-	-	-	-	-	3,376,455
-	-	-	-	-	-	531,472
-	-	-	-	-	-	1,041,050
-	-	-	-	-	-	1,324
1,018,827	-	124,941	-	-	-	1,622,713
-	-	-	-	-	264	29,551
-	-	-	-	-	-	109,687
-	-	56,469	-	-	480,516	1,201,660
<u>\$ 4,727,455</u>	<u>\$ 715,467</u>	<u>\$ 1,528,505</u>	<u>\$ 1,000,000</u>	<u>\$ 46,779</u>	<u>\$ 2,122,921</u>	<u>\$ 42,579,773</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

4. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning July 1, 2017	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 29,778,881	\$ 1,115,078	\$ -	\$ 30,893,959
Construction in progress	22,766,982	19,850,327	334,743	42,282,566
Total capital assets, not being depreciated	<u>52,545,863</u>	<u>20,965,405</u>	<u>334,743</u>	<u>73,176,525</u>
Capital assets, being depreciated:				
Buildings	64,183,861	1,235,069	163,326	65,255,604
Improvements other than buildings	7,501,518	103,346	48,019	7,556,845
Machinery and equipment	44,456,239	4,745,142	5,344,321	43,857,060
Infrastructure	156,922,114	4,915,183	1,038,129	160,799,168
Total capital assets being depreciated	<u>273,063,732</u>	<u>10,998,740</u>	<u>6,593,795</u>	<u>277,468,677</u>
Less accumulated depreciation for:				
Buildings	24,719,781	1,685,194	146,753	26,258,222
Improvements other than buildings	3,547,490	284,040	40,757	3,790,773
Machinery and equipment	27,770,324	3,461,091	4,653,360	26,578,055
Infrastructure	43,427,263	3,331,298	751,064	46,007,497
Total accumulated depreciation	<u>99,464,858</u>	<u>8,761,623</u>	<u>5,591,934</u>	<u>102,634,547</u>
Total capital assets, being depreciated, net	<u>173,598,874</u>	<u>2,237,117</u>	<u>1,001,861</u>	<u>174,834,130</u>
Governmental activities capital assets, net	<u>\$ 226,144,737</u>	<u>\$ 23,202,522</u>	<u>\$ 1,336,604</u>	<u>\$ 248,010,655</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

	Beginning July 1, 2017	Acquisitions and Transfers	Disposals and Transfers	Balance June 30, 2018
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 30,737,360	\$ -	\$ 420,175	\$ 30,317,185
Construction in progress	9,714,893	6,094,744	512,350	15,297,287
Total capital assets, not being depreciated	<u>40,452,253</u>	<u>6,094,744</u>	<u>932,525</u>	<u>45,614,472</u>
Capital assets, being depreciated:				
Buildings	134,116,842	-	-	134,116,842
Improvements other than buildings	10,888,774	273,123	5,395	11,156,502
Machinery and equipment	30,811,069	4,390,048	229,165	34,971,952
Infrastructure	307,426,024	3,969,414	174,260	311,221,178
Total capital assets being depreciated	<u>483,242,709</u>	<u>8,632,585</u>	<u>408,820</u>	<u>491,466,474</u>
Less accumulated depreciation for:				
Buildings	60,819,791	3,441,770	-	64,261,561
Improvements other than buildings	6,548,221	392,926	4,586	6,936,561
Machinery and equipment	23,340,652	1,431,732	195,972	24,576,412
Infrastructure	97,920,877	7,602,806	112,346	105,411,337
Total accumulated depreciation	<u>188,629,541</u>	<u>12,869,234</u>	<u>312,904</u>	<u>201,185,871</u>
Total capital assets, being depreciated, net	<u>294,613,168</u>	<u>(4,236,649)</u>	<u>95,916</u>	<u>290,280,603</u>
Business-type activities capital assets, net	<u>\$ 335,065,421</u>	<u>\$ 1,858,095</u>	<u>\$ 1,028,441</u>	<u>\$ 335,895,075</u>
Depreciation expense was charged to functions as follows:				
Governmental activities:				
Public safety				\$ 1,579,960
Public works				3,829,983
Culture and recreation				2,890,681
Community and economic development				59,345
General government				401,654
Total depreciation expense - governmental activities				<u>\$ 8,761,623</u>
Business-type activities:				
Parking				\$ 1,267,743
Transit				905,993
Wastewater treatment				4,435,712
Water				2,371,624
Sanitation				1,525,829
Stormwater				1,239,560
Housing authority				120,199
Nonmajor enterprise				1,002,574
Total depreciation expense - business-type activities				<u>\$ 12,869,234</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

5. Capital Lease Obligation

Last year, the government entered into a lease agreement as lessee for financing the acquisition of a parking ramp valued at \$15,497,867. The parking ramp has a 30-year estimated useful life. This year, \$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, 2018, were as follows:

Fiscal Year Ending June 30	Business-type Activities
2019	\$ 1,021,221
2020	1,021,221
2021	1,021,221
2022	1,021,221
2023	1,021,221
2024-2036	11,313,343
Total minimum lease payments	16,419,448
Less: amount representing interest	(4,461,143)
Present value of minimum lease payments	<u>\$ 11,958,305</u>

Changes in Capital Lease Obligation

Changes in the capital lease obligation for the year ended June 30, 2018, was as follows:

	July 1, 2017	Issues	Retirements	June 30, 2018	Due Within One Year
Business-type activities:	<u>\$ 14,482,714</u>	<u>\$ -</u>	<u>\$ 2,524,409</u>	<u>\$ 11,958,305</u>	<u>\$ 545,281</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

6. Long Term Debt

Changes in Debt for Bonds

Bond debt activity for the year ended June 30, 2018, was as follows:

	<u>July 1, 2017</u>	<u>Issues</u>	<u>Retirements</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 51,645,000	\$ 11,995,000	\$ 11,760,000	\$ 51,880,000	\$ 9,335,000
Plus: Unamortized					
Premium	926,254	235,940	158,670	1,003,524	144,226
Total general obligation bonds	<u>52,571,254</u>	<u>12,230,940</u>	<u>11,918,670</u>	<u>52,883,524</u>	<u>9,479,226</u>
Revenue bonds	15,200,000	-	135,000	15,065,000	135,000
Less: Unamortized					
Discounts	31,860	-	2,124	29,736	2,124
Total revenue bonds	<u>15,168,140</u>	<u>-</u>	<u>132,876</u>	<u>15,035,264</u>	<u>132,876</u>
	<u>\$ 67,739,394</u>	<u>\$ 12,230,940</u>	<u>\$ 12,051,546</u>	<u>\$ 67,918,788</u>	<u>\$ 9,612,102</u>
Business-type activities:					
Revenue bonds	32,820,000	-	5,035,000	27,785,000	4,975,000
Plus: Unamortized					
Premium	1,600,914	-	290,852	1,310,062	294,351
Total revenue bonds	<u>\$ 34,420,914</u>	<u>\$ -</u>	<u>\$ 5,325,852</u>	<u>\$ 29,095,062</u>	<u>\$ 5,269,351</u>

General Obligation Bonds

Various issues of general obligation bonds totaling \$51,880,000 are outstanding as of June 30, 2018. The bonds have interest rates ranging from 1.25% to 3.65% and mature in varying annual amounts ranging from \$740,000 to \$2,100,000 per issue, with the final maturities due in the year ending June 30, 2028. 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, 2018

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

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 9,335,000	\$ 1,257,050
2020	8,400,000	1,036,338
2021	7,585,000	819,135
2022	6,395,000	631,263
2023	5,520,000	492,013
2024-2028	14,645,000	882,450
Total	\$ 51,880,000	\$ 5,118,249

Revenue Bonds

As of June 30, 2018, the following unmatured revenue bond issues are outstanding:

	Wastewater Treatment	Water	Taxable Urban Renewal
Original issue amount	\$ 37,650,000	\$ 24,260,000	\$ 15,200,000
Interest rates	2.0% to 5.0%	1.5% to 5.0%	1.0% to 3.9%
Annual maturities	\$ 275,000 to	\$ 405,000 to	\$ 135,000 to
	\$ 2,085,000	\$ 1,225,000	\$ 965,000
Amount outstanding	\$ 16,010,000	\$ 11,775,000	\$ 15,065,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 135,000	\$ 454,335	\$ 4,975,000	\$ 872,703
2020	140,000	451,635	5,385,000	685,365
2021	140,000	448,695	5,610,000	477,665
2022	1,110,000	445,475	4,350,000	298,690
2023	1,110,000	413,045	3,840,000	149,270
2024-2028	5,205,000	1,573,275	3,625,000	88,150
2029-2033	4,630,000	816,890	-	-
2034-2038	2,595,000	157,200	-	-
Total	\$ 15,065,000	\$ 4,760,550	\$ 27,785,000	\$ 2,571,843

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

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

In fiscal year ended June 30, 2018, the Wastewater Treatment Fund had net revenue of \$6,559,000 and the amount of principal and interest due was \$4,336,000. In fiscal year ended June 30, 2018, the Water Fund had net revenues of \$2,889,000 and the amount of principal and interest due was \$1,849,000.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

Summary of Bond Issues

General obligation and revenue bonds payable at June 30, 2018, are comprised of the following issues:

	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2018</u>
General Obligation Bonds:					
Refunded Multi-Purpose and					
Library Construction (1)	June 2011	10,930,000	2.0 - 3.625	6/21	3,850,000
Multi-Purpose	June 2012	9,070,000	2.0 - 2.25	6/22	3,865,000
Multi-Purpose	July 2013	7,230,000	1.0 - 2.0	6/23	4,185,000
Refunded Multi-Purpose (2)	June 2014	11,980,000	2.0 - 3.0	6/24	5,785,000
Multi-Purpose	June 2015	7,785,000	2.0 - 2.25	6/25	5,655,000
Multi-Purpose	June 2016	8,795,000	2.0 - 3.0	6/26	7,680,000
Multi-Purpose	June 2017	9,765,000	2.0 - 2.5	6/27	8,865,000
Multi-Purpose	June 2018	8,895,000	1.8 - 2.65	6/28	8,895,000
Taxable Multi-Purpose	June 2018	3,100,000	2.35 - 2.6	6/20	3,100,000
Total General Obligation Bonds					<u>\$ 51,880,000</u>
	<u>Date of Issue</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding June 30, 2018</u>
Revenue Bonds:					
Refunded Wastewater					
Treatment Bonds (3)	Apr. 2010	15,080,000	3.0 - 4.0	7/20	3,940,000
Refunded Wastewater					
Treatment Bonds (4)	June 2016	9,360,000	3.0 - 4.0	7/21	7,520,000
Refunded Wastewater					
Treatment Bonds (5)	June 2017	4,550,000	2.0 - 5.0	7/22	4,550,000
Refunded Water Bonds (6)	June 2012	4,950,000	1.5 - 2.1	7/22	2,595,000
Refunded Water Bonds (7)	June 2016	3,650,000	1.5 - 5.0	7/24	3,270,000
Refunded Water Bonds (8)	June 2017	5,910,000	2.0 - 2.25	7/25	5,910,000
Taxable Urban Renewal	Nov. 2012	2,655,000	1.0 - 3.9	6/32	2,260,000
Taxable Urban Renewal	Sept. 2016	12,805,000	3.0	6/36	12,805,000
Total Revenue Bonds					<u>\$ 42,850,000</u>
					<u>\$ 94,730,000</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

- (1) This bond issue refunded the May 2002 General Obligation Bonds.
- (2) This bond issue is an advance refunding of portions of the September 2006 and May 2007 General Obligation Bonds.
- (3) This bond issue refunded the December 2001 and April 2002 Wastewater Revenue Bonds.
- (4) This bond issue refunded the October 2008 Wastewater Revenue Bond.
- (5) This bond issue refunded the May 2009 Wastewater Revenue Bonds.
- (6) This bond issue refunded the October 2002 Water Revenue Bonds.
- (7) This bond issue refunded the October 2008 Water Revenue Bonds.
- (8) 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, 2018, there were three series of Industrial Development Revenue Bonds outstanding, with an aggregate principal amount payable of \$32,063,059.

Debt Legal Compliance

Legal Debt Margin:

As of June 30, 2018, 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	\$ 5,399,877
Utilities	<u>94,582</u>
Total valuation	<u>\$ 5,494,459</u>
Debt limit, 5% of total assessed valuation	\$ 274,723
Debt applicable to debt limit:	
General obligation bonds	51,880
Urban renewal revenue bonds	15,065
Letters of credit	475
Other legal indebtedness (TIF rebates)	<u>25,012</u>
Total net debt applicable to limit	<u>92,432</u>
Legal debt margin	<u>\$ 182,291</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

7. Pension and Retirement Systems

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description

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

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

Pension Benefits

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

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

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

Disability and Death Benefits

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

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, 2018.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.68% for the year ended June 30, 2018.

The City's contributions to MFPRSI for the year ended June 30, 2018 was \$2,758,801.

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, 2018.

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

At June 30, 2018, the City reported a liability of \$21,398,334 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was 3.648635% which was a decrease of .048493% from its proportions measured as of June 30, 2016.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

For the year ended June 30, 2018, the City recognized pension expense of \$3,155,702. At June 30, 2018, 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	\$ 821,164	\$ 13,020
Change of assumptions	1,818,397	243,042
Net difference between projected and actual earnings on pension plan investments	876,772	-
Changes in proportion and differences between City contributions and proportionate share of contributions	207,083	385,959
City contributions subsequent to the measurement date	2,758,801	-
Total	\$ 6,482,217	\$ 642,021

\$2,758,801 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, 2019. 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, 2019	\$ 495,116
June 30, 2020	1,915,916
June 30, 2021	931,810
June 30, 2022	(386,431)
June 30, 2023	124,984
	\$ 3,081,395

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00 percent per annum
Salary increases	4.50 to 15.11 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Postretirement mortality rates were based on the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two year, females set-forward one year and disabled individuals set-forward one year (male only rates), with five years projection of future mortality improvement with Scale BB.

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:

Asset Class	Long-Term Expected Real Rate of Return
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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

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.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability:	\$ 35,166,874	\$ 21,398,334	\$ 9,946,426

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, 2018, there were no amounts due to MFPRSI.

Iowa Public Employees Retirement System (IPERS)

Plan Description

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

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

Pension Benefits

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

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

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

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

Disability and Death Benefits

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

Contributions

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%.

The City's total contributions to IPERS for the year ended June 30, 2018 were \$2,696,017.

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

At June 30, 2018, the City reported a liability of \$26,432,957 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was .3968158% which was an increase of .000546% from its proportions measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$3,283,592. At June 30, 2018, 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	\$ 242,681	\$ 229,022
Change of assumptions	4,592,828	-
Net difference between projected and actual earnings on pension plan investments	-	276,081
Changes in proportion and differences between City contributions and proportionate share of contributions	23,898	891,786
City contributions subsequent to the measurement date	2,696,017	-
Total	\$ 7,555,424	\$ 1,396,889

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

\$2,696,017 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Total
June 30, 2019	\$ 287,057
June 30, 2020	1,728,462
June 30, 2021	1,032,975
June 30, 2022	99,731
June 30, 2023	314,293
	\$ 3,462,518

Actuarial Assumptions

The total pension liability in the June 30, 2017, 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%, 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, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	27.0 %	2.25 %
Domestic Equity	24.0	6.25
International Equity	16.0	6.71
Private Equity	11.0	11.15
Private Real Assets	7.5	4.18
Public Real Assets	7.0	3.27
Public Credit	3.5	3.46
Private Credit	3.0	4.25
Cash	1.0	(0.31)
Total	<u>100.0 %</u>	

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.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the net pension liability:	\$ 43,550,909	\$ 26,432,957	\$ 12,050,589

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

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, 2018, 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, 2018, was as follows:

	July 1, 2017	Issues	Retirements	June 30, 2018	Due Within One Year
Governmental activities:	\$ 211,000	\$ -	\$ -	\$ 211,000	\$ -

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

Changes in Long-Term Liabilities - Employee Vested Benefits

Employee Vested Benefits activity for the year ended June 30, 2018, was as follows:

	July 1, 2017	Issues	Retirements	June 30, 2018	Due Within One Year
Governmental activities:	\$ 2,240,847	\$ 1,251,119	\$ 1,251,482	\$ 2,240,484	\$ 1,252,770
Business-type activities:	\$ 691,941	\$ 436,353	\$ 401,049	\$ 727,245	\$ 424,180

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, 2018

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

Landfill Closure Post-closure care activity for the year ended June 30, 2018, was as follows:

	July 1, 2017	Issues	Retirements	June 30, 2018	Due Within One Year
Business-type activities:	\$ 8,591,189	\$ 668,029	\$ -	\$ 9,259,218	\$ -

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, 2018, is \$9,259,218, which is based on 55.68% usage (filled) of the landfill and is included in accrued liabilities within the Sanitation Fund. It is estimated that an additional amount of approximately \$7,370,124 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, 2018, was determined by a licensed professional engineer and approximated at \$16,629,342. 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, 2018. 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, 2018, the Sanitation Fund had \$13,520,704 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, 2018

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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	66
Active employees	<u>598</u>
Total	<u><u>664</u></u>

Total OPEB Liability: The City’s total OPEB liability of \$7,589,740 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

Actuarial Assumptions: The total OPEB liability in the June 30, 2018 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, 2018)	2.60% per annum
Rates of salary increases (effective June 30, 2018)	3.25% per annum based on 2.60% inflation and 0.65% real wage inflation
Discount rate (effective June 30, 2018)	3.87%, compounded annually, including inflation
Healthcare cost trend rate (effective June 30, 2018)	9.00% 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 3.87% 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, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	<u>\$ 6,412,170</u>
Changes for the year:	
Service Cost	502,071
Interest	244,435
Difference between expected and actual experience	(376,818)
Changes in assumptions	982,333
Benefit payments	<u>(174,451)</u>
Net changes	<u>1,177,570</u>
Total OPEB liability end of year	<u><u>\$ 7,589,740</u></u>

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

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 (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 8,156,991	\$ 7,589,740	\$ 7,053,281

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 (8.00%) or 1% higher (10.00%) than the current healthcare cost trend rate.

	1% Decrease (8.00%)	Healthcare Cost Trend Rate (9.00%)	1% Increase (10.00%)
Total OPEB liability	\$ 6,754,127	\$ 7,589,740	\$ 8,575,140

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the City recognized OPEB expense of \$632,606. At June 30, 2018, 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	\$ -	\$ 339,136
Change of assumptions	884,100	-
Total	\$ 884,100	\$ 339,136

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

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, 2019	\$ 60,551
June 30, 2020	60,551
June 30, 2021	60,551
June 30, 2022	60,551
June 30, 2023	60,551
Thereafter	242,209
	\$ 544,964

9. Short Term Debt

Changes in Short-Term Liabilities - Notes Payable

Notes Payable activity for the year ended June 30, 2018, was as follows:

	July 1, 2017	Issues	Retirements	June 30, 2018	Due Within One Year
Governmental activities:	\$ 663,000	\$ 480,000	\$ 668,000	\$ 475,000	\$ 475,000

During FY18, the City entered into additional multiple short term loans totaling \$480,000 and repaid multiple short term loans totaling \$668,000. The outstanding loans mature one year from the date of the loan and bear interest rates ranging from 4.75% to 5.00%. 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.

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, 2018

- 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 Inventory	\$ 69,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,000
Prepaid Items	-	81,070	-	-	-	-	-	81,070
	<u>724,393</u>	<u>-</u>	<u>84,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>808,555</u>
Total Nonspendable	<u>793,393</u>	<u>81,070</u>	<u>84,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>958,625</u>
Restricted for:								
Public Safety	418,408	-	-	-	-	-	-	418,408
Debt Service	-	-	-	-	-	8,608,613	-	8,608,613
GO Bond Projects	-	-	-	26,752,495	15,097,510	-	-	41,850,005
State Funding	-	3,893,383	-	-	-	-	-	3,893,383
Grant Agreement	-	3,968	-	-	-	-	3,831,389	3,835,357
Affordable Housing	-	1,208,851	-	-	-	-	-	1,208,851
Economic Development	-	-	-	-	-	-	1,563,211	1,563,211
Notes Receivable	1,275,601	-	-	-	-	-	-	1,275,601
Property Held for Resale	86,800	-	-	-	-	-	-	86,800
Public Safety Employee Benefits	-	-	2,762,916	-	-	-	-	2,762,916
Other Restricted	161,013	49,156	-	-	-	-	262,064	472,233
Total Restricted	<u>1,941,822</u>	<u>5,155,358</u>	<u>2,762,916</u>	<u>26,752,495</u>	<u>15,097,510</u>	<u>8,608,613</u>	<u>5,656,664</u>	<u>65,975,378</u>
Committed to:								
Emergency Fund	4,961,882	-	-	-	-	-	-	4,961,882
Total Committed	<u>4,961,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,961,882</u>
Assigned to:								
Library Programs	898,683	-	-	-	-	-	-	898,683
Senior Center Programs	2,876	-	-	-	-	-	-	2,876
Replacement and Acquisition Reserves	413,371	-	-	-	-	-	-	413,371
Other Assigned	123,065	-	-	-	-	-	-	123,065
Total Assigned	<u>1,437,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,437,995</u>
Unassigned:	28,516,324	-	-	-	-	-	(37,619)	28,478,705
Total Fund Balances	<u>\$ 37,651,416</u>	<u>\$ 5,236,428</u>	<u>\$ 2,847,078</u>	<u>\$ 26,752,495</u>	<u>\$ 15,097,510</u>	<u>\$ 8,608,613</u>	<u>\$ 5,619,045</u>	<u>\$101,812,585</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

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, 2018 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 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, 2018 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, 2018 and 2017 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>
2016 – 2017	\$ 2,489,000	\$ 706,000	\$ 906,000	\$ 2,289,000
2017 – 2018	2,289,000	1,309,000	1,425,000	2,173,000

Also, the City is partially self-insured, through stop-loss insurance, for employee health care coverage, which is available to all of its permanent employees. This insurance provides stop-loss coverage for claims in excess of \$125,000 per employee with an aggregate stop-loss of \$9,980,032. 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, 2018 and 2017 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>
2016 – 2017	\$ 350,000	\$ 7,356,000	\$ 7,321,000	\$ 385,000
2017 – 2018	385,000	7,893,000	7,868,000	410,000

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

12. Commitments and Contingencies

Contractual Commitments

The total outstanding contractual commitments as of June 30, 2018 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	\$ 10,616,901
Other construction	Public Works & Culture and Recreation Construction	8,310,930
Parking	Parking Facility Restoration Repair	274,726
Wastewater	Sewer Construction & Riverfront Crossings Park	949,396
Water	Water Construction & Water Plant Computer System	612,033
Sanitation	Landfill Cell Reconstruction & Road Improvements	1,041,174
Airport	Viewing Area Remodel & North T-Hangar Restroom	29,198
Stormwater	Stormwater System Improvements & Storm Sewer Replacements	4,681
		<u>\$ 21,839,039</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 \$28,331,453 exist, of which \$499,747 is expected to be paid in the next fiscal year. These items are expensed in the period in which they are paid. There were no payments made in the current fiscal year. No liability is recognized due to the fact that the agreements are conditional and the payments are to be funded by future property taxes receivable on the project.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

13. Contingent Liabilities

Litigation

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

14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental and business type activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Net position June 30, 2017, as previously reported	Net OPEB obligation measured under previous standards	Total OPEB liability at June 30, 2017	Net position July 1, 2017, as restated
Governmental	\$ 223,433	\$ 3,563	\$ (4,386)	\$ 222,610
Internal Service	24,158	62	(237)	23,983
Total Governmental Activities	<u>\$ 247,591</u>	<u>\$ 3,625</u>	<u>\$ (4,623)</u>	<u>\$ 246,593</u>
Parking	\$ 22,065	\$ 162	\$ (180)	\$ 22,047
Transit	19,696	337	(561)	19,472
Wastewater Treatment	137,880	187	(247)	137,820
Water	70,494	201	(324)	70,371
Sanitation	31,550	259	(371)	31,438
Stormwater	50,545	1	(9)	50,537
Housing Authority	8,376	75	(86)	8,365
Airport	27,714	(3)	(9)	27,702
Internal Service	15,494	-	-	15,494
Total Business Type Activities	<u>\$ 383,814</u>	<u>\$ 1,219</u>	<u>\$ (1,787)</u>	<u>\$ 383,246</u>

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

15. Tax Abatements

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

City 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, 2018, \$139,648 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, 2018 under agreements entered into by any entities.

16. New Governmental Accounting Standards Board (GASB) Standards

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

Statement No. 83, Certain Asset Retirement Obligations, will be effective for fiscal year ending June 30, 2019. The objective of this Statement is to address legally enforceable liabilities associated with tangible capital assets.

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

Statement No. 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. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, will be effective for fiscal year ending June 30, 2019. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

CITY OF IOWA CITY, IOWA

NOTES TO FINANCIAL STATEMENTS (continued)

June 30, 2018

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.

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, 2018
(dollar amounts expressed in thousands)

	Governmental Fund Types Actual Budgetary Basis	Enterprise Fund Types Actual Budgetary Basis	Total Actual Budgetary Basis
Revenues:			
Property taxes	\$ 56,524	\$ -	\$ 56,524
Delinquent property taxes	1	-	1
Tax increment financing taxes	2,459	-	2,459
Other city taxes	2,767	-	2,767
Special assessments	-	-	-
Licenses and permits	2,734	9	2,743
Intergovernmental	15,981	16,905	32,886
Charges for services	5,465	40,898	46,363
Use of money and property	1,887	2,377	4,264
Miscellaneous	3,952	570	4,522
Total revenues	91,770	60,759	152,529
Expenditures/Expenses:			
Public safety	23,915	-	23,915
Public works	8,801	-	8,801
Health and social services	293	-	293
Culture and recreation	13,969	-	13,969
Community and economic development	7,436	-	7,436
General government	8,525	-	8,525
Debt service	13,470	-	13,470
Capital outlay	33,751	-	33,751
Business-type	-	76,609	76,609
Total expenditures/expenses	110,160	76,609	186,769
Excess (deficiency) of revenues over (under) expenditures/expenses	(18,390)	(15,850)	(34,240)
Other financing sources and uses, net	13,774	2,512	16,286
Net change in fund balances	(4,616)	(13,338)	(17,954)
Balances, beginning of year	101,081	110,292	211,373
Balances, end of year	\$ 96,465	\$ 96,954	\$ 193,419

See Note to Required Supplementary Information.

<u>Budgeted Amounts</u>			
<u>Original</u>	<u>Final</u>		<u>Final to Actual Variance - Positive (Negative)</u>
\$ 56,458	\$ 56,458	\$	66
-	-		1
2,334	2,455		4
2,720	2,778		(11)
1	1		(1)
1,867	1,867		876
29,463	35,413		(2,527)
46,032	46,457		(94)
2,331	2,340		1,924
3,808	4,837		(315)
<u>145,014</u>	<u>152,606</u>		<u>(77)</u>
24,426	24,605		690
9,703	10,134		1,333
300	300		7
14,280	14,427		458
8,835	10,781		3,345
9,544	9,772		1,247
14,256	13,564		94
32,530	77,563		43,812
59,456	86,499		9,890
<u>173,330</u>	<u>247,645</u>		<u>60,876</u>
(28,316)	(95,039)		60,799
<u>17,478</u>	<u>18,698</u>		<u>(2,412)</u>
(10,838)	(76,341)	\$	<u><u>58,387</u></u>
133,730	211,373		
<u>\$ 122,892</u>	<u>\$ 135,032</u>		

CITY OF IOWA CITY

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

For the Year Ended June 30, 2018
(dollar amounts expressed in thousands)

	Governmental Fund Types		
	Budget Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 91,770	\$ (4,537)	\$ 87,233
Expenditures	110,160	(3,759)	106,401
Net	(18,390)	(778)	(19,168)
Other financing sources and uses, net	13,774	823	14,597
Beginning Fund Balances	101,081	5,300	106,381
Ending Fund Balances	\$ 96,465	\$ 5,345	\$ 101,810

	Enterprise Fund Types		
	Budget Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 60,759	\$ 1,817	\$ 62,576
Expenditures	76,609	(18,763)	57,846
Net	(15,850)	20,580	4,730
Other financing sources and uses, net	2,512	(1,609)	903
Beginning Fund Balances	110,292	257,460	367,752
Ending Fund Balances	\$ 96,954	\$ 276,431	\$ 373,385

See Note to Required Supplementary Information.

City of Iowa City, Iowa
Note to Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2018

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 \$7,592,000 and expenditures by \$74,315,000. 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 Four Years***

(amounts expressed in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	3.648635%	3.697128%	3.704972%	3.778137%
City's proportionate share of the net pension liability	\$ 21,398	\$ 23,117	\$ 17,406	\$ 13,696
City's covered payroll	10,347	10,019	9,716	9,648
City's proportionate share of the net pension liability as a percentage of its covered payroll	206.80%	230.73%	179.15%	141.96%
Plan fiduciary net position as a percentage of the total pension liability	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 2,679	\$ 2,682	\$ 2,782	\$ 2,955
Contributions in relation to the statutorily required contribution	<u>(2,679)</u>	<u>(2,682)</u>	<u>(2,782)</u>	<u>(2,955)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 10,334	\$ 10,347	\$ 10,019	\$ 9,716
Contributions as a percentage of covered payroll	25.92%	25.92%	27.77%	30.41%

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 2,906	\$ 2,383	\$ 2,277	\$ 1,654	\$ 1,336	\$ 1,425
<u>(2,906)</u>	<u>(2,383)</u>	<u>(2,277)</u>	<u>(1,654)</u>	<u>(1,336)</u>	<u>(1,425)</u>
<u>\$ -</u>					
\$ 9,648	\$ 9,122	\$ 9,197	\$ 8,310	\$ 7,860	\$ 7,601
30.12%	26.12%	24.76%	19.90%	17.00%	18.75%

City of Iowa City, Iowa

Notes to Required Supplementary Information - Pension Liability

**Municipal Fire and Police Retirement System of Iowa
Year ended June 30, 2018**

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

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.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 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 Four Years***

(amounts expressed in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.3968158%	0.3962696%	0.4159256%	0.4378904%
City's proportionate share of the net pension liability	\$ 26,433	\$ 24,938	\$ 20,549	\$ 17,366
City's covered payroll	29,619	28,448	28,495	28,654
City's proportionate share of the net pension liability as a percentage of its covered payroll	89.24%	87.66%	72.11%	60.61%
Plan fiduciary net position as a percentage of the total pension liability	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 2,696	\$ 2,645	\$ 2,540	\$ 2,545
Contributions in relation to the statutorily required contribution	<u>(2,696)</u>	<u>(2,645)</u>	<u>(2,540)</u>	<u>(2,545)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 30,190	\$ 29,619	\$ 28,448	\$ 28,495
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 2,559	\$ 2,442	\$ 2,327	\$ 1,877	\$ 1,780	\$ 1,659
<u>(2,559)</u>	<u>(2,442)</u>	<u>(2,327)</u>	<u>(1,877)</u>	<u>(1,780)</u>	<u>(1,659)</u>
<u>\$ -</u>					
\$ 28,654	\$ 28,170	\$ 28,833	\$ 27,013	\$ 26,764	\$ 26,133
8.93%	8.67%	8.07%	6.95%	6.65%	6.35%

City of Iowa City, Iowa

Notes to Required Supplementary Information - Pension Liability

Iowa Public Employees' Retirement System Year ended June 30, 2018

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

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

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.

- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

City of Iowa City, Iowa

Required Supplementary Information - Schedule of Changes in the City's Total OPEB Liability, Related Ratios and Notes

For the Current Year

(amounts expressed in thousands)

		2018
Service Cost	\$	502
Interest		245
Difference between expected and actual experience		(377)
Changes in assumptions		982
Benefit payments		(174)
Net change in total OPEB liability		1,178
Total OPEB liability beginning of year, as restated		6,412
Total OPEB liability end of year	\$	7,590
City's covered-employee payroll	\$	40,524
Total OPEB liability as a percentage of covered-employee payroll		18.73%

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, 2018		3.87%
Year ended June 30, 2017		3.58%

The payroll growth rate, turnover rate and retirement rate assumptions were updated for IPERS employees based on the Iowa Public Employees' Retirement System July 1, 2017 Actuarial Valuation Report. The same rates for MFPRSI employees were updated based on the Municipal Fire and Police Retirement System of Iowa July 1, 2017 Actuarial Valuation Report.

The mortality table has been updated from SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 to SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017.

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, 2018
(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	\$ 1,845	\$ 181	\$ 234	\$ 2,260
Receivables:				
Property tax	371	-	-	371
Interest	5	-	1	6
Notes	-	3,666	-	3,666
Due from other governments	-	56	52	108
Total assets	\$ 2,221	\$ 3,903	\$ 287	\$ 6,411
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 334	\$ 36	\$ 12	\$ 382
Accrued liabilities	-	10	13	23
Total liabilities	334	46	25	405
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property taxes	362	-	-	362
Grants	-	26	-	26
Total deferred inflows of resources	362	26	-	388
Fund balances:				
Restricted	1,563	3,831	262	5,656
Unassigned	(38)	-	-	(38)
Total fund balances	1,525	3,831	262	5,618
Total liabilities, deferred inflows of resources and fund balances	\$ 2,221	\$ 3,903	\$ 287	\$ 6,411

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2018
(amounts expressed in thousands)

	Special Revenue			Total
	Economic Development	Community Development Block Grant	Metropolitan Planning Organization of Johnson County	
Revenues				
Property taxes	\$ 2,782	\$ -	\$ -	\$ 2,782
Intergovernmental	31	1,038	311	1,380
Use of money and property	15	34	3	52
Miscellaneous	-	42	6	48
Total revenues	2,828	1,114	320	4,262
Expenditures				
Current:				
Community and economic development	747	1,107	591	2,445
Excess (deficiency) of revenues over (under) expenditures	2,081	7	(271)	1,817
Other Financing Sources (Uses)				
Transfers in	60	-	276	336
Transfers out	(1,098)	(31)	-	(1,129)
Total other financing sources and (uses)	(1,038)	(31)	276	(793)
Net change in fund balances	1,043	(24)	5	1,024
Fund Balances, Beginning	482	3,855	257	4,594
Fund Balances, Ending	\$ 1,525	\$ 3,831	\$ 262	\$ 5,618



INTERNAL SERVICE FUNDS

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

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

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

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

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

CITY OF IOWA CITY

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

June 30, 2018

(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 13,700	\$ 729	\$ 15,147	\$ 2,916	\$ 32,492
Receivables:					
Accounts and unbilled usage	-	-	95	-	95
Interest	112	4	109	17	242
Due from other governments	51	-	-	-	51
Inventories	521	-	-	-	521
Total current assets	<u>14,384</u>	<u>733</u>	<u>15,351</u>	<u>2,933</u>	<u>33,401</u>
Noncurrent assets:					
Capital assets:					
Land	45	-	-	-	45
Buildings	1,298	-	-	189	1,487
Improvements other than buildings	50	-	-	-	50
Machinery and equipment	19,941	133	19	1,655	21,748
Infrastructure	-	-	-	2,101	2,101
Accumulated depreciation	(12,191)	(73)	(19)	(1,278)	(13,561)
Construction in progress	83	-	-	253	336
Total noncurrent assets	<u>9,226</u>	<u>60</u>	<u>-</u>	<u>2,920</u>	<u>12,206</u>
Total assets	<u>23,610</u>	<u>793</u>	<u>15,351</u>	<u>5,853</u>	<u>45,607</u>
Deferred Outflows of Resources					
Pension related deferred outflows	185	6	38	186	415
OPEB related deferred outflows	17	1	1	13	32
Total deferred outflows of resources	<u>202</u>	<u>7</u>	<u>39</u>	<u>199</u>	<u>447</u>
Liabilities					
Current liabilities:					
Accounts payable	223	6	215	97	541
Accrued liabilities	36	1	2,589	36	2,662
Employee vested benefits	43	2	2	17	64
Total current liabilities	<u>302</u>	<u>9</u>	<u>2,806</u>	<u>150</u>	<u>3,267</u>
Noncurrent liabilities:					
Employee vested benefits	33	1	2	14	50
Net pension liability	643	21	134	620	1,418
Other post employment benefits liability	146	11	11	113	281
Total noncurrent liabilities	<u>822</u>	<u>33</u>	<u>147</u>	<u>747</u>	<u>1,749</u>
Total liabilities	<u>1,124</u>	<u>42</u>	<u>2,953</u>	<u>897</u>	<u>5,016</u>
Deferred Inflows of Resources					
Pension related deferred inflows	34	1	7	33	75
OPEB related deferred inflows	7	1	1	5	14
	<u>41</u>	<u>2</u>	<u>8</u>	<u>38</u>	<u>89</u>
Net Position					
Net investment in capital assets	9,226	60	-	2,920	12,206
Unrestricted	13,421	696	12,429	2,197	28,743
Total net position	<u>\$ 22,647</u>	<u>\$ 756</u>	<u>\$ 12,429</u>	<u>\$ 5,117</u>	<u>\$ 40,949</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, 2018
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Operating Revenues:					
Charges for services	\$ 6,495	\$ 219	\$ 10,313	\$ 2,257	\$ 19,284
Total operating revenues	<u>6,495</u>	<u>219</u>	<u>10,313</u>	<u>2,257</u>	<u>19,284</u>
Operating Expenses:					
Personal services	1,054	39	222	1,002	2,317
Commodities	1,707	3	58	490	2,258
Services and charges	559	116	9,805	352	10,832
	<u>3,320</u>	<u>158</u>	<u>10,085</u>	<u>1,844</u>	<u>15,407</u>
Depreciation	1,619	21	-	244	1,884
Total operating expenses	<u>4,939</u>	<u>179</u>	<u>10,085</u>	<u>2,088</u>	<u>17,291</u>
Operating income (loss)	<u>1,556</u>	<u>40</u>	<u>228</u>	<u>169</u>	<u>1,993</u>
Nonoperating Revenues:					
Gain on disposal of capital assets	232	-	-	(262)	(30)
Interest income	179	10	204	37	430
Total nonoperating revenues	<u>411</u>	<u>10</u>	<u>204</u>	<u>(225)</u>	<u>400</u>
Income (loss) before transfers	1,967	50	432	(56)	2,393
Transfers in	706	-	-	496	1,202
Transfers out	<u>(1,430)</u>	<u>(504)</u>	<u>-</u>	<u>(189)</u>	<u>(2,123)</u>
Change in net position	1,243	(454)	432	251	1,472
Net Position, Beginning, as restated	<u>21,404</u>	<u>1,210</u>	<u>11,997</u>	<u>4,866</u>	<u>39,477</u>
Net Position, Ending	<u>\$ 22,647</u>	<u>\$ 756</u>	<u>\$ 12,429</u>	<u>\$ 5,117</u>	<u>\$ 40,949</u>

CITY OF IOWA CITY, IOWA

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

For the Year Ended June 30, 2018
(amounts expressed in thousands)

	Equipment Maintenance	Central Services	Loss Reserve	Information Technology	Total
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 6,511	\$ 219	\$ 10,375	\$ 2,257	\$ 19,362
Payments to suppliers	(2,220)	(121)	(9,906)	(831)	(13,078)
Payments to employees	(1,008)	(35)	(296)	(1,061)	(2,400)
Net cash flows from operating activities	<u>3,283</u>	<u>63</u>	<u>173</u>	<u>365</u>	<u>3,884</u>
Cash Flows From Noncapital Financing Activities					
Transfers to other funds	(1,430)	(23)	-	-	(1,453)
Net cash flows from noncapital financing activities	<u>(1,430)</u>	<u>(23)</u>	<u>-</u>	<u>-</u>	<u>(1,453)</u>
Cash Flows From Capital and Related Financing Activities					
Acquisition and construction of property and equipment	(1,708)	(34)	-	(128)	(1,870)
Proceeds from sale of property	237	-	-	-	237
Net cash flows used for capital and related financing activities	<u>(1,471)</u>	<u>(34)</u>	<u>-</u>	<u>(128)</u>	<u>(1,633)</u>
Cash Flows From Investing Activities					
Interest on investments	109	8	132	28	277
Net increase in cash and cash equivalents	491	14	305	265	1,075
Cash and Cash Equivalents, Beginning	<u>13,209</u>	<u>715</u>	<u>14,842</u>	<u>2,651</u>	<u>31,417</u>
Cash and Cash Equivalents, Ending	<u>\$ 13,700</u>	<u>\$ 729</u>	<u>\$ 15,147</u>	<u>\$ 2,916</u>	<u>\$ 32,492</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income	\$ 1,556	\$ 40	\$ 228	\$ 169	\$ 1,993
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation expense	1,619	21	-	244	1,884
Changes in:					
Receivables:					
Accounts and unbilled usage	-	-	62	-	62
Due from other governments	16	-	-	-	16
Inventories	(55)	-	-	-	(55)
Prepaid item	-	-	-	12	12
Accounts payable	101	(2)	(43)	(1)	55
Accrued liabilities	5	-	(92)	3	(84)
Employee vested benefits	8	1	1	(9)	1
Net pension liability	43	1	16	(39)	21
Deferred outflows of resources	(35)	(1)	(1)	(29)	(66)
Deferred inflows of resources	3	1	-	(3)	1
Other post employment benefits liability	22	2	2	18	44
Total adjustments	<u>1,727</u>	<u>23</u>	<u>(55)</u>	<u>196</u>	<u>1,891</u>
Net cash flows from operating activities	<u>\$ 3,283</u>	<u>\$ 63</u>	<u>\$ 173</u>	<u>\$ 365</u>	<u>\$ 3,884</u>
Noncash Investing, Capital, and Financing Activities:					
Contributions of capital assets from government and others	\$ 706	\$ -	\$ -	\$ 496	\$ 1,202
Contributions of capital assets to government and others	\$ -	\$ 481	\$ -	\$ 189	\$ 670

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, 2018
(amounts expressed in thousands)

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Project Green				
Assets				
Equity in pooled cash and investments	\$ 163	\$ 72	\$ 85	\$ 150
Interest receivable	1	1	1	1
Total assets	\$ 164	\$ 73	\$ 86	\$ 151
Liabilities				
Accounts payable	\$ 4	\$ 12	\$ 4	\$ 12
Due to agency	160	61	82	139
Total liabilities	\$ 164	\$ 73	\$ 86	\$ 151

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.	111
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	116
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.	126
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.	136
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.	138

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)

	2009	2010	2011	2012	2013 ¹	2014	2015	2016 ²	2017	2018
Governmental activities										
Net investment in capital assets	\$ 100,741	\$ 111,703	\$ 123,935	\$ 135,998	\$ 133,989	\$ 138,482	\$ 153,729	\$ 163,362	\$ 183,651	\$ 157,106
Restricted	26,586	25,588	31,179	35,021	22,867	39,958	36,447	42,154	47,676	41,490
Unrestricted	17,938	32,478	36,862	38,906	50,744	39,758	15,520	18,402	16,264	63,617
Total governmental activities net position	<u>\$ 145,265</u>	<u>\$ 169,769</u>	<u>\$ 191,976</u>	<u>\$ 209,925</u>	<u>\$ 207,600</u>	<u>\$ 218,198</u>	<u>\$ 205,696</u>	<u>\$ 223,918</u>	<u>\$ 247,591</u>	<u>\$ 262,213</u>
Business-type activities										
Net investment in capital assets	\$ 162,211	\$ 172,601	\$ 186,177	\$ 195,073	\$ 253,617	\$ 264,727	\$ 279,272	\$ 279,679	\$ 285,912	\$ 294,109
Restricted	19,159	17,588	20,658	20,176	19,033	19,438	22,389	22,269	21,238	22,219
Unrestricted	63,842	65,725	61,032	58,850	74,370	71,542	57,367	69,472	76,664	73,126
Total business-type activities net position	<u>\$ 245,212</u>	<u>\$ 255,914</u>	<u>\$ 267,867</u>	<u>\$ 274,099</u>	<u>\$ 347,020</u>	<u>\$ 355,707</u>	<u>\$ 359,028</u>	<u>\$ 371,420</u>	<u>\$ 383,814</u>	<u>\$ 389,454</u>
Primary government										
Net investment in capital assets	\$ 262,952	\$ 284,304	\$ 310,112	\$ 331,071	\$ 387,606	\$ 403,209	\$ 433,001	\$ 443,041	\$ 469,563	\$ 451,215
Restricted	45,025	43,176	51,837	55,197	41,900	59,396	58,836	64,423	68,914	63,709
Unrestricted	82,500	98,203	97,894	97,756	125,114	111,300	72,887	87,874	92,928	136,743
Total primary government net position	<u>\$ 390,477</u>	<u>\$ 425,683</u>	<u>\$ 459,843</u>	<u>\$ 484,024</u>	<u>\$ 554,620</u>	<u>\$ 573,905</u>	<u>\$ 564,724</u>	<u>\$ 595,338</u>	<u>\$ 631,405</u>	<u>\$ 651,667</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)

	2009	2010	2011	2012	2013 ¹	2014	2015	2016 ²	2017	2018
Expenses										
Governmental activities:										
Public safety	\$ 20,730	\$ 19,955	\$ 18,867	\$ 21,186	\$ 20,989	\$ 22,721	\$ 21,193	\$ 22,029	\$ 24,002	\$ 25,191
Public works	15,177	16,806	19,145	17,556	10,240	8,258	11,037	10,839	12,032	12,813
Culture and recreation	9,574	12,238	10,811	13,107	14,481	16,586	14,049	14,422	15,525	16,363
Community and economic development	8,726	16,913	16,501	16,305	10,596	10,059	7,093	6,786	8,253	12,019
General government	7,600	7,549	7,356	7,591	7,513	7,687	7,752	6,240	6,124	6,858
Debt service	3,264	2,970	2,841	2,400	2,237	1,797	1,517	1,287	1,481	1,414
Total governmental activities expenses	<u>65,071</u>	<u>76,431</u>	<u>75,521</u>	<u>78,145</u>	<u>66,056</u>	<u>67,108</u>	<u>62,641</u>	<u>61,603</u>	<u>67,417</u>	<u>74,658</u>
Business-type activities:										
Wastewater	11,925	11,274	10,971	11,069	10,464	21,139	12,131	11,866	11,233	11,392
Water	9,185	8,309	8,523	8,781	9,074	8,723	8,403	8,149	8,921	9,472
Sanitation	7,296	7,705	7,461	8,315	7,279	8,402	8,114	8,735	9,123	9,408
Housing authority	7,238	7,838	7,448	7,911	7,658	7,703	7,873	8,378	8,798	9,535
Parking	4,489	4,536	4,135	4,167	4,579	4,093	4,678	4,460	4,620	5,590
Airport	693	724	1,049	1,127	1,086	1,209	1,612	1,597	1,402	1,680
Stormwater	1,223	1,187	1,418	1,304	1,318	1,314	2,091	1,989	2,432	1,844
Cable television	633	645	638	689	692	781	704	-	-	-
Transit	-	-	-	-	6,998	7,795	7,379	7,486	7,263	8,071
Total business-type activities expenses	<u>42,682</u>	<u>42,218</u>	<u>41,643</u>	<u>43,363</u>	<u>49,148</u>	<u>61,159</u>	<u>52,985</u>	<u>52,660</u>	<u>53,792</u>	<u>56,992</u>
Total primary government expenses	<u>\$ 107,753</u>	<u>\$ 118,649</u>	<u>\$ 117,164</u>	<u>\$ 121,508</u>	<u>\$ 115,204</u>	<u>\$ 128,267</u>	<u>\$ 115,626</u>	<u>\$ 114,263</u>	<u>\$ 121,209</u>	<u>\$ 131,650</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	\$ 2,968	\$ 2,980	\$ 3,279	\$ 3,401	\$ 4,098	\$ 3,626	\$ 3,926	\$ 4,813	\$ 5,286	\$ 4,438
Public works	1,392	1,061	1,117	1,112	52	61	388	628	724	62
Culture and recreation	715	773	872	825	775	808	801	823	842	836
Community and economic development	-	-	-	-	-	45	50	1,044	36	441
General government	1,626	2,574	2,931	2,817	2,763	3,030	2,975	1,252	1,524	1,520
Operating grants and contributions	8,185	15,554	13,517	8,682	4,731	3,231	8,701	9,941	10,828	10,245
Capital grants and contributions	3,773	8,291	6,048	6,078	6,876	5,580	11,556	3,999	9,952	1,459
Total governmental activities program revenues	<u>18,659</u>	<u>31,233</u>	<u>27,764</u>	<u>22,915</u>	<u>19,295</u>	<u>16,381</u>	<u>28,397</u>	<u>22,500</u>	<u>29,192</u>	<u>19,001</u>
Business-type activities:										
Charges for services:										
Wastewater	12,557	12,637	12,836	12,670	12,832	12,559	12,189	12,266	12,277	12,626
Water	8,107	7,957	8,054	8,419	8,583	8,443	8,527	9,134	9,275	9,473
Sanitation	8,286	8,096	8,259	8,115	8,181	8,467	9,015	9,215	9,927	10,014
Housing authority	181	180	208	207	205	213	237	300	321	323
Parking	5,438	5,377	5,234	4,743	5,043	5,294	5,502	5,438	5,453	5,648
Airport	248	289	293	306	314	328	349	333	345	348
Stormwater	622	617	641	811	974	1,093	1,147	1,168	1,544	1,560
Cable Television	788	790	809	824	816	773	750	-	-	-
Transit ¹	-	-	-	-	2,117	2,185	2,289	2,099	2,089	2,216

(continued)

CITY OF IOWA CITY, IOWA

CHANGES IN NET POSITION (continued)

Last Ten Fiscal Years
(Accrual basis of accounting)

(amounts expressed in thousands)

	2009	2010	2011	2012	2013 ¹	2014	2015	2016 ²	2017	2018
Capital grants and contributions: Wastewater	266	2,115	2,394	3,223	30,181	7,105	1,370	3,415	2,226	1,913
Capital grants and contributions: Water	132	572	973	977	494	539	581	254	869	483
Capital grants and contributions: Sanitation	-	6	-	2	-	-	-	-	-	22
Capital grants and contributions: Airport	3,239	3,311	358	1,576	2,452	5,214	137	260	58	49
Capital grants and contributions: Stormwater	68	541	140	436	226	711	792	370	1,251	892
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	6,668	7,765	7,438	6,782	6,968	6,721	7,628	8,318	8,532	9,065
Operating grants and contributions: Water	15	6	-	-	442	6	2	-	-	-
Operating grants and contributions: Airport	2	-	-	-	11	56	232	128	69	72
Operating grants and contributions: Sanitation	607	6	10	-	23	27	25	3	-	3
Operating grants and contributions: Wastewater	1	-	-	-	-	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
Total business-type activities program revenues	<u>47,225</u>	<u>50,290</u>	<u>47,927</u>	<u>49,095</u>	<u>82,540</u>	<u>62,170</u>	<u>53,154</u>	<u>55,199</u>	<u>56,866</u>	<u>60,624</u>
Total primary government revenues	<u>\$ 65,884</u>	<u>\$ 81,523</u>	<u>\$ 75,691</u>	<u>\$ 72,010</u>	<u>\$ 101,835</u>	<u>\$ 78,551</u>	<u>\$ 81,551</u>	<u>\$ 77,699</u>	<u>\$ 86,058</u>	<u>\$ 79,625</u>
Net (Expense) / Revenues										
Governmental activities	\$ (46,412)	\$ (45,198)	\$ (47,757)	\$ (55,230)	\$ (46,761)	\$ (50,727)	\$ (34,244)	\$ (39,103)	\$ (38,225)	\$ (55,657)
Business-type activities	4,543	8,072	6,284	5,732	33,392	1,011	169	2,539	3,074	3,632
Total primary government net expense	<u>\$ (41,869)</u>	<u>\$ (37,126)</u>	<u>\$ (41,473)</u>	<u>\$ (49,498)</u>	<u>\$ (13,369)</u>	<u>\$ (49,716)</u>	<u>\$ (34,075)</u>	<u>\$ (36,564)</u>	<u>\$ (35,151)</u>	<u>\$ (52,025)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
General revenues:										
Property taxes	\$ 47,085	\$ 49,467	\$ 48,011	\$ 50,516	\$ 51,017	\$ 50,551	\$ 52,205	\$ 53,114	\$ 57,649	\$ 59,046
Road use tax ³	5,254	5,525	6,068	6,394	6,589	6,745	-	-	-	-
Local Sales Option tax	-	8,141	8,911	8,644	8,858	466	-	-	-	-
Other taxes	1,489	1,535	2,464	2,491	2,609	2,778	2,810	2,717	2,802	2,706
Grants and contributions not restricted to specific purposes	-	-	-	-	-	-	1,048	2,080	1,583	1,547
Earnings on investments	3,057	1,766	1,539	1,823	841	973	1,188	1,045	1,397	2,368
Miscellaneous	4,894	3,893	6,230	4,228	4,390	4,353	5,518	4,464	3,369	3,656
Gain on sale of assets	-	-	761	2,950	1,312	1,651	135	218	2,151	140
Transfers	205	(625)	(4,020)	(3,867)	(10,485)	(6,192)	(10,057)	(6,395)	(7,053)	1,814
Reassignments	-	-	-	-	-	-	-	82	-	-
Total governmental activities	<u>61,984</u>	<u>69,702</u>	<u>69,964</u>	<u>73,179</u>	<u>65,131</u>	<u>61,325</u>	<u>52,847</u>	<u>57,325</u>	<u>61,898</u>	<u>71,277</u>
Business-type activities:										
General revenues:										
Earnings on investments	2,577	1,311	954	813	671	494	707	715	938	1,496
Gain on sale of assets	360	230	314	336	293	725	856	2,463	69	2,438
Miscellaneous	317	464	381	484	918	265	374	362	1,260	456
Transfers	(205)	625	4,020	3,867	10,485	6,192	10,057	6,395	7,053	(1,814)
Reassignments	-	-	-	-	-	-	-	(82)	-	-
Special items	-	-	-	-	-	-	(574)	-	-	-
Extraordinary items	-	-	-	(5,000)	-	-	-	-	-	-
Total business-type activities	<u>3,049</u>	<u>2,630</u>	<u>5,669</u>	<u>500</u>	<u>12,367</u>	<u>7,676</u>	<u>11,420</u>	<u>9,853</u>	<u>9,320</u>	<u>2,576</u>
Total primary government	<u>\$ 65,033</u>	<u>\$ 72,332</u>	<u>\$ 75,633</u>	<u>\$ 73,679</u>	<u>\$ 77,498</u>	<u>\$ 69,001</u>	<u>\$ 64,267</u>	<u>\$ 67,178</u>	<u>\$ 71,218</u>	<u>\$ 73,853</u>
Change in Net Position										
Governmental activities	\$ 15,572	\$ 24,504	\$ 22,207	\$ 17,949	\$ 18,370	\$ 10,598	\$ 18,603	\$ 18,222	\$ 23,673	\$ 15,620
Business-type activities	7,592	10,702	11,953	6,232	45,759	8,687	11,589	12,392	12,394	6,208
Total primary government	<u>\$ 23,164</u>	<u>\$ 35,206</u>	<u>\$ 34,160</u>	<u>\$ 24,181</u>	<u>\$ 64,129</u>	<u>\$ 19,285</u>	<u>\$ 30,192</u>	<u>\$ 30,614</u>	<u>\$ 36,067</u>	<u>\$ 21,828</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)

	2009	2010	2011 ¹	2012	2013 ²	2014	2015	2016 ³	2017	2018
General Fund										
Nonspendable	\$ -	\$ -	\$ 331	\$ 314	\$ 69	\$ 69	\$ 69	\$ 69	\$ 788	\$ 793
Restricted	-	-	16,268	23,779	25,689	26,533	25,291	18,975	9,974	1,942
Committed	-	-	-	-	-	-	-	4,699	5,199	4,962
Assigned	-	-	3,542	5,191	1,744	3,400	-	1,143	1,342	1,437
Reserved	555	406	-	-	-	-	4,483	-	-	-
Unassigned	-	-	15,931	14,273	17,113	17,907	19,286	23,366	24,793	28,516
Unreserved	15,362	26,101	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 15,917</u>	<u>\$ 26,507</u>	<u>\$ 36,072</u>	<u>\$ 43,557</u>	<u>\$ 44,615</u>	<u>\$ 47,909</u>	<u>\$ 49,129</u>	<u>\$ 48,252</u>	<u>\$ 42,096</u>	<u>\$ 37,650</u>
All other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 344	\$ 165
Restricted	-	-	34,889	34,853	28,108	31,285	27,897	38,266	63,941	64,033
Reserved	5,339	3,903	-	-	-	-	-	-	-	-
Designated for long-term debt	11,759	13,952	-	-	-	-	-	-	-	-
Unassigned	-	-	(1,741)	(366)	(5,844)	(9)	-	-	-	(38)
Unreserved, reported in:										
Special revenue funds	(1,852)	(1,674)	-	-	-	-	-	-	-	-
Capital projects funds	10,960	8,043	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 26,206</u>	<u>\$ 24,224</u>	<u>\$ 33,148</u>	<u>\$ 34,487</u>	<u>\$ 22,264</u>	<u>\$ 31,276</u>	<u>\$ 27,897</u>	<u>\$ 38,266</u>	<u>\$ 64,285</u>	<u>\$ 64,160</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)

	2009	2010	2011	2012	2013 ¹	2014	2015	2016 ²	2017	2018
Revenues:										
Property taxes and assessments	\$ 48,572	\$ 59,143	\$ 59,387	\$ 61,649	\$ 62,483	\$ 53,797	\$ 55,014	\$ 55,831	\$ 60,452	\$ 61,753
Licenses and permits	1,284	1,211	1,412	1,307	1,784	1,660	1,806	3,056	3,521	2,734
Intergovernmental	19,521	31,404	29,870	21,952	19,941	17,636	21,086	20,230	24,140	14,944
Charges for services	2,498	2,433	2,515	2,614	1,800	1,819	2,204	3,357	2,355	2,295
Fines and forfeits	-	-	-	-	-	-	-	760	750	695
Use of money and property	2,645	1,599	1,479	1,768	782	909	1,080	946	1,235	1,937
Miscellaneous	5,302	4,784	7,749	5,750	6,325	6,040	7,045	2,913	2,101	2,875
Total governmental activities revenues	\$ 79,822	\$ 100,574	\$ 102,412	\$ 95,040	\$ 93,115	\$ 81,861	\$ 88,235	\$ 87,093	\$ 94,554	\$ 87,233
Expenditures										
Current										
Public safety	\$ 18,752	\$ 19,108	\$ 18,717	\$ 20,091	\$ 20,648	\$ 21,370	\$ 21,996	\$ 21,701	\$ 22,513	\$ 23,360
Public works	12,405	13,311	14,766	15,462	8,503	8,432	12,071	9,466	9,186	10,052
Culture and recreation	10,849	11,266	12,498	13,075	13,000	13,087	11,821	12,257	13,341	14,208
Community and economic development	8,037	10,520	8,878	8,037	8,219	8,196	5,711	5,346	7,695	11,074
General government	7,300	7,191	7,695	7,553	7,286	7,184	7,608	6,007	5,882	6,017
Debt service										
Principal	8,418	9,354	10,386	13,294	16,465	13,560	12,564	13,230	13,305	11,895
Interest	3,364	3,064	2,889	2,543	2,339	1,903	1,669	1,475	1,597	1,570
Capital projects	17,096	17,690	21,873	16,006	17,861	14,528	14,762	14,848	18,405	28,225
Total expenditures	\$ 86,221	\$ 91,504	\$ 97,702	\$ 96,061	\$ 94,321	\$ 88,260	\$ 88,202	\$ 84,330	\$ 91,924	\$ 106,401
Excess (deficiency) of revenues over (under) expenditures	\$ (6,399)	\$ 9,070	\$ 4,710	\$ (1,021)	\$ (1,206)	\$ (6,399)	\$ 33	\$ 2,763	\$ 2,630	\$ (19,168)
Other financing sources (uses):										
Issuance of long-term debt	\$ 30,035	\$ -	\$ 16,165	\$ 9,690	\$ 2,655	\$ 19,730	\$ 7,785	\$ 9,405	\$ 22,570	\$ 11,995
Issuance of refunding debt	-	-	\$ 10,930	-	-	-	-	-	-	-
Sale of capital assets	554	222	845	3,619	1,369	1,684	165	252	2,292	140
Insurance Recoveries	-	20	594	53	-	-	-	-	-	-
Premium (discount) on issuance of bonds	552	-	394	165	(42)	385	199	441	120	236
Payment of refunded bonds	(23,140)	-	(11,085)	-	-	-	-	-	-	-
Transfers in	16,486	16,742	18,658	19,499	25,198	13,040	13,089	25,133	34,675	34,666
Transfers out	(16,386)	(17,446)	(22,722)	(23,181)	(35,493)	(16,134)	(23,430)	(28,502)	(47,033)	(32,440)
Total other financing sources (uses)	\$ 8,101	\$ (462)	\$ 13,779	\$ 9,845	\$ (6,313)	\$ 18,705	\$ (2,192)	\$ 6,729	\$ 12,624	\$ 14,597
Net change in fund balances	\$ 1,702	\$ 8,608	\$ 18,489	\$ 8,824	\$ (7,519)	\$ 12,306	\$ (2,159)	\$ 9,492	\$ 15,254	\$ (4,571)
Debt service as a percentage of noncapital expenditures	17.0%	15.3%	16.2%	18.6%	24.0%	20.7%	19.8%	21.2%	19.9%	17.1%

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>
2009	47,861	5,254	713	-	-	53,828
2010	50,256	5,525	699	8,141	47	64,668
2011	48,831	6,068	776	8,912	868	65,455
2012	51,374	6,394	811	8,644	822	68,045
2013	51,836	6,589	872	8,858	918	69,073
2014	51,331	6,745	967	466	1,031	60,540
2015	53,056	7,231	1,057	-	902	62,246
2016	53,878	8,320	1,079	-	874	64,151
2017	58,375	8,672	1,137	-	939	69,123
2018	59,730	8,427	1,046	-	976	70,179

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

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

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

Last Ten Fiscal Years

(amounts expressed in thousands)

Collection Year Ended June 30		Residential	Agricultural (Taxed at Ag Rate)	Commercial, Industrial & Utilities (excluding Gas & Electric)	Military Exemptions	Net Valuation	Incremental Value (Debt Service Levy Only)	Gas & Electric Utilities (excise tax)	Total Value	Residential Rollback Percentage	Taxable Value as a Percentage of Assessed Value	Total Direct Rate
2009	Assessed	2,991,702	1,565	1,108,123	3,396	\$ 4,097,994	111,540	54,081	\$ 4,263,615			
	Taxable	1,307,511	1,410	1,105,109	3,396	\$ 2,410,634	111,540	44,597	\$ 2,566,771	44.080	60.202	17.717
2010	Assessed	3,065,279	1,499	1,133,818	3,324	\$ 4,197,272	117,813	61,066	\$ 4,376,151			
	Taxable	1,384,088	1,407	1,133,818	3,324	\$ 2,515,989	117,813	45,157	\$ 2,678,959	45.589	61.217	17.853
2011	Assessed	3,122,875	2,315	1,223,304	3,239	\$ 4,345,255	25,409	79,196	\$ 4,449,860			
	Taxable	1,464,644	1,534	1,223,304	3,239	\$ 2,686,243	25,409	46,333	\$ 2,757,985	46.909	61.979	17.757
2012	Assessed	3,182,636	2,264	1,231,756	3,163	\$ 4,413,493	25,409	81,240	\$ 4,520,142			
	Taxable	1,544,261	1,562	1,231,756	3,163	\$ 2,774,416	25,409	48,338	\$ 2,848,163	48.530	63.010	17.842
2013	Assessed	3,284,249	2,516	1,236,609	3,097	\$ 4,520,277	11,712	83,538	\$ 4,615,527			
	Taxable	1,666,036	1,448	1,236,609	3,097	\$ 2,900,996	11,712	47,404	\$ 2,960,112	50.752	64.134	17.269
2014	Assessed	3,367,052	2,656	1,200,457	3,060	\$ 4,567,105	14,114	87,100	\$ 4,668,319			
	Taxable	1,776,096	1,592	1,200,457	3,060	\$ 2,975,085	14,114	46,813	\$ 3,036,012	52.817	65.034	16.805
2015	Assessed	3,488,113	3,681	1,238,018	2,939	\$ 4,726,873	21,132	78,643	\$ 4,826,648			
	Taxable	1,894,080	1,598	1,175,921	2,939	\$ 3,068,660	21,132	47,005	\$ 3,136,797	54.400	64.989	16.705
2016	Assessed	3,603,744	3,554	1,216,054	2,828	\$ 4,820,524	42,307	87,728	\$ 4,950,559			
	Taxable	2,008,493	1,588	1,095,272	2,828	\$ 3,102,525	33,331	46,785	\$ 3,182,641	55.734	64.289	16.651
2017	Assessed	3,882,757	3,721	1,300,840	2,728	\$ 5,184,590	72,651	92,987	\$ 5,350,228			
	Taxable	2,155,033	1,707	1,149,736	2,728	\$ 3,303,748	72,651	44,987	\$ 3,421,386	55.626	63.948	16.583
2018	Assessed	4,001,761	3,426	1,316,765	2,635	\$ 5,319,317	80,560	94,582	\$ 5,494,459			
	Taxable	2,274,452	1,618	1,147,155	2,635	\$ 3,420,590	80,560	41,702	\$ 3,542,852	56.939	64.480	16.333

Sources:

Iowa Department of Management

Notes:

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

CITY OF IOWA CITY, IOWA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

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

Collection Year	City of Iowa City			Overlapping Rates				Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Johnson County¹	Iowa City School District	Kirkwood Community College	State of Iowa	
2009	13.414	4.303	17.717	7.803	14.192	0.852	0.004	40.568
2010	13.634	4.219	17.853	7.708	14.191	0.840	0.003	40.595
2011	13.319	4.438	17.757	7.540	14.690	0.926	0.003	40.916
2012	13.193	4.649	17.842	7.320	14.591	0.999	0.003	40.755
2013	12.826	4.443	17.269	7.075	14.073	1.079	0.003	39.499
2014	12.775	4.030	16.805	7.077	13.688	1.065	0.003	38.638
2015	12.575	4.130	16.705	7.062	13.700	1.058	0.003	38.528
2016	12.822	3.829	16.651	7.228	13.868	1.061	0.003	38.811
2017	13.005	3.578	16.583	7.093	13.989	1.080	0.003	38.748
2018	12.755	3.578	16.333	7.180	13.959	1.132	0.003	38.607

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

Note:

¹Includes Johnson County, City of Iowa City Assessor, and Agricultural Extension levies.

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

CITY OF IOWA CITY, IOWA

PROPERTY TAX BUDGETS AND COLLECTIONS

Last Ten Fiscal Years
(Cash basis of accounting)

(amounts expressed in thousands)

<u>Collection Year</u>	<u>Total Tax Levied</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections¹</u>	<u>Total Tax Collections</u>	<u>Total as a Percent of Levy</u>
2009	43,168	43,118	99.9	18	43,136	99.9
2010	45,393	45,318	99.8	17	45,335	99.9
2011	47,789	47,826	100.1	8	47,834	100.1
2012	49,595	49,543	99.9	1	49,544	99.9
2013	50,407	50,139	99.5	3	50,142	99.5
2014	50,307	49,835	99.1	1	49,836	99.1
2015	51,609	51,292	99.4	3	51,295	99.4
2016	52,034	52,074	100.1	0	52,074	100.1
2017	55,330	55,331	100.0	0	55,331	100.0
2018	56,458	56,434	100.0	0	56,434	100.0

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

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

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

CITY OF IOWA CITY, IOWA

PRINCIPAL TAXPAYERS

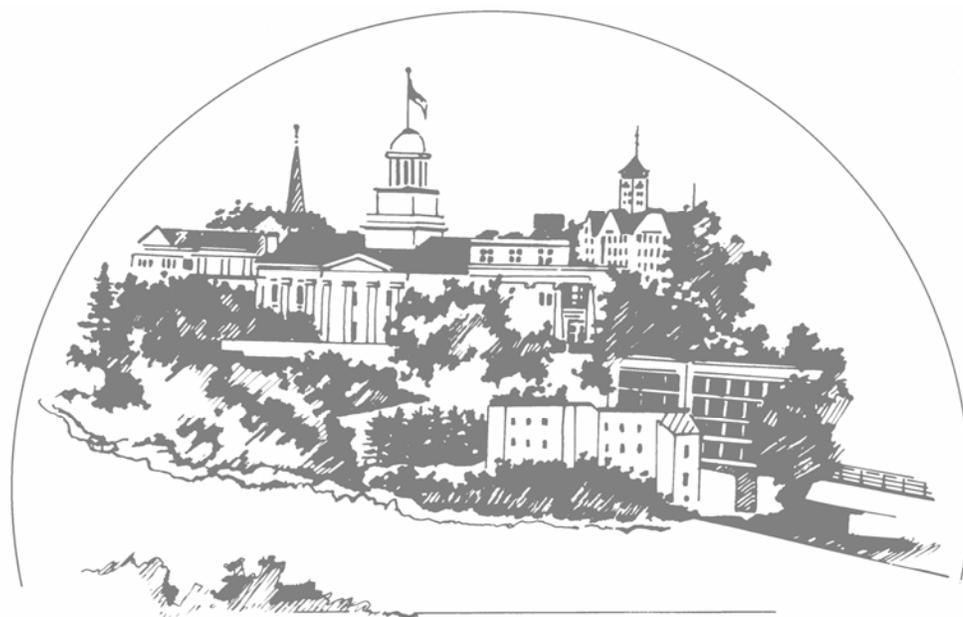
Current Year and Nine Years Ago

(amounts expressed in thousands)

<u>Ten largest taxpayers¹</u>	<u>Type of Business</u>	<u>2009</u>			<u>2018</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	\$ 44,435	2	1.03 %	\$ 56,145	1	1.64 %
BBCS Hawkeye Housing LLC	Real Estate Mangment	-	-	N/A	45,357	2	1.33
Mid-American Energy Company	Public Gas and Electric Utility	45,048	1	1.02	29,806	3	0.87
Vesper Iowa City LLC	Real Estate Developer	-	-	N/A	27,191	4	0.79
Midwestone Bank	Finanacial	-	-	N/A	26,245	5	0.77
Ann Gerdin Trust (formerly Russell Gerdin)	Warehousing	16,939	4	0.39	25,448	6	0.74
Dealer Properties IC LLC (Billion Auto)	Car Dealerships	-	-	N/A	21,465	7	0.63
Michael T McLaughlin	Property Management	-	-	N/A	18,740	8	0.55
Proctor & Gamble LLC	Manufacturing Company	12,688	9	0.29	18,673	9	0.55
Christian Retirement Services (Oaknoll)	Retirement Community	-	-	N/A	18,335	10	0.54
SouthGate Development CO	RealEstate Developer	20,265	3	0.46	-	-	N/A
National Computer Systems (Pearson)	Information Services	16,430	5	0.38	-	-	N/A
MEHSM LC (Sycamore Mall)	Shopping Mall	14,954	6	0.34	-	-	N/A
Plaza Towers LLC	Condo/Hotel/Commercial space	14,168	7	0.32	-	-	N/A
United Natural Foods	Wholesale Distribution Company	13,095	8	0.30	-	-	N/A
Alpha Inc.	Industrial	11,715	10	0.27	-	-	N/A
Total		<u>\$ 209,737</u>		<u>4.80 %</u>	<u>\$ 287,405</u>		<u>8.41 %</u>

Sources:

¹City of Iowa City Assessor's Office



CITY OF IOWA CITY, IOWA

PRINCIPAL WATER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	<u>2009</u>			<u>2018</u>		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
Proctor & Gamble	\$ 624,483	1	8.33 %	\$ 787,275	1	7.91 %
Veterans Administration Medical Center	91,529	2	1.22	120,538	2	1.21
Mercy Hospital	71,622	4	0.96	67,081	3	0.67
Campus Apartments	66,600	5	0.89	66,835	4	0.67
Tailwind Iowa City LLC formerly Dolphin Lake	37,843	9	0.50	55,022	5	0.55
Dominium JIT Srv formerly Mark IV Apts	53,273	7	0.71	55,000	6	0.55
Iowa City School District	-	-	N/A	47,194	7	0.47
Seville Apts	31,885	10	0.43	38,527	8	0.39
Oaknoll	-	-	N/A	37,130	9	0.37
U of I Mayflower	90,330	3	1.20	34,763	10	0.35
Robert's Dairy	63,517	6	0.85	-	-	N/A
Lear Corp	-	-	N/A	-	-	N/A
Sheraton Inn/Holiday Inn	35,806	8	0.48	-	-	N/A
	<u>\$ 1,166,888</u>		<u>15.57 %</u>	<u>\$ 1,309,365</u>		<u>13.14 %</u>
 Total Water System Charges	 \$ 7,497,903			 \$ 9,953,510		

Sources:

City of Iowa City Revenue Division

CITY OF IOWA CITY, IOWA

SALES HISTORY AND TOTAL WATER CHARGES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Water Sales Cubic Feet Sold</u>	<u>Water System Charges</u>
2009	234,804,167	7,497,903
2010	234,342,825	7,568,378
2011	236,838,370	7,661,898
2012	246,618,257	7,953,738
2013	254,616,773	8,194,467
2014	239,790,719	7,778,364
2015 ¹	240,423,612	8,161,522
2016	255,524,943	8,758,683
2017	267,511,531	9,156,005
2018	293,046,636	9,953,510

Sources:

City of Iowa City Revenue Department

Notes:

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

CITY OF IOWA CITY, IOWA

PRINCIPAL SEWER SYSTEM CUSTOMERS

Current Year and Nine Years Ago

<u>Customer Name</u>	<u>2009</u>			<u>2018</u>		
	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>	<u>Charges</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	\$ 1,953,325	1	15.63 %	\$ 1,938,618	1	15.48 %
Proctor & Gamble	1,443,652	2	11.55	1,355,077	2	10.82
Veterans Administration Medical Center	88,204	8	0.71	162,111	3	1.29
Mercy Hospital	122,737	5	0.98	106,938	4	0.85
Campus Apartments	91,889	7	0.74	78,918	5	0.63
Dominium JIT Srv formerly Mark IV Apts	73,987	9	0.59	68,736	6	0.55
University of Iowa Mayflower	163,776	3	1.31	54,414	7	0.43
Seville Apts	-	-	N/A	52,407	8	0.42
Oaknoll Retirement Residence	-	-	N/A	52,205	9	0.42
Tailwind Iowa City LLC formerly Dolphin Lake	-	-	N/A	52,142	10	0.42
Robert's Dairy	155,192	4	1.24	-	-	N/A
Iowa City Landfill	92,318	6	0.74	-	-	N/A
Sheraton Iowa City Hotel	62,698	10	0.50	-	-	N/A
	<u>\$ 4,247,778</u>		<u>33.99 %</u>	<u>\$ 3,921,566</u>		<u>31.31 %</u>
Total Sewer System Charges	\$ 12,499,949			\$ 12,524,540		

Sources:

City of Iowa City Revenue Department

CITY OF IOWA CITY, IOWA

SALES HISTORY AND TOTAL SEWER CHARGES

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Sewer Sales Cubic Feet Sold</u>	<u>Sewer System Charges</u>
2009	276,455,246	12,499,949
2010	265,375,857	12,541,905
2011	280,303,237	12,748,695
2012	282,134,840	12,784,321
2013	285,472,392	12,883,641
2014	269,494,125	12,382,031
2015 ¹	266,830,947	12,278,153
2016	270,547,701	12,022,203
2017	277,712,785	12,404,360
2018	283,246,320	12,524,540

Sources:

City of Iowa City Revenue Department

Notes:

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

CITY OF IOWA CITY, IOWA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income²	Per Capita²
	General Obligation Bonds¹	Revenue Bonds¹	Capital Loan Note	General Obligation Bonds¹	Revenue Bonds¹			
2009	81,222,533	-	211,000	4,317,787	87,875,855	173,627,175	2.92	2,513
2010	71,791,737	-	211,000	3,731,167	79,281,888	155,015,792	2.57	2,284
2011	77,743,957	-	211,000	3,130,849	75,857,306	156,943,112	2.38	2,276
2012	74,225,654	-	211,000	1,483,473	69,059,307	144,979,434	2.08	2,103
2013	57,688,803	2,614,644	211,000	1,182,315	62,764,738	124,461,500	1.72	1,775
2014	64,132,510	2,616,768	211,000	886,157	57,568,517	125,414,952	1.65	1,752
2015	59,421,203	2,618,892	211,000	590,000	45,566,903	108,407,998	1.43	1,477
2016	55,998,392	2,491,016	211,000	295,000	39,951,661	98,947,069	1.26	1,333
2017	52,571,254	15,168,140	211,000	-	34,420,914	102,371,308	1.25	1,351
2018	52,883,524	15,035,264	211,000	-	29,095,062	97,224,850	1.16	1,256

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 136.

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
2009	4,263,615	81,222	4,318	85,540	11,759	73,781	17.30 : 1000	1,068
2010	4,376,151	71,792	3,731	75,523	13,952	61,571	14.07 : 1000	907
2011	4,449,860	77,744	3,131	80,875	13,151	67,724	15.22 : 1000	982
2012	4,520,142	74,226	1,483	75,709	11,009	64,700	14.31 : 1000	938
2013	4,615,527	57,689	1,182	58,871	6,527	52,344	11.34 : 1000	746
2014	4,668,319	64,133	886	65,019	6,872	58,147	12.46 : 1000	812
2015	4,826,648	59,421	590	60,011	7,052	52,959	10.97 : 1000	721
2016	4,950,559	55,998	295	56,293	6,573	49,720	10.04 : 1000	670
2017	5,350,228	52,571	-	52,571	7,756	44,815	8.38 : 1000	591
2018	5,494,459	52,884	-	52,884	8,609	44,275	8.06 : 1000	572

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 136.

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>
2009	8,418	3,364	11,782	102,607	.11 : 1.00
2010	9,354	3,064	12,418	108,950	.11 : 1.00
2011	10,386	2,889	13,275	120,424	.11 : 1.00
2012	13,294	2,543	15,837	119,242	.13 : 1.00
2013	16,465	2,339	18,804	129,814	.14 : 1.00
2014	13,560	1,903	15,463	104,394	.15 : 1.00
2015	12,564	1,669	14,233	111,632	.13 : 1.00
2016	13,230	1,475	14,705	112,832	.13 : 1.00
2017	13,305	1,597	14,902	138,957	.11 : 1.00
2018	11,895	1,570	13,465	138,841	.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, 2018

(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 %	\$ 879.8145
Iowa City Community School District ¹	58,955	56.87	33,528	0.63	442.3336
Johnson County ¹	10,640	42.09	4,478	0.08	59.0781
Clear Creek- Amana Community School District ¹	76,045	0.04	30	0.00	0.3958
Kirkwood Comm. College ¹	90,422	14.11	12,759	0.24	168.3290
Total Overlapping Debt	<u>236,062</u>		<u>50,795</u>		<u>670.1365</u>
Total Direct & Overlapping Debt	<u>\$ 304,192</u>		<u>\$ 118,925</u>		<u>1,549.9510</u>
Per capita assessed value					<u>\$ 70,954</u>

¹ Long term debt outstanding includes only GO debt.

² City Property Assessed Value of 5,494,459 came from the Iowa Department of Management

³ Population for FY18 of 77,437 came from the US Census Bureau

Source: Johnson County Auditor's Office.

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

CITY OF IOWA CITY, IOWA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(amounts expressed in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Fiscal Year</u> <u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Assessed Valuation	\$ 4,263,615	\$ 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
Debt Limit	213,181	218,808	222,493	226,007	230,776	233,416	241,332	247,528	267,511	274,723
G.O. Bonds	84,995	75,050	80,575	75,320	58,550	64,420	59,340	55,350	51,645	51,880
TIF Rev. Bonds	-	-	-	-	2,655	2,655	2,655	2,525	15,200	15,065
Letters of credit	-	498	1,616	805	538	1,943	2,005	582	663	475
TIF rebates	2,180	1,223	867	574	307	170	18,206	13,506	17,356	25,012
Total net debt applicable to limit	87,175	76,771	83,058	76,699	62,050	69,188	82,206	71,963	84,864	92,432
Legal debt margin	<u>\$ 126,006</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	40.89%	35.09%	37.33%	33.94%	26.89%	29.64%	34.06%	29.07%	31.72%	33.65%

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	
2018	11,760,000	1,113,386	12,873,386	12,275,274	598,112	51,645,000
2019	9,335,000	1,257,050	10,592,050	9,833,950	758,100	51,880,000
2020	8,400,000	1,036,338	9,436,338	8,680,208	756,130	42,545,000
2021	7,585,000	819,135	8,404,135	7,647,747	756,388	34,145,000
2022	6,395,000	631,263	7,026,263	6,270,783	755,480	26,560,000
2023	5,520,000	492,013	6,012,013	5,313,697	698,316	20,165,000
2024	4,760,000	358,213	5,118,213	4,573,351	544,862	14,645,000
2025	3,830,000	248,913	4,078,913	3,842,203	236,710	9,885,000
2026	3,030,000	160,600	3,190,600	3,027,816	162,784	6,055,000
2027	2,045,000	85,325	2,130,325	1,967,008	163,317	3,025,000
2028	980,000	29,400	1,009,400	1,009,400	-	980,000
Total	\$ 63,640,000	\$ 6,231,636	\$ 69,871,636	\$ 64,441,437	\$ 5,430,199	

CITY OF IOWA CITY, IOWA
SCHEDULE OF REVENUE BOND COVERAGE

Last Ten Fiscal Years

(amounts expressed in thousands)

Fiscal Year Ended June 30	Revenue	Expenses ¹	Net Revenue Available for Debt Service	Annual Debt Service ²			Ratio of Coverage
				Principal	Interest	Total	
Parking Revenue³							
2009	5,630	3,024	2,606	370	584	954	2.73
2010 ⁶	5,509	3,149	2,360	390	504	894	2.64
2011	5,389	2,920	2,469	420	391	811	3.04
2012	4,945	3,034	1,911	500	339	839	2.28
2013	5,122	3,549	1,573	515	324	839	1.87
2014	5,365	2,969	2,396	530	308	838	2.86
2015 ⁷	5,620	3,828	1,792	540	254	794	2.26
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
Wastewater Treatment Revenue⁴							
2009 ⁶	13,462	5,202	8,260	4,260	2,813	7,073	1.17
2010 ⁶	13,174	5,050	8,124	4,205	2,307	6,512	1.25
2011 ⁶	13,281	5,477	7,804	1,840	2,054	3,894	2.00
2012	13,175	5,663	7,512	4,615	1,693	6,308	1.19
2013	13,301	5,340	7,961	4,865	1,547	6,412	1.24
2014	12,835	5,708	7,127	3,250	1,428	4,678	1.52
2015	12,620	6,574	6,046	3,370	1,305	4,675	1.29
2016	12,681	6,513	6,168	3,520	1,175	4,695	1.31
2017	13,383	6,357	7,026	3,625	985	4,610	1.52
2018	13,181	6,622	6,559	3,580	756	4,336	1.51
Water Revenue⁵							
2009 ⁶	8,833	5,726	3,107	995	1,171	2,166	1.43
2010 ⁶	8,336	5,153	3,183	680	1,055	1,735	1.83
2011	8,354	5,464	2,890	1,110	902	2,012	1.44
2012 ⁶	8,649	5,653	2,996	1,200	861	2,061	1.45
2013 ⁶	9,342	6,348	2,994	845	758	1,603	1.87
2014 ⁶	8,613	5,818	2,795	1,335	650	1,985	1.41
2015	8,715	5,632	3,083	1,380	610	1,990	1.55
2016	9,323	5,387	3,936	1,715	579	2,294	1.72
2017	9,529	6,332	3,197	1,760	524	2,284	1.40
2018	9,838	6,949	2,889	1,455	394	1,849	1.56

Notes:

¹ Excludes depreciation and interest.

² Includes principal and interest of revenue bonds only.

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

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

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

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

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

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY SCHEDULE

Fiscal Year	Payments			Funding Source(s)			Principal Outstanding at Beginning of Fiscal Year
	Principal	Interest	Total	Sewer Revenue	Water Revenue	Tax Increment Financing	
2018	5,170,000	1,606,970	6,776,970	4,336,332	1,849,143	591,495	48,020,000
2019	5,110,000	1,327,039	6,437,039	4,057,850	1,789,854	589,335	42,850,000
2020	5,525,000	1,137,000	6,662,000	4,267,400	1,802,965	591,635	37,740,000
2021	5,750,000	926,361	6,676,361	4,264,625	1,823,041	588,695	32,215,000
2022	5,460,000	744,165	6,204,165	2,812,500	1,836,190	1,555,475	26,465,000
2023	4,950,000	562,315	5,512,315	2,137,125	1,852,145	1,523,045	21,005,000
2024	2,850,000	436,171	3,286,171	-	1,800,826	1,485,345	16,055,000
2025	2,430,000	373,577	2,803,577	-	1,351,082	1,452,495	13,205,000
2026	1,665,000	320,589	1,985,589	-	561,244	1,424,345	10,775,000
2027	990,000	280,725	1,270,725	-	-	1,270,725	9,110,000
2028	895,000	250,365	1,145,365	-	-	1,145,365	8,120,000
2029	915,000	222,495	1,137,495	-	-	1,137,495	7,225,000
2030	940,000	193,820	1,133,820	-	-	1,133,820	6,310,000
2031	965,000	164,325	1,129,325	-	-	1,129,325	5,370,000
2032	995,000	133,950	1,128,950	-	-	1,128,950	4,405,000
2033	815,000	102,300	917,300	-	-	917,300	3,410,000
2034	840,000	77,850	917,850	-	-	917,850	2,595,000
2035	865,000	52,650	917,650	-	-	917,650	1,755,000
2036	890,000	26,700	916,700	-	-	916,700	890,000
Total	\$ 48,020,000	\$ 8,939,367	\$ 56,959,367	\$ 21,875,832	\$ 14,666,490	\$ 20,417,045	

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

Sewer

Fiscal Year	Principal	Interest	Total
2018	3,580,000	756,332	4,336,332
2019	3,465,000	592,850	4,057,850
2020	3,820,000	447,400	4,267,400
2021	3,980,000	284,625	4,264,625
2022	2,660,000	152,500	2,812,500
2023	2,085,000	52,125	2,137,125
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
Total	<u>\$ 19,590,000</u>	<u>\$ 2,285,832</u>	<u>\$ 21,875,832</u>

Water

Fiscal Year	Principal	Outstanding Interest	Total
2018	1,455,000	394,143	1,849,143
2019	1,510,000	279,854	1,789,854
2020	1,565,000	237,965	1,802,965
2021	1,630,000	193,041	1,823,041
2022	1,690,000	146,190	1,836,190
2023	1,755,000	97,145	1,852,145
2024	1,745,000	55,826	1,800,826
2025	1,325,000	26,082	1,351,082
2026	555,000	6,244	561,244
2027	-	-	-
2028	-	-	-
Total	<u>\$ 13,230,000</u>	<u>\$ 1,436,490</u>	<u>\$ 14,666,490</u>

CITY OF IOWA CITY, IOWA

REVENUE DEBT ANNUAL MATURITY BY FUNDING SOURCE (continued)

Taxable Urban Renewal

<u>Fiscal Year</u>	<u>Principal</u>	<u>Outstanding</u>		<u>Total</u>
		<u>Interest</u>		
2018	135,000	456,495		591,495
2019	135,000	454,335		589,335
2020	140,000	451,635		591,635
2021	140,000	448,695		588,695
2022	1,110,000	445,475		1,555,475
2023	1,110,000	413,045		1,523,045
2024	1,105,000	380,345		1,485,345
2025	1,105,000	347,495		1,452,495
2026	1,110,000	314,345		1,424,345
2027	990,000	280,725		1,270,725
2028	895,000	250,365		1,145,365
2029	915,000	222,495		1,137,495
2030	940,000	193,820		1,133,820
2031	965,000	164,325		1,129,325
2032	995,000	133,950		1,128,950
2033	815,000	102,300		917,300
2034	840,000	77,850		917,850
2035	865,000	52,650		917,650
2036	890,000	26,700		916,700
Total	<u>\$ 15,200,000</u>	<u>\$ 5,217,045</u>		<u>\$ 20,417,045</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>
2009	69,086	5,943,049	39,214	-2.46	13,049	4.3	905,139,461
2010	67,862	6,039,549	39,477	0.67	13,319	5.0	725,329,723
2011	68,947	6,606,394	42,471	7.58	13,638	4.8	741,407,021
2012	68,947	6,956,611	43,809	3.15	13,862	4.1	767,122,555
2013	70,133	7,217,188	44,608	1.82	14,057	3.8	793,201,342
2014	71,591	7,594,813	46,204	3.58	14,162	3.5	649,794,164
2015	73,415	7,846,426	47,036	1.80	14,495	2.9	838,853,686
2016	74,220	8,031,750	47,574	1.14	15,186	3.2	853,258,347
2017	75,798	8,217,043	48,672	2.31	15,299	3.0	874,928,988
2018 ⁵	77,437	8,396,022	49,732	2.18	14,285	2.2	854,538,416

Sources and Notes:

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

² Iowa City Community School District and local private schools

³ Iowa Workforce Development Center

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

⁵ Personal Income and Per Capita Personal Income for 2017 or 2018 are not available. Amounts projected based on average increase over previous 9 years.

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

CITY OF IOWA CITY, IOWA

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

<u>Employers</u>	<u>2009</u>			<u>2018</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage</u>
University of Iowa	28,781	1	30.7 %	29,705	1	28.7 %
Veterans Administration Medical Center	1,351	5	1.4	2,150	2	2.1
Iowa City Community School District	1,700	2	1.8	1,575	3	1.5
Mercy Hospital	1,305	4	1.4	1,325	4	1.3
ACT Inc. (formerly American College Testing Program)	1,427	3	1.5	1,187	5	1.1
Proctor and Gamble	-	-	N/A	1,084	6	1.0
Hy Vee	1,166	6	1.2	1,012	7	1.0
City of Iowa City	982	8	1.0	931	8	0.9
NCS Pearson	1,152	7	1.2	775	9	0.7
Johnson County	-	-	N/A	609	10	0.6
International Automotive Components formerly Lear Corp	805	9	0.9	-	-	N/A
Systems Unlimited	700	10	0.7	-	-	N/A
	<u>39,369</u>		<u>41.8 %</u>	<u>40,353</u>		<u>38.9 %</u>
Total Employees	93,700			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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police	103.25	103.25	98	97	103	105	105	105	105	105
Animal Shelter ¹	6	6	6	6	-	-	-	-	-	-
Fire	57	57	66	65	65	65	64	64	64	64
Inspection Services	15.55	15.55	15.55	15.55	15.55	13.55	13.55	12.85	13.5	13.5
Public Works										
Public Works Admin	2	2	2	2	2	2	2	2	2	2
Engineering ⁵	11.35	11.35	12.1	12.1	12.1	12.1	12.1	12	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	15.42	14.42	15.42	14.75
Parks	13	13	13	13	13	13	13	13	16	16
Forestry	3	3	3	3	3	3	3	3	3	3
Cemetery	3	3	3	3	3	3	3	3	3	3
CBD Maintenance	3	3	3	3	3	3	3	3	-	-
Library	43.14	43.14	43.14	43.64	43.63	45.13	45.13	44.77	46.17	46.17
Senior Center	6.31	6.31	6.31	6.5	6.5	6.5	6.5	6.5	7	7
Community and Economic Development	9.05	9.05	9.1	9.1	8.4	8.95	8.95	10.8	12.63	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	6	5.6	5.6	5.6	5.6	5.6	5.5	5.5	5.5
City Manager ²	3	3	3	3	5	6	6	10.5	10.5	9
Personnel	4	4	4	4	4	3	3	3	3	3
Human Rights	2.5	2.5	2.5	2.5	2	2	2	2	2	2
Finance	26.3	26.3	26.24	27.53	23.47	23.97	22.47	23.07	23.13	22.13
Government Buildings	4.96	4.96	4.96	4.83	4.83	4.83	4.83	5.33	4.33	5
Energy Conservation	0.25	0.25	-	-	-	-	-	-	-	-
Transit ³	58.5	58.5	56.25	56.25	-	-	-	-	-	-
Special Revenue										
Employee Benefits	0.29	0.29	0.26	0.55	0.55	0.55	0.55	0.55	0.55	0.55
CIP / Roads	2	2	-	-	-	-	-	-	-	-
Flood Mitigation Grants	-	-	1.6	1.6	-	-	-	-	-	-
Community Development	3.88	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	4.15	3.9	4.5	3
Streets	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.25	25.5	29
MPOJC (formerly JCCOG)	6.6	6.6	6.6	6.6	5.6	5.6	5.6	4.7	4.7	4.7
Other Shared Revenues	-	-	-	-	1.6	1.62	-	-	-	-
Library Development	1	1	1	1	1	-	-	-	-	-
Capital Projects Administration ⁵	-	-	3	5	6	6	5	4	-	-
Internal Service Funds										
Information Technology	12.3	12.3	11.3	11.8	10.86	9.86	9.86	9.86	9.8	10.8
Equipment	11.26	11.26	11.26	11.26	10.75	10.75	10.75	10.75	10.75	10.75
Central Services	0.75	0.75	0.75	0.75	0.76	0.5	0.5	0.5	0.5	0.5
Risk Management	1.93	1.93	2.01	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Business-Type Activities										
Parking	33.25	33.25	32.75	32.75	29.25	26.25	26.25	23.13	21.63	21.63
Mass Transit ³	-	-	-	-	51.75	51.25	51.25	51.13	53.63	54.63
Wastewater Treatment	25.6	25.6	25.6	25.4	25.4	24.4	24.65	24.65	25.4	26
Water	32.75	32.75	32.75	32.75	32.75	31.75	32	32	31.75	31.75
Sanitation	34.85	35.85	35.85	37.85	37.85	35.85	35.85	33.35	31.5	31.5
Airport	1.75	1.75	1.75	1.75	1	1	1	1	1	1
Cable Television ⁴	6.44	6.44	6.69	6.63	6.63	6.63	5.63	-	-	-
Stormwater	1.9	1.9	1.9	2.1	2.1	2.1	2.6	2.6	2.1	1.5
Housing Authority	13.25	13.25	13.25	13.25	13.18	12.19	10.19	10.19	9.6	9.6
Total	629.03	630.03	633.37	637.74	623.91	615.16	607.66	598.93	599.89	601.89

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>2009</u>	<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>
Public Safety										
Police¹										
Physical arrests	6,486	5,983	6,590	5,911	4,468	6,192	5,595	5,465	4,482	3,373
Traffic Violations	4,460	4,446	3,403	3,761	2,499	3,718	3,356	2,989	2,246	2,061
Fire¹										
Number of calls answered	4,152	4,472	4,635	5,173	4,713	5,828	6,016	6,974	6,749	5,258
Inspections conducted	1,959	2,145	1,806	1,970	1,431	2,032	1,903	2,459	874	864
Parking										
Parking Violations	126,050	118,717	109,553	96,117	88,909	60,680	65,196	57,549	62,930	50,346
Wastewater Treatment										
Daily average treatment in million gallons	12.34	12.86	10.37	8.28	9.84	10.02	9.76	10.48	8.32	7.77
Maximum daily capacity of plant in million gallons	41.0	41.1	41.1	41.1	41.1	41.1	43.3	43.3	43.3	43.3
Number of sewer system customers	23,161	23,344	23,527	23,529	24,059	24,389	24,533	25,085	25,485	26,069
Water										
Daily average consumption in million gallons	5.51	5.48	5.51	5.49	5.54	5.64	5.33	5.32	5.50	5.84
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	23,391	23,657	23,875	24,086	24,442	24,790	23,089	23,638	24,025	24,595
Commercial	1,494	1,481	1,498	1,489	1,491	1,491	1,409	1,415	1,425	1,436
Industrial	15	15	15	15	15	15	14	14	14	15
Other	144	153	156	200	204	202	135	131	134	136
Total Customers	25,044	25,306	25,544	25,790	26,152	26,498	24,647	25,198	25,598	26,182
Sanitation										
Number of Customers	14,700	14,831	14,926	15,030	15,177	15,331	14,811	15,620	15,917	15,960
Tonnage	8,747	8,869	8,969	8,935	8,956	9,160	9,210	9,476	9,623	9,694
Landfill										
Tonnage	140,810	150,369	147,265	148,953	111,445	115,624	123,692	126,875	137,025	140,658

Sources: Various city divisions.

Notes:

¹ Numbers are based on a calendar year and 2018 figures are compiled through 10/03/18.

CITY OF IOWA CITY, IOWA

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	18	18	18	18	20	20	20	24	23
Fire										
Stations	3	3	3	4	4	4	4	4	4	4
Fire apparatus	9	9	9	11	11	11	11	10	10	10
Public Works										
Streets										
Miles	270	272	272	275	276	279	281	283	286	288
Street lights	3,408	3,410	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,307
Culture and Recreation										
Library	1	1	1	1	1	1	1	1	1	1
Cemetery	1	1	1	1	1	1	1	1	1	1
Acreage	40	40	40	40	40	40	40	40	40	40
Parks	61	40	41	41	42	43	46	46	49	50
Acreage	1,603	1,335	1,354	1,441	1,506	1,897	1,897	1,902	1,932	1,942
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	30	27	27	27	27	27	27
Tennis courts	12	12	12	12	12	12	12	12	9	9
Soccer fields	20	20	20	20	20	20	20	20	20	20
Pickle Ball Courts	-	-	-	-	-	-	-	-	8	8
Futsal Courts	-	-	-	-	-	-	-	-	2	2
Full Basketball Courts	-	-	-	-	-	-	-	-	3	3
Gaga Pits	-	-	-	-	-	-	-	-	-	2
Parking										
Facilities	5	5	5	5	5	5	5	5	6	6
Spaces	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,086	3,686	3,686
Wastewater Treatment										
Miles of sanitary sewer	289	291	292	294	295	298	300	301	304	306
Miles of storm sewer	120	122	124	127	128	131	133	136	139	140
Number of treatment plants	2	2	2	2	2	1	1	1	1	1
Number of service connectors	22,875	23,093	23,308	23,529	23,851	24,175	24,533	25,085	25,485	26,069
Water										
Miles of water mains	263	264	264	266	268	271	273	275	277	279
Number of city owned fire hydrants	2,635	2,662	2,680	2,735	3,330	3,385	3,415	3,447	3,503	3,529
Sanitation										
Landfills	1	1	1	1	1	1	1	1	1	1
Acreage	395	395	395	411	411	411	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, 2018, 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, 2018.

Our report included an emphasis of matter paragraph for the implementation of Governmental Accounting Standards Board Statement No. 75.

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, 2018 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, 2018



**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, 2018. 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, 2018.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Bohnsack & Frommelt LLP

Moline, Illinois
December 11, 2018

City of Iowa City, Iowa

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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 Agriculture				
Indirect:				
Pass-through Iowa Department of Agriculture				
Specialty Crop Block Grant Program-Farm Bill	10.170	15SCBGPIA0001	\$ 2,553	\$ 2,553
U.S. Department of Housing and Urban Development				
Direct:				
Community Development Block Grants (CDBG)/ Entitlement Grants Cluster:				
CDBG/Entitlement Grants	14.218	B-14-MC-19-0009	971	971
CDBG/Entitlement Grants	14.218	B-15-MC-19-0009	14,486	35,444
CDBG/Entitlement Grants	14.218	B-16-MC-19-0009	49,366	245,834
CDBG/Entitlement Grants	14.218	B-17-MC-19-0009	201,856	310,845
Subtotal CDBG/Entitlement Grants Cluster			266,679	593,094
Home Investment Partnerships Program	14.239	M-14-MC-190205	180,107	181,202
Home Investment Partnerships Program	14.239	M-15-MC-190205	67,521	70,134
Home Investment Partnerships Program	14.239	M-16-MC-190205	206,857	252,396
Home Investment Partnerships Program	14.239	M-17-MC-190205	49,918	84,380
			504,403	588,112
Public and Indian Housing	14.850	IA022-00000116D	-	370
Public and Indian Housing	14.850	IA022-00000117D	-	125,905
Public and Indian Housing	14.850	IA022-00000118D	-	95,287
			-	221,562
Housing Voucher Program Cluster:				
Section 8 Housing Choice Vouchers	14.871	IA022VO	-	8,689,021
Public Housing Capital Fund	14.872	IA05P022501-16	-	51,790
Public Housing Capital Fund	14.872	IA05P022501-17	-	102,589
			-	154,379
Total U.S. Department of Housing and Urban Development			771,082	10,246,168
U.S. Department of the Interior				
Direct:				
Historic Preservation Fund Grants-In-Aid	15.904	P17AP00060	-	8,026
U.S. Department of Justice				
Direct:				
Bulletproof Vest Partnership Program	16.607	2016-BUBX16082008	-	4,279
Edward Byrne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0661	-	1,249
Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0589	-	14,796
			-	16,045

(Continued)

City of Iowa City, Iowa

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

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	\$ 5,363	\$ 54,867
Pass-through Iowa Department of Justice				
Violence Against Women Formula Grants	16.588	VW-18-04-CJ	-	63,583
Pass-through Iowa Governor's Office of Drug Control Policy				
Public Safety Partnership and Community Policing Grants				
Edward Byrne Memorial Justice Assistance Grant	16.710	16-CAMP-05	16,038	18,266
	16.738	15-JAG-197460	56,736	88,868 (1)
Total U.S. Department of Justice			78,137	245,908
U.S. Department of Transportation				
Direct:				
Airport Improvement Program	20.106	3-19-0047-024-2017	-	71,837
Indirect:				
Pass-through Iowa Department of Transportation				
Highway Planning and Construction Program Cluster:				
Highway Planning and Construction Program	20.205	HDP-3715(652)--71-52	-	117,860
Highway Planning and Construction Program	20.205	BROS-3715(663)--8J-52	-	35,195
Highway Planning and Construction Program	20.205	IA-95-X018-371-14	-	1,696,000
			-	1,849,055
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	18MPO-MPOJC	-	157,785
Subtotal Highway Planning and Construction Program Cluster			-	2,006,840
Direct:				
Federal Transit Cluster:				
Federal Transit-Formula Grants	20.507	IA-2018-008-01-00	-	1,497,897
Indirect:				
Federal Transit Cluster:				
Pass-through Iowa Department of Transportation				
Federal Transit- Capital Investment Grants	20.500	IA-04-0117-371-12	-	325,360
Federal Transit- Capital Investment Grants	20.500	IA-34-0002-371-14	-	206,559
Federal Transit- Capital Investment Grants	20.500	IA-1812-2016-10-371-15	-	740,064
			-	1,271,983
Bus and Bus Facilities Formula Program	20.526	IA-34-0002-371-14	-	509,264
Bus and Bus Facilities Formula Program	20.526	IA-2016-019-371-16	-	4,714
			-	513,978
Subtotal Federal Transit Cluster			-	3,283,858

(Continued)

City of Iowa City, Iowa

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

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 Transportation and Metropolitan Planning Organization of Johnson County				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	18MPO-MPOJC	\$ -	\$ 42,215
Pass-through Iowa Department of Transportation				
Formula Grants for Rural Areas	20.509	IA-2016-027-371-16	-	349,744
Transit Services Program Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	IA-2016-026-01-371-18	-	108,764
Pass-through Iowa Department of Public Safety/ Governor's Traffic Safety Bureau				
Highway Safety Cluster:				
National Priority Safety Programs	20.616	PAP 17-405d-M6OT, Task 24	-	10,582
National Priority Safety Programs	20.616	PAP 18-405d-M6OT, Task 18	-	31,140
Subtotal Highway Safety Cluster			-	41,722
Total U.S. Department of Transportation			-	5,904,980
U.S. Department of Homeland Security				
Indirect:				
Pass-through Iowa Department of Homeland Security and Emergency Management Division				
Hazard Mitigation Grant	97.039	DR-4187-0003-01	-	201,484
Total Expenditures of Federal Awards			\$ 851,772	\$ 16,609,119

(1) Total CFDA 16.738 \$104,913

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, 2018**

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, 2018. 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, 2018

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?
- Significant deficiency identified?
- Noncompliance material to financial statements noted?

Yes No
 Yes None Reported
 Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency identified?

Yes No
 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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher Cluster: Section 8 Housing Choice Vouchers

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, 2018**

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

No matters reported.

B. Instances of Noncompliance

No matters reported.

IV. Other Findings Related to Required Statutory Reporting

IV-A-18 Certified Budget – Expenditures for the year ended June 30, 2018 did not exceed the amounts budgeted.

IV-B-18 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-18 Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-18 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-18 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-18 Council Minutes – No transactions requiring Council approval which had not been approved by the Council were noted.

IV-G-18 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-18 Revenue Notes – There were no instances of noncompliance with revenue note provisions.

IV-I-18 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-18 Payment of General Obligation Bonds – The City appears to be in compliance with Chapter 384.4 of the Code of Iowa.