NEW ISSUE - DTC BOOK ENTRY ONLY

RATING: Moody's: "Aa1"
(See "Rating" herein.)

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

$6,840,000
City of Marion, Iowa
General Obligation Corporate Purpose Bonds, Series 2017A

Dated: Date of Delivery

Due: As shown on inside cover

The $6,840,000 General Obligation Corporate Purpose Bonds, Series 2017A (the "Bonds") are being issued in fully registered form in denominations of $5,000 or any integral multiple thereof pursuant to the provisions of Chapters 384 and 76 of the Code of Iowa, 2017, as amended and a resolution authorizing issuance of the Bonds (the "Resolution") adopted by the City of Marion, Iowa (the "Issuer" or the "City") on August 17, 2017. The Depository Trust Company, New York, New York ("DTC") will act as the securities depository for the Bonds and its nominee, Cede & Co., will be the registered owner of the Bonds. Individual purchases of the Bonds will be recorded on a book-entry only system operated by DTC. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. So long as DTC or its nominee, Cede & Co., is the Bondholder, the principal of, premium, if any, and interest on the Bonds will be paid by Bankers Trust Company, Des Moines, Iowa as Registrar and Paying Agent (the "Registrar"), or its successor, to DTC, or its nominee, Cede & Co. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants as more fully described herein. Neither the Issuer nor the Registrar will have any responsibility or obligation to such DTC Participants, indirect participants or the persons for whom they act as nominee with respect to the Bonds. See "APPENDIX E – BOOK-ENTRY SYSTEM" herein.

The Bonds will bear interest from their dated date, payable semiannually on each June 1 and December 1, commencing June 1, 2018. The Bonds are subject to redemption by the Issuer prior to their stated maturities in the manner and at the time described herein. All of the Bonds then outstanding are subject to redemption at the option of the Issuer, as a whole or in part, from any source of available funds, on June 1, 2024 or on any date thereafter at a redemption price equal to the principal amount of the Bonds, together with accrued interest to the date fixed for redemption, without premium. See "THE BONDS – Redemption" herein.

The Bonds and the interest thereon are general obligations of the Issuer, and all taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount. See "SECURITY AND SOURCE OF PAYMENT" herein.

Proceeds of the Bonds will be used for the purpose of paying the cost, to that extent, of (a) constructing street, sidewalk, water system, sanitary sewer system and storm water drainage improvements, installing street signage, lighting and signalization improvements, and constructing and installing improvements at existing municipal parks; (b) constructing repairs and improvements at City Hall, the Police Station and other municipal facilities; (c) funding improvements to public tennis courts; (d) constructing the Grant Wood Trail Project; (e) constructing the Cemar Trail Project; (f) constructing the Indian Creek Trail Project; and (g) paying certain costs of issuance related to the Bonds. See "PLAN OF FINANCING" herein.

The Bonds are being offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to receipt of an opinion as to legality, validity and tax exemption by Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel. Dorsey & Whitney LLP is also serving as Disclosure Counsel to the Issuer in connection with the issuance of the Bonds. It is expected that the Bonds in the definitive form will be available for delivery through the facilities of DTC on or about September 6, 2017.

PiperJaffray®

The Date of this Official Statement is August 17, 2017.

$6,840,000
City of Marion, Iowa
General Obligation Corporate Purpose Bonds,
Series 2017A

MATURITY SCHEDULE

Due	Amount	Rate	Yield	Cusip Num.[**]	Due	Amount	Rate	Yield	Cusip Num.[**]
June 1, 2019	$295,000	2.000%	0.900%	569611 XC5	June 1, 2029	$360,000	2.500%	2.250%[*]	569611 XN1
June 1, 2020	$300,000	2.000%	1.000%	569611 XD3	June 1, 2030	$370,000	2.500%	2.400%[*]	569611 XP6
June 1, 2021	$305,000	2.000%	1.100%	569611 XE1	June 1, 2031	$380,000	2.625%	2.500%[*]	569611 XQ4
June 1, 2022	$310,000	2.000%	1.200%	569611 XF8	June 1, 2032	$390,000	2.750%	2.550%[*]	569611 XR2
June 1, 2023	$315,000	2.000%	1.350%	569611 XG6	June 1, 2033	$400,000	3.000%	2.600%[*]	569611 XS0
June 1, 2024	$325,000	2.000%	1.500%	569611 XH4	June 1, 2034	$415,000	3.000%	2.700%[*]	569611 XT8
June 1, 2025	$330,000	2.000%	1.700%[*]	569611 XJ0	June 1, 2035	$425,000	3.000%	2.800%[*]	569611 XU5
June 1, 2026	$335,000	2.000%	1.850%[*]	569611 XK7	June 1, 2036	$440,000	3.000%	2.900%[*]	569611 XV3
June 1, 2027	$345,000	2.500%	2.000%[*]	569611 XL5	June 1, 2037	$450,000	3.000%	3.000%	569611 XW1
June 1, 2028	$350,000	2.500%	2.150%[*]	569611 XM3					

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[*] Priced to the call date of June 1, 2024.

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

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

The information set forth herein has been obtained from the Issuer and from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No representation is made regarding whether the Bonds constitute legal investments under the laws of any state for banks, savings banks, savings and loan associations, life insurance companies, and other institutions organized in such state, or fiduciaries subject to the laws of such state.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

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

THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED “FORWARD-LOOKING STATEMENTS,” MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE WORDS SUCH AS “ANTICIPATED,” “PLAN,” “EXPECT,” “PROJECTED,” “ESTIMATE,” “BUDGET,” “PRO FORMA,” “FORECAST,” “INTEND,” OR OTHER WORDS OF SIMILAR IMPORT. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO DIFFER FROM THOSE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE ISSUER DOES NOT EXPECT OR INTEND TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

In connection with the issuance of the Bonds, the Issuer will enter into a Continuing Disclosure Certificate. See “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

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OFFICIAL STATEMENT

$6,840,000
City of Marion, Iowa
General Obligation Corporate Purpose Bonds,
Series 2017A

INTRODUCTION

The purpose of this Official Statement, including the cover page and the appendices hereto (the "Official Statement"), is to set forth certain information in conjunction with the sale of $6,840,000 General Obligation Corporate Purpose Bonds, Series 2017A (the "Bonds") of the City of Marion, Iowa (the "Issuer" or the "City"). This Introduction is not a summary of this Official Statement, but is only a brief description of the Bonds and certain other matters. Such description is qualified by reference to the entire Official Statement and the documents summarized or described herein. This Official Statement should be reviewed in its entirety. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the appendices attached hereto. All statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Copies of statutes, resolutions, ordinances, reports or other documents referred to herein are available, upon request, from the Issuer.

The Bonds are being issued pursuant to the provisions of Chapters 384 and 76 of the Code of Iowa, 2017, as amended (collectively, the "Act") and a Resolution adopted by the Issuer on August 17, 2017 (the "Resolution") to evidence the obligations of the Issuer under a Loan Agreement between the Issuer and the Underwriter.

The Bonds and the interest thereon are general obligations of the Issuer, and all taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount. See "SECURITY AND SOURCE OF PAYMENT" herein.

Proceeds of the Bonds will be used for the purpose of paying the cost, to that extent, of (a) constructing street, sidewalk, water system, sanitary sewer system and storm water drainage improvements, installing street signage, lighting and signalization improvements, and constructing and installing improvements at existing municipal parks; (b) constructing repairs and improvements at City Hall, the Police Station and other municipal facilities; (c) funding improvements to public tennis courts; (d) constructing the Grant Wood Trail Project; (e) constructing the Cemar Trail Project; (f) constructing the Indian Creek Trail Project; and (g) paying certain costs of issuance related to the Bonds. See "PLAN OF FINANCING" and "SOURCES AND USES OF FUNDS" herein.

The Issuer anticipates issuing its General Obligation Refunding Bonds, Series 2017B (the "Series 2017B Bonds"). THE SERIES 2017B BONDS ARE NOT BEING OFFERED PURSUANT TO THIS OFFICIAL STATEMENT, AND EACH SERIES OF THE BONDS AND THE SERIES 2017B BONDS CONSTITUTE SEPARATE ISSUES.

THE ISSUER

The Issuer, with a 2010 U.S. Census population of 34,768, comprises approximately 16.06 square miles. The Issuer operates under a statutory form of government consisting of a six-member City Council, of which the Mayor is not a voting member. Additional information concerning the Issuer is included in "APPENDIX A – INFORMATION ABOUT THE ISSUER" hereto.

THE BONDS

General

The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Interest on and principal of the Bonds are payable in lawful money of the United States of America.

The Bonds are dated as of the date of their delivery, will mature on June 1 in the years and in the amounts set forth on the inside cover page hereof, and will bear interest at the rates to be set forth on the inside cover page hereof. Interest on the Bonds is payable semiannually on June 1 and December 1 in each year, beginning on June 1, 2018, calculated on the basis of a year of 360 days and twelve 30-day months. Interest shall be payable to the persons who were registered owners thereof as of the fifteenth day of the month immediately preceding the interest payment date, to the addresses appearing on the registration books maintained by the Registrar or such other address as is furnished to the Registrar in writing by a registered owner. The Bonds are issuable in denominations of $5,000 or any integral multiple thereof.

Redemption

Optional Redemption. All of the Bonds then outstanding are subject to redemption at the option of the Issuer, as a whole or in part, from any source of available funds, beginning June 1, 2024 or on any date thereafter at a redemption price equal to the principal amount of the Bonds, together with accrued interest to the date fixed for redemption, without premium.

Selection of Bonds for Redemption. Bonds subject to redemption will be selected in such order of maturity as the Issuer may direct. If less than all of the Bonds of a single maturity are to be redeemed, the Bonds to be redeemed will be selected by lot or other random method by the Registrar in such a manner as the Registrar may determine.

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

SECURITY AND SOURCE OF PAYMENT

General

Pursuant to the Resolution and the Act, the Bonds and the interest thereon are general obligations of the Issuer, and all taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount. See "APPENDIX A – INFORMATION ABOUT THE ISSUER."

Section 76.2 of the Act provides that when an Iowa political subdivision issues General Obligation Corporate Purpose Bonds, the governing authority of such political subdivision shall, by resolution adopted before issuing the bonds, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds. A certified copy of this resolution shall be filed with the county auditor in which the issuer is located, giving rise to a duty of the auditor to annually enter this levy for collection from the taxable property within the boundaries of the issuer, until funds are realized to pay the bonds in full.

For the purpose of providing for the levy and collection of a direct annual tax sufficient to pay the principal of and interest on the Bonds as the same become due, the Resolution provides for the levy of a tax sufficient for that purpose on all the taxable property in the Issuer in each of the years while the Bonds are outstanding. The Issuer shall file a certified copy of the Resolution with the County Auditor, pursuant to which the County Auditor is instructed to enter for collection and assess the tax authorized. When annually entering such taxes for collection, the County Auditor shall include the same as a part of the tax levy for Debt Service Fund purposes of the Issuer and when collected, the proceeds of the taxes shall be converted into the Debt Service Fund of the Issuer and set aside therein as a special account to be used solely and only for the payment of the principal of and interest on the Bonds and for no other purpose whatsoever.

Pursuant to the provisions of Section 76.4 of the Code of Iowa, each year while the Bonds remain outstanding and unpaid, any funds of the Issuer which may lawfully be applied for such purpose, may be appropriated, budgeted and, if received, used for the payment of the principal of and interest on the Bonds as the same become due, and if so appropriated, the taxes for any given fiscal year as provided for in the Resolution, shall be reduced by the amount of such alternate funds as have been appropriated for said purpose and evidenced in the Issuer's budget.

BONDHOLDERS' RISKS

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

Tax Levy Procedures

The Bonds are general obligations of the Issuer, payable from and secured by a continuing ad-valorem tax levied against all of the taxable property within the boundaries of the Issuer. As part of the budgetary process of the Issuer each fiscal year the Issuer will have an obligation to request a debt service levy to be applied against all of the taxable property within the boundaries of the Issuer. A failure on the part of the Issuer to make a timely levy request or a levy request by the Issuer that is inaccurate or is insufficient to make full payments of the debt service on the Bonds for a particular fiscal year may cause Bondholders to experience delay in the receipt of distributions of principal of and/or interest on the Bonds.

2013 Property Tax Legislation

During its 2013 session the Iowa Legislature enacted, and the Governor signed legislation that, among other things, reduces the limit on annual assessed value growth with respect to residential and agricultural property from 4% to 3%, reduces as a rollback the taxable value applicable to commercial, industrial and railroad property to 95% for the 2013 assessment year and 90% for the 2014 assessment year and all years thereafter, and provides a partial exemption on telecommunications property. The legislation also created a new separate classification for multiresidential properties which were previously taxed as commercial properties, and assigns an incremental rollback percentage over several years for multiresidential properties such that the multiresidential rollback determination will match that for residential properties in the 2022 assessment year. As a result of this legislation, local governments expect to experience reductions in property tax revenues over the next several fiscal years. The legislation includes state-funded replacement moneys for a portion of the expected reduction in property tax revenues to the local governments, but such replacement funding is limited in both amount and duration of availability. There can be no assurance the state-funded replacement moneys will be provided by the state, if at all, during the term the Bonds remain outstanding. The Issuer does not expect the state replacement funding to fully address the property tax reductions resulting from the legislation during the term the Bonds remain outstanding. The legislation does not limit the legal obligation of the Issuer to pay debt service on the Bonds or the amount the Issuer is required to levy for payments of debt service on the Bonds; however, there can be no assurances that it will not have a material adverse impact with respect to the Issuer’s financial position.

Changes in Property Taxation

From time to time the Iowa General Assembly has altered the method of property taxation and could do so again. Any alteration in property taxation structure could affect property tax revenues available to pay the Bonds.

Historically, the Iowa General Assembly has applied changes in property taxation structure on a prospective basis; however, there is no assurance that future changes in property taxation structure by the Iowa General Assembly will not be retroactive. It is impossible to predict the outcome of future property tax changes by the Iowa General Assembly or their potential impact on the Bonds and the security for the Bonds.

Matters Relating to Enforceability of Agreements

Bondholders shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa and of the United States of America for the enforcement of payment of the Bonds, including, but not limited to, the right to a proceeding in law or in equity by suit, action or mandamus to enforce and compel performance of the duties required by Iowa law and the Resolution.

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Resolution or the Loan Agreement. The remedies available to the Bondholders upon an event of default under the Resolution or the Loan Agreement, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, including specifically the federal bankruptcy code, certain of the remedies specified in the Loan Agreement or the Resolution may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. The legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and public policy and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No representation is made, and no assurance is given, that the enforcement of any remedies will result in sufficient funds to pay all amounts due under the Resolution or the Loan Agreement, including principal of and interest on the Bonds.

Secondary Market

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

EACH PROSPECTIVE PURCHASER IS RESPONSIBLE FOR ASSESSING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS AND MUST BE ABLE TO BEAR THE ECONOMIC RISK OF SUCH INVESTMENT. THE SECONDARY MARKET FOR THE BONDS, IF ANY, COULD BE LIMITED.

Rating Loss

Moody's Investor Service ("Moody's") has assigned a rating of "Aa1" to the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Bankruptcy

The rights and remedies provided in the Resolution may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditor's rights, to the exercise of judicial discretion in appropriate cases and to limitations in legal remedies against exercise of judicial discretion in appropriate cases and to limitations on legal remedies against municipal corporations in the State of Iowa. The various opinions of counsel to be delivered with respect to the Bonds, the Loan Agreement and the Resolution, including the opinion of Bond Counsel, will be similarly qualified. If the Issuer were to file a petition under Chapter 9 of the Bankruptcy Code, the owners of the Bonds could be prohibited from taking any steps to enforce their rights under the Resolution. In the event the Issuer fails to comply with its covenants under the Resolution or fails to make payments on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interests of the holders of the Bonds.

Forward-Looking Statements

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

Tax Matters, Bank Qualification and Loss of Tax Exemption

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

The Issuer will designate the Bonds as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and has further covenanted to comply with certain other requirements, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code. However, the Issuer's failure to comply with such covenants could cause the Bonds not to be "qualified tax-exempt obligations" and banks and certain other financial institutions would not receive more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

It is possible that actions of the Issuer after the closing of the Bonds will alter the tax exempt status of the Bonds, and, in the extreme, remove the tax exempt status from the Bonds. In that instance, the Bonds are not subject to mandatory prepayment, and the interest rate on the Bonds does not increase or otherwise reset. A determination of taxability on the Bonds, after closing of the Bonds, could materially adversely affect the value and marketability of the Bonds.

DTC-Beneficial Owners

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

In addition, since transactions in the Bonds can be effected only through DTC Participants, indirect participants and certain banks, the ability of a Beneficial Owner to pledge the Bonds to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Bonds, may be limited due to lack of a physical certificate. Beneficial Owners will be permitted to exercise the rights of registered Owners only indirectly through DTC and the Participants. See "APPENDIX E – BOOK-ENTRY SYSTEM."

Proposed Federal Tax Legislation

From time to time, Presidential proposals, federal legislative committee proposals or legislative proposals are made that would, if enacted, alter or amend one or more of the federal tax matters described herein in certain respects or would adversely affect the market value of the Bonds. It cannot be predicted whether or in what forms any of such proposals that may be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds. See "TAX EXEMPTION AND RELATED TAX MATTERS" herein.

Pension and OPEB Information

The Issuer contributes to the Iowa Public Employees' Retirement System ("IPERS"), which is a state-wide multiple-employer cost-sharing defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. All full-time employees of the Issuer are required to participate in IPERS. IPERS plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The IPERS Comprehensive Annual Financial Report for its fiscal year ended June 30, 2016 (the "IPERS CAFR") indicates that as of June 30, 2016, the date of the most recent actuarial valuation for IPERS, the funded ratio of IPERS was 83.9%, and the unfunded actuarial liability was $5.586 billion. The IPERS CAFR identifies the IPERS Net Pension Liability at June 30, 2016, at approximately $6.293 billion, while its net pension liability at June 30, 2015 was approximately $4.94 billion. The IPERS CAFR is available on the IPERS website, or by contacting IPERS at 7401 Register Drive, Des Moines, IA 50321. See "APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER" for additional information on IPERS.

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

In fiscal year ended June 30, 2016, the Issuer's IPERS contribution totaled approximately $486,375. The Issuer is current in its obligations to IPERS.

Pursuant to Governmental Accounting Standards Board Statement No. 68, IPERS has allocated the net pension liability among its members, with the Issuer's identified portion at June 30, 2016 at approximately $642,963. While the Issuer's contributions to IPERS are controlled by state law, there can be no assurance the Issuer will not be required by changes in State law to increase its contribution requirement in the future, which may have the effect of negatively impacting the finances of the Issuer. See "APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER" for additional information on pension and liabilities of the Issuer.

Summary

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

LITIGATION

The Issuer encounters litigation occasionally, as a course of business; however, no litigation currently exists that is not believed to be covered by current insurance carriers and the Issuer is not aware of any pending litigation that questions the validity of these Bonds.

ACCOUNTANT

The financial statements of the Issuer included as "APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE ISSUER" to this Official Statement have been examined by Hogan-Hansen, Cedar Rapids, Iowa to the extent and for the periods indicated in their report thereon. Such financial statements have been included herein without permission of said office, and said office expresses no opinion with respect to the Bonds or the Official Statement.

MUNICIPAL ADVISOR

The Issuer has retained Independent Public Advisors as Municipal Advisor (the "Municipal Advisor") in connection with the preparation of the issuance of the Bonds. The Municipal Advisor assisted in the preparation of Appendix A hereto and in other matters relating to the planning, structuring and issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of the Official Statement. In assisting with the preparation of the Appendix A, the Municipal Advisor has relied on government officials, and other sources to provide accurate information for disclosure purposes. The Municipal Advisor is not obligated to undertake, and has not undertaken, an independent verification of the accuracy, completeness, or fairness of the information contained in the Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

PLAN OF FINANCING

The Issuer will use the proceeds of the Bonds to provide funds for the purpose of paying the cost, to that extent, of (a) constructing street, sidewalk, water system, sanitary sewer system and storm water drainage improvements, installing street signage, lighting and signalization improvements, and constructing and installing improvements at existing municipal parks; (b) constructing repairs and improvements at City Hall, the Police Station and other municipal facilities; (c) funding improvements to public tennis courts; (d) constructing the Grant Wood Trail Project; (e) constructing the Cemar Trail Project; (f) constructing the Indian Creek Trail Project; and (g) paying certain costs of issuance related to the Bonds.

SOURCES AND USES OF FUNDS

The following are estimated sources and uses of funds, with respect to the Bonds.

Sources of Funds	
Bond Principal	$6,840,000.00
Premium	$ 125,389.70
Total Sources of Funds	$6,965,389.70
Uses of Funds	
Project Fund	$6,733,987.60
Capitalized Interest	$ 125,525.35
Costs of Issuance & Contingency(1)	$ 105,876.75
Total Uses of Funds	$6,695,389.70

(1) Includes, among other things, payment of certain legal, financial and other expenses related to the issuance of the Bonds (including, without limitation, underwriters' discount). See the discussion under the caption "UNDERWRITING" herein.

TAX EXEMPTION AND RELATED TAX MATTERS

Federal Income Tax Exemption

The opinion of Bond Counsel will state that under present laws and rulings, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986 (the "Code"), provided, however that such interest must be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

The opinion set forth in the preceding sentence will be subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. In the resolution authorizing the issuance of the Bonds, the Issuer will covenant to comply with all such requirements.

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

Proposed Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax exempt status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Qualified Tax-Exempt Obligations

In the resolution authorizing the issuance of the Bonds, the Issuer will designate the Bonds as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to tax-exempt obligations. In the opinion of Bond Counsel, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Original Issue Premium

The Bonds maturing in the years 2019 to 2036 are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire the Bonds at a premium must, from time to time, reduce their federal tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal income tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire any Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes. Bondholders who acquire any Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling the Bonds acquired at a premium.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt status of the interest thereon (see "TAX EXEMPTION AND RELATED TAX MATTERS" herein) are subject to the approving legal opinion of Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel, a form of which is attached hereto as "APPENDIX B – FORM OF BOND COUNSEL OPINION." Signed copies of the opinion, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered to the Underwriter at the time of such original delivery. The Bonds are offered subject to prior sale and to the approval of legality of the Bonds by Bond Counsel. Dorsey & Whitney LLP is also serving as Disclosure Counsel to the Issuer in connection with issuance of the Bonds.

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

RATING

The Bonds are rated "Aa1" by Moody's. The rating reflects only the views of Moody's, and an explanation of the significance of that rating may be obtained only from Moody's and its published materials. The rating described above is not a recommendation to buy, sell or hold the Bonds. There can be no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of Moody's, circumstances so warrant. Therefore, after the date hereof, investors should not assume that the rating is still in effect. A downward revision or withdrawal of the rating is likely to have an adverse effect on the market price and marketability of the Bonds. The Issuer has not assumed any responsibility either to notify the owners of the Bonds of any proposed change in or withdrawal of any rating subsequent to the date of this Official Statement, except in connection with the reporting of events as provided in the Continuing Disclosure Certificate, or to contest any revision or withdrawal.

CONTINUING DISCLOSURE

The Issuer will covenant in a Continuing Disclosure Certificate for the benefit of the Owners and Beneficial Owners of the Bonds to provide annually certain financial information and operating data relating to the Issuer (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report is to be filed by the Issuer no later than twelve months after the close of each fiscal year, commencing with the fiscal year ending June 30, 2017, with the Municipal Securities Rulemaking Board, at its internet repository named "Electronic Municipal Market Access" ("EMMA"). The notices of events, if any, are also to be filed with EMMA. See “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The specific nature of the information to be contained in the Annual Report or the notices of events, and the manner in which such materials are to be filed, are summarized in “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the “Rule”).

During the past five years, the Issuer did not timely file audited financial statements for fiscal years ending June 30, 2012 and 2013, and did not file notice of its failure to provide the aforementioned information on or before the date specified in its prior continuing disclosure undertakings.

UNDERWRITING

The Bonds are being purchased, subject to certain conditions, by Piper Jaffray & Co. (the “Underwriter”). The Underwriter has agreed, subject to certain conditions, to purchase all, but not less than all, of the Bonds at an aggregate purchase price of $6,917,202.95 (reflecting the par amount of the Bonds with original issue premium ($125,389.70) and an underwriting discount of $48,186.75).

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

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

MISCELLANEOUS

Brief descriptions or summaries of the Issuer, the Bonds, the Resolution and other documents, agreements and statutes are included in this Official Statement. The summaries or references herein to the Bonds, the Resolution and other documents, agreements and statutes referred to herein, and the description of the Bonds included herein, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to such documents, and the description herein of the Bonds is qualified in its entirety by reference to the form thereof and the information with respect thereto included in the aforesaid documents. Copies of such documents may be obtained from the Issuer.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or Owners of any of the Bonds.

The attached APPENDICES A, B, C, D and E are integral parts of this Official Statement and must be read together with all of the foregoing statements.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

The Issuer has reviewed the information contained herein which relates to it and has approved all such information for use within this Official Statement. The execution and delivery of this Official Statement has been duly authorized by the Issuer.

City of Marion, Iowa

/s/ Lon Pluckhahn
City Manager

APPENDIX A

INFORMATION ABOUT THE ISSUER

Marion City Hall
1225 6th Avenue
Marion, IA 52302
Telephone 319-743-6300

MAYOR AND CITY COUNCIL

Nicolas AbouAssaly, *Mayor* .... *Term Expires December 31, 2019*
Kim Etzel, *Council Member Ward 1* .... *Term Expires December 31, 2019*
Joe Spinks, *Council Member Ward 2 / Mayor Pro Tem* .... *Term Expires December 31, 2017*
Will Brandt, *Council Member Ward 3* .... *Term Expires December 31, 2019*
David Nicholson, *Council Member Ward 4* .... *Term Expires December 31, 2017*
Mary Lou Pazour, *Council Member at Large* .... *Term Expires December 31, 2017*
Paul Draper, *Council Member at Large* .... *Term Expires December 31, 2019*

CITY OFFICIALS

Lon Pluckhahn.. *City Manager*
Wesley A. Nelson .... *Finance Director/City Clerk*
Anne E.H. Kruse.. *City Attorney*

PROPERTY VALUATIONS

IOWA PROPERTY VALUATIONS

In compliance with Section 441.21 of the Code of Iowa, the State Director of Revenue annually directs all County Auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The assessments finalized as of January 1 of each year are applied to the following fiscal year. The 2016 final Actual Values were adjusted by the Linn County Auditor. The reduced values, determined after the application of rollback percentages, are the Taxable Values subject to tax levy. For assessment year 2016, the Taxable Value rollback rate was 56.9391% of Actual Value for residential property; 47.4996% of Actual Value for agricultural property; 90% of Actual Value for commercial, industrial, and railroad property, 82.5000% of Actual Value for multiresidential property, and 100% of Actual Value for utility property.

The Legislature's intent has been to limit the growth of statewide taxable valuations for most classes of property to 3% annually; utility taxable valuation growth is limited to 8%. Political subdivisions whose taxable values are thus reduced or are unusually low in growth are allowed to appeal the valuations to the State Appeal Board, in order to continue to fund present services.

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1/1/2016 VALUATIONS (Taxes payable July 1, 2017 through June 30, 2018)

	100% Actual Value	Taxable Value (With Rollback)
Residential	$2,099,721,288	$1,173,753,220
Multiresidential	55,873,481	45,340,351
Commercial	263,840,203	234,335,938
Industrial	17,587,959	15,466,030
Utilities w/o Gas & Electric	3,995,840	3,995,840
Gross valuation	$2,441,018,771	$1,472,891,379
Less military exemption	(3,308,601)	(3,306,135)
Net valuation	$2,437,710,170	$1,469,585,244
TIF increment (used to compute debt service levies and constitutional debt limit)	$89,797,369	$89,797,369
Taxed separately		
Ag. Land & Buildings[1]	$6,851,639	$3,233,464
Utilities – Gas & Electric	$59,144,591	$14,154,594

2016 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY[2]

	Taxable Valuation	Percent Total
Residential	$1,173,753,220	78.76%
Multiresidential	$45,340,351	3.04%
Ag. Land & Ag. Buildings	$3,233,464	0.22%
Commercial, Industrial, Utility	253,797,808	17.03%
Utilities – Gas & Electric	14,154,594	0.95%
Total Gross Taxable Valuation	$1,490,279,437	100.00%

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[1] *Excludes 40,036 of TIF ag land valuation.*
[2] *Before military exemption, and exclusive of taxable TIF increment.*

TREND OF VALUATIONS

The 100% Actual Valuations, before rollback and after reduction of military exemption, include Ag. Land, Ag. Buildings, TIF Increment, and Gas & Electric Utilities. The Taxable Valuations, with the rollback and after the reduction of military exemption, excludes the Taxable TIF Increment and Ag. Land and Ag. Buildings. Iowa cities certify operating levies against Taxable Valuation excluding the Taxable TIF Increment and debt service levies are certified against Taxable Valuations including the Taxable TIF Increment.

Assessment Year	Payable Fiscal Year	100% Actual Valuation	Taxable Valuation (With Rollback)	Taxable TIF Increment
2012	2013-14	$2,272,526,215	$1,314,492,871	$44,836,817
2013	2014-15	2,345,489,794	1,359,151,706	43,521,300
2014	2015-16	2,415,076,697	1,372,567,499	77,686,319
2015	2016-17	2,506,609,781	1,393,433,278	103,565,885
2016	2017-18	2,593,503,769	1,483,739,838	89,797,369

LARGER TAXPAYERS

Taxpayer	Property Type	1/1/2016 Taxable Valuation
Menard Inc	Commercial/Retail	$15,198,030
Wal-Mart Real Estate Business Trust	Commercial/Grocery/Retail	12,341,790
Collins Square LLC	Commercial/Retail	10,618,910
Interstate Power & Light Co	Electric & Gas Utility	10,021,766
Marion Senior Development LLC	Commercial/Residential	7,439,603
Azure Coop	Commercial/Residential	6,843,055
Rosslare Capital Investments LLC	Commercial/Residential	6,650,611
Tama Street Properties LLC	Commercial /Office	5,690,790
Chapelridge of CR Partnership	Commercial/Residential	4,293,894
M & E Investments	Commercial/Residential	4,140,180

INDEBTEDNESS

DEBT LIMIT

Article XI, Section 3 of the State of Iowa Constitution limits the amount of debt outstanding at any time of any county, municipality or other political subdivision to no more than 5% of the actual value of all taxable property within the corporate limits, as taken from the last state and county tax list. The debt limit for the City, based on its 2016 Actual Valuation currently applicable to the fiscal year 2017-18, is as follows:

2016 Actual Valuation of Property	$2,596,813,370
Less: Military Exemption	(3,308,601)
Net Valuation	$2,593,503,769
Constitutional Debt Percentage	5.00%
Constitutional Debt Limit	$129,675,188
Less: Applicable General Obligation Debt	(55,145,000)
Constitutional Debt Margin	$74,530,188

DIRECT DEBT

General Obligation Debt Paid by Property Taxes (Includes the Bonds)

Date of Issue	Original Amount	Purpose	Final Maturity	Principal Outstanding As of 07/01/17
12/09C	$6,285,000	Corporate Purpose	06/25	$3,745,000
02/12A	3,050,000	Corporate Purpose	06/28	2,225,000
02/12B	4,570,000	Corporate Purpose	06/23	2,905,000
11/13A COP	9,950,000	Police Building Lease	06/33	9,950,000
11/13B COP	1,700,000	Taxable Police Building Lease	06/20	1,200,000
01/14A	6,575,000	Corporate Purpose	06/29	6,135,000
03/15C	1,765,000	Refunding	06/18	605,000
08/17A	6,840,000	Corporate Purpose	06/37	6,840,000
Subtotal				$33,605,000

General Obligation Debt Paid by Tax Increment

Date of Issue	Original Amount	Purpose	Final Maturity	Principal Outstanding As of 07/01/17
12/09B	$2,120,000	Urban Renewal	06/20	$705,000
02/12A	6,220,000	Urban Renewal	06/28	4,520,000
02/14B	1,065,000	Urban Renewal	06/25	865,000
10/14C	2,360,000	Urban Renewal	06/25	2,080,000
02/15A	12,180,000	Urban Renewal	06/34	11,175,000
02/15B	2,565,000	Urban Renewal	06/27	2,195,000
Subtotal				$21,540,000

Total General Obligation Debt Subject to Debt Limit: $55,145,000

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ANNUAL FISCAL YEAR DEBT SERVICE PAYMENTS[3]

General Obligation Debt Paid by Property Taxes (Includes the Bonds)

	Current Outstanding G.O. Debt Paid by Taxes		The Bonds		Total Estimated Outstanding G.O. Debt Paid by Taxes	
Fiscal Year	Principal	Principal and Interest	Principal	Principal and Interest	Principal	Principal and Interest
FY 2017-18	$2,500,000	$3,327,744		$125,525	$2,500,000	$3,453,269
FY 2018-19	1,950,000	2,725,869	$295,000	465,525	2,245,000	3,191,394
FY 2019-20	2,055,000	2,783,394	300,000	464,625	2,355,000	3,248,019
FY 2020-21	2,125,000	2,801,474	305,000	463,625	2,430,000	3,265,099
FY 2021-22	2,200,000	2,817,249	310,000	462,525	2,510,000	3,279,774
FY 2022-23	2,285,000	2,838,449	315,000	461,325	2,600,000	3,299,774
FY 2023-24	1,855,000	2,341,455	325,000	465,025	2,180,000	2,806,480
FY 2024-25	1,920,000	2,346,668	330,000	463,525	2,250,000	2,810,193
FY 2025-26	1,465,000	1,828,668	335,000	461,925	1,800,000	2,290,593
FY 2026-27	1,515,000	1,832,105	345,000	465,225	1,860,000	2,297,330
FY 2027-28	1,595,000	1,860,930	350,000	461,600	1,945,000	2,322,530
FY 2028-29	1,430,000	1,639,343	360,000	462,850	1,790,000	2,102,193
FY 2029-30	875,000	1,030,718	370,000	463,850	1,245,000	1,494,568
FY 2030-31	925,000	1,047,905	380,000	464,600	1,305,000	1,512,505
FY 2031-32	980,000	1,065,905	390,000	464,625	1,370,000	1,530,530
FY 2032-33	1,090,000	1,135,235	400,000	463,900	1,490,000	1,599,135
FY 2033-34			415,000	466,900	415,000	466,900
FY 2034-35			425,000	464,450	425,000	464,450
FY 2035-36			440,000	466,700	440,000	466,700
FY 2036-37			450,000	463,500	450,000	463,500
Total	$26,765,000	$33,423,111	$6,840,000	$8,941,825	$33,605,000	$42,364,936

General Obligation Debt Paid by Tax Increment

	Total Outstanding G.O. Debt Paid by Increment	
Fiscal Year	Principal	Principal and Interest
FY 2017-18	$1,580,000	$2,108,351
FY 2018-19	1,610,000	2,107,301
FY 2019-20	1,650,000	2,114,551
FY 2020-21	1,430,000	1,860,695
FY 2021-22	1,460,000	1,863,995
FY 2022-23	1,495,000	1,870,508
FY 2023-24	1,530,000	1,869,520
FY 2024-25	1,575,000	1,876,876
FY 2025-26	1,495,000	1,757,254
FY 2026-27	1,540,000	1,763,930
FY 2027-28	1,330,000	1,513,150
FY 2028-29	880,000	1,026,263
FY 2029-30	900,000	1,019,413
FY 2030-31	735,000	826,950
FY 2031-32	755,000	824,900
FY 2032-33	775,000	822,250
FY 2033-34	800,000	824,000
Total	$21,540,000	$26,049,907

[3] *Interest as of July 1, 2017.*

CONDUIT DEBT

The City has issued $35,412,000 of industrial development revenue and health care facility revenue bonds. The bonds and related interest are payable solely from revenue of applicable projects. Bond principal and interest do not constitute liabilities of the City.

INDIRECT DEBT

Taxing District	1/1/2016 Taxable Valuation	Portion of Taxable Value In the City	Percent Applicable	GO Debt[4] Outstanding As of 07/01/17	City's Indirect Portion
Linn County	11,082,147,785	$1,600,262,140	14.44%	$23,980,000	$3,462,712
Cedar Rapids CSD	5,595,153,081	27,975,765	0.50%	11,080,000	55,400
Linn Mar CSD	2,048,719,526	1,126,590,867	54.99%	36,290,000	19,955,871
Marion CSD	472,986,660	445,506,135	94.19%	7,760,000	7,309,144
Kirkwood Comm. College	25,113,133,985	15,997,066,348	63.70%	156,755,210	99,853,069
TOTAL					$130,636,196

DEBT RATIOS

	G.O. Debt	Debt/Actual Market Value $2,593,503,769	Debt/34,768 Population
Direct General Obligation Debt	$55,145,000	2.126%	$1,586.08
Indirect General Obligation Debt	130,636,196	5.037%	3,757.37
Combined Debt	$185,781,196	7.163%	$5,343.45

LEVIES AND TAX COLLECTIONS

Year	Taxes Levied	Current Collections	% of Taxes Levied
2013-14	17,394,850	17,432,884	100.22%
2014-15	17,953,923	18,269,237	101.76%
2015-16	18,835,845	19,399,893	102.99%
2016-17	19,287,872	19,982,211	103.60%
2017-18	20,770,148	--in process of collection--	

After the assessment of property in a calendar year, taxes are levied for collection in the following fiscal year. Taxes are certified to the County Auditor in March. The County Treasurer collects taxes for all taxing entities in the County. Statutory dates for payment without penalty are September 30 for the first installment and March 31 for the second installment. Penalty rates are established by State law at 1% per month.

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[4] *School district figures exclude Sale and Service Tax Revenue Bonds.*

TAX RATES

Tax Rates (Per $1,000 of Taxable Value)

Taxing Jurisdiction:	2013-14	2014-15	2015-16	2016-17	2017-18
Linn County	$6.11191	$6.14191	$6.14225	$6.14108	$6.14108
City of Marion	13.15637	13.12953	13.58625	13.82108	13.98943
Cedar Rapids CSD	15.47881	15.48446	15.38030	15.37507	15.37529
Linn-Mar CSD	17.26780	17.00411	17.37861	17.37723	17.37544
Marion ISD	17.45846	18.41490	18.55533	18.57839	18.01606
County Assessor	0.20364	0.36758	0.35481	0.32149	0.31890
County Ag Extension	0.05000	0.05027	0.05418	0.05166	0.05024
Kirkwood Community College	1.06473	1.05754	1.06125	1.08048	1.13174
State of Iowa	0.00330	0.00330	0.00330	0.00330	0.00310
Consolidated Rates:					
Cedar Rapids CSD	36.06876	36.23459	36.58234	36.79416	37.00978
Linn-Mar CSD	37.85775	37.75424	38.58065	38.79632	39.00993
Marion ISD	38.04841	39.16503	39.75737	39.99748	39.65055

LEVY LIMITS

A city's general fund tax levy is limited to $8.10 per $1,000 of taxable value, with provision for an additional $0.27 per $1,000 levy for an emergency fund which can be used for general fund purposes (Code of Iowa, Chapter 384, Division I). Cities may exceed the $8.10 limitation upon authorization by a special levy election. Further, there are limited special purpose levies, which may be certified outside of the above-described levy limits (Code of Iowa, Section 384.12). The amount of the City's general fund levy subject to the $8.10 limitation is $8.10 for FY 2017-18, and the City is not using the emergency levy. The City also levies for employee benefits. Debt service levies are not limited.

THE CITY

CITY GOVERNMENT

The City was established in 1839 in connection with the organization of the County of Linn and served as the County Seat until 1919. The City itself was incorporated in 1865. Currently the City operates under a home rule charter with a City Manager form of government. The Council consists of a six member City Council and a Mayor, of which the Mayor is a voting member, but has no veto powers. With staggered four-year terms, two Council members are elected at large and four Council members are elected from wards. A full-time City Manager and Finance Director/City Clerk are responsible for administrative details and financial records. The current City Manager, Lon Pluckhahn has served as City Manager since February 2007. The City Manager serves as the chief administrative officer of the City and is responsible for coordination of all citywide management and operational matters. Mr. Pluckhahn is the direct supervisor of all department heads, and through them, all City employees except those employees directly appointed by the City Council. The current Finance Director/City Clerk, Wesley A. Nelson has been with the City since 1989. Mr. Nelson in his position as Finance Director is responsible for maintaining all of the City's funds and as City Clerk is responsible for maintaining all of the City's resolutions and ordinances on file.

EMPLOYEES, PENSIONS AND OPEB

The City has approximately 186 full-time and over 150 part-time employees (including seasonal and on-call employees), of which all full-time employees are enrolled in the Iowa Public Employees Retirement System (IPERS) pension plan administered by the State of Iowa.

The City contributes to the Iowa Public Employees' Retirement System ("IPERS"), which is a state-wide multiple-employer cost-sharing defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. All full-time employees of the Issuer are required to participate in IPERS. IPERS plan members are required to contribute a percentage of their annual salary, in addition to the Issuer being required to make annual contributions to IPERS. Contribution amounts are set by State statute. The IPERS Comprehensive Annual Financial Report for its fiscal year ended June 30, 2016 (the "IPERS CAFR") indicates that as of June 30, 2015, the date of the most recent actuarial valuation for IPERS, the funded ratio of IPERS was 83.9%, and the unfunded actuarial liability was $5.586 billion. The IPERS CAFR is available on the IPERS website, or by contacting IPERS at 7401 Register Drive, Des Moines, IA 50321. See "APPENDIX B —COMPREHENSIVE ANNUAL FINANCIAL REPORT" for additional information on IPERS.

In fiscal year 2016, the Issuer's IPERS contribution totaled approximately $642,963, compared to a contribution in fiscal year 2015 of $605,312.

The following table sets forth certain information about the funding status of IPERS that has been extracted from the IPERS CAFR. According to IPERS, as of the end of fiscal year 2016, there were approximately 349,710 total members participating in IPERS, including Issuer employees.

Fiscal Year Ended June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability [b]	Unfunded Actuarial Accrued Liability (UAAL) [b] – [a]	Funded Ratio [a] / [b]	Covered Payroll [c]	UAAL as a % of Covered Payroll ([b]-[a]) /[c]
2013	$24,711,096,187	$30,498,342,320	$5,787,246,133	81.02%	$6,880,131,134	84.12%
2014	26,460,428,085	32,004,456,088	5,544,028,003	82.68%	7,099,277,280	78.09%
2015	27,915,379,103	33,370,318,731	5,454,939,628	83.65%	7,326,348,141	74.46%
2016	29,033,696,587	34,619,749,147	5,586,052,560	83.86%	7,556,515,720	73.92%

Source: IPERS Comprehensive Annual Financial Report (Fiscal Year 2016)

When calculating the funding status of IPERS for fiscal year 2016, the following assumptions were used: (1) the amortization period for the total unfunded actuarial liability is 30 years (which is consistent with the maximum acceptable amortization period set forth by the Governmental Accounting Standards Board ("GASB") in GASB Statement No. 25); (2) the rate of return on investments is assumed to be 7.5%; (3) salaries are projected to increase 4.0-17% for IPERS, depending on years of service; and (4) the rate of inflation is assumed to be 3.0% for prices and 4.0% for wages.

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

In addition to IPERS, Chapter 410 of the Code of Iowa established a retirement system for duly appointed members of the police department whose appointment occurred before March 2, 1934 or police officers who had been making payments of membership fees and assessments prior to July 1, 1971.

The plan is administered by the City and provides retirement, disability and death benefits. The benefits are established by state statute and provide for full retirement benefits at age 50 with 22 years or more of service. Full benefits are equal to 50 percent of the monthly salary upon retirement or disability and 25 percent of the monthly salary upon death.

Consistent with Iowa Code section 509A.13, the Issuer offers post-retirement health and dental benefits ("OPEB") to all full-time employees of the Issuer who retire before attaining age 65. The group health insurance plan provided to full-time Issuer employees allows retirees to continue medical coverage until they reach age 65. Although retirees pay 100% of the "cost of coverage", the pre-age 65 group of retirees is grouped with the active employees when determining the cost of coverage. The computation creates an implicit rate subsidy that would not exist if the cost of the coverage for this group (pre-age 65 retirees) was computed separately and paid 100% by that group.

As described in its audited financial statements, as of July 1, 2014, the City has an unfunded actuarial accrued liability relating to its OPEB in an amount of $1,605,633. The Issuer's end of year (as of June 30, 2016) net OPEB obligation is $1,280,000. See note 8 of the audited financial statements of the City attached as Appendix B for further information on OPEB obligations of the City.

In addition, the City contributes to the Municipal Fire and Police Retirement System of Iowa (the "MFPRSI"), a benefit plan administered by a Board of Trustees. MFPRSI provides retirement, disability and death benefits that are established by State statute to plan members and beneficiaries. Plan members are required to contribute 9.40% of their earnable compensation and the City's contribution rate is 30.12% of earnable compensation. The City's contributions to the Plan for the years ended June 30, 2016, 2015, and 2014, were $1,429,516, $1,481,801 and $1,414,872, respectively, which met the required minimum contribution for each year.

UNION CONTRACTS

City employees are represented by the following bargaining units:

Bargaining Unit	Contract Expiration Date
Policeman's Protective Association	June 30, 2020
Local 1937 International Association of Firefighters	June 30, 2018
AFSCME	June 30, 2020

INSURANCE

The City's insurance coverage is as follows:

Type of Coverage	Limits
Legal Defense and Claim Payment Agreement	
Third Party Legal Liability	$11,000,000
Wrongful Acts (Public Officials)	$11,000,000
Law Enforcement Liability	$11,000,000
Workers' Compensation (Statutory)	
Each Accident	$5,000,000
Memorandum	$5,000,000
Each Employee	$5,000,000
Property	
Blanket	$50,277,514
Real Property	$45,113,334
Personal Property	$5,246,000
EDP	$339,187
Fine Arts	$366,552
Miscellaneous Scheduled Property	$3,041,491
Auto	
Liability	$11,000,000
Uninsured/Underinsured motorists	$1,000,000

GENERAL INFORMATION

LOCATION AND TRANSPORTATION

The City is located in eastern Central Iowa adjacent to the City of Cedar Rapids and approximately 50 miles from Dubuque. The City's population has grown from 18,028 in the 1970 census to a total of 38,023 in a 2016 special census. State Highway 13 runs just to the east and Hwy 151 intersects directly through the City. Commercial air transportation is available in Cedar Rapids.

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BUILDING PERMITS

City officials reported the following construction activity as of June 30, 2017. Permits for the City are reported on a calendar year basis. The figures below include both new construction and remodeling.

Calendar	Commercial Construction		Residential Construction	
Year	Number	Value of Permits	Number	Value of Permits
2012	76	$16,078,239	1,354	$30,022,266
2013	83	13,632,910	1,170	32,313,300
2014	91	15,636,794	1,070	28,892,512
2015	109	55,294,894	1,319	42,492,618
2016	109	20,766,966	1,118	31,795,409
2017*	70	34,028,845	571	18,543,043

* 01/01/2017 through 06/30/2017

U.S. CENSUS DATA

1990	20,403
2000	26,294
2010	34,768
2016 (special census)	38,023

Source: U.S. Census Bureau.

UNEMPLOYMENT RATES

		City of Marion[5]	Linn County[8]	State of Iowa[6]
Annual Averages:	2012	4.1%	5.3%	5.2%
	2013	3.6%	4.8%	4.6%
	2014	3.5%	4.5%	4.4%
	2015	3.1%	3.9%	3.8%
	2016	3.2%	3.7%	3.7%
	2017[7]	3.1%	3.5%	3.2%

Source: Iowa Workforce Development Center website.

EDUCATION

Education for the City of Marion is provided by the Marion Independent School District and Linn-Mar Community School District. The Marion Independent School District has a 2016/17 certified enrollment of 1,934 students and owns and operates 1 pre-school, 2 elementary schools, 1 intermediate school, 1 middle school, 1 high school and 1 home school program building. The Linn-Mar Community School District has a 2016/17 certified enrollment of 7,312 students and owns and operates 7 elementary schools, 2 middle schools, 1 high school, 1 alternative high school and 1 home school program building. Private school opportunities are also provided by St. Joseph Catholic School and Grace Baptist School. Post high-school educational programs are provided by Kirkwood Community College, Mt. Mercy College, Coe College and Cornell College.

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[5] *Not seasonally adjusted.*
[6] *Seasonally adjusted.*
[7] *Average of January-May*

APPENDIX B

FORM OF BOND COUNSEL OPINION

We hereby certify that we have examined certified copies of the proceedings (the "Proceedings") of the City Council of the City of Marion (the "Issuer"), in Linn County, State of Iowa, passed preliminary to the issue by the Issuer of its General Obligation Corporate Purpose Bonds, Series 2017A (the "Bonds") in the amount of $6,840,000, in the denomination of $5,000 each, or any integral multiple thereof, dated September 6, 2017, in evidence of the Issuer's obligation under a certain loan agreement (the "Loan Agreement"), dated as of September 6, 2017. The Bonds mature on June 1 in each of the respective years and in the principal amounts and bear interest payable semiannually, commencing June 1, 2018, at the respective rates as follows:

Date	Principal	Interest Rate	Date	Principal	Interest Rate
2019	$295,000	____%	2029	$360,000	____%
2020	$300,000	____%	2030	$370,000	____%
2021	$305,000	____%	2031	$380,000	____%
2022	$310,000	____%	2032	$390,000	____%
2023	$315,000	____%	2033	$400,000	____%
2024	$325,000	____%	2034	$415,000	____%
2025	$330,000	____%	2035	$425,000	____%
2026	$335,000	____%	2036	$440,000	____%
2027	$345,000	____%	2037	$450,000	____%
2028	$350,000	____%			

Principal of the Bonds maturing in the years 2025 to 2037, inclusive, are subject to optional redemption prior to maturity on June 1, 2024, or on any date thereafter on terms of par plus accrued interest.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The Proceedings show lawful authority for such issue under the laws of the State of Iowa.

2. The Bonds and the Loan Agreement are valid and binding general obligations of the Issuer.

3. All taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount.

4. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

5. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the Bonds be, or continue to be, qualified tax-exempt obligations. The Issuer has covenanted to comply with each such requirement.

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

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

DORSEY & WHITNEY LLP

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

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Marion, Iowa (the "Issuer"), in connection with the issuance of $6,840,000 General Obligation Corporate Purpose Bonds, Series 2017A (the "Bonds"), dated September 6, 2017. The Bonds are being issued pursuant to a resolution of the Issuer approved on August 17, 2017 (the "Resolution"). The Issuer covenants and agrees as follows:

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

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

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

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

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

"EMMA" shall mean the MSRB's Electronic Municipal Market Access system available at http://emma.msrb.org.

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

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

"Municipal Securities Rulemaking Board" or "MSRB" shall mean the Municipal Securities Rulemaking Board, 1300 I Street NW, Suite 1000, Washington, DC 20005.

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

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

"State" shall mean the State of Iowa.

Section 3. Provision of Annual Reports.

(a) Not later than June 30 (the "Submission Deadline") of each year following the end of the 2016-2017 fiscal year, the Issuer shall, or shall cause the Dissemination Agent (if any) to, file on EMMA an electronic copy of its Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate in a format and accompanied by such identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the Submission Deadline if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and the Submission Deadline beginning with the subsequent fiscal year will become one year following the end of the changed fiscal year.

(b) If the Issuer has designated a Dissemination Agent, then not later than fifteen (15) business days prior to the Submission Deadline, the Issuer shall provide the Annual Report to the Dissemination Agent.

(c) If the Issuer is unable to provide an Annual Report by the Submission Deadline, in a timely manner thereafter, the Issuer shall, or shall cause the Dissemination Agent (if any) to, file a notice on EMMA stating that there has been a failure to provide an Annual Report on or before the Submission Deadline.

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

(a) **The Audited Financial Statements** of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such audited financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the Issuer's audited financial statements are not available by the Submission Deadline, the Annual Report shall contain unaudited financial information (which may include any annual filing information required by State law) accompanied by a notice that the audited financial statements are not yet available, and the audited financial statements shall be filed on EMMA when they become available.

(b) Tables, schedules or other information contained in the official statement for the Bonds, under the following captions:

1/1/2016 Valuations
2016 Gross Taxable Valuation by Class of Property
Trend of Valuations
Larger Taxpayers
Debt Limit
Direct Debt
Indirect Debt
Levies and Tax Collections
Tax Rates

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which are available on EMMA or are filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available on EMMA. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events

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

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

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

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

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

(b) If a Listed Event described in Section 5(a) paragraph (2), (7), (8) (but only with respect to bond calls under (8)), (10), (13) or (14) has occurred and the Issuer has determined that such Listed Event is material under applicable federal securities laws, the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB.

(c) If a Listed Event described in Section 5(a) paragraph (1), (3), (4), (5), (6), (8) (but only with respect to tender offers under (8)), (9), (11) or (12) above has occurred the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in Section (5)(a) paragraphs (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the Issuer's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended.

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

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

(a) (i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (ii) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment or waiver either (1) is approved by a majority of the Holders, or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners; or

(b) the amendment or waiver is necessary to comply with modifications to or interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission.

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

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

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

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if any, shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Dated: September 6, 2017

CITY OF MARION, IOWA

By___________________________________
Mayor

Attest:

By___________________________________
City Clerk

APPENDIX D

AUDITED FINANCIAL STATEMENTS OF THE ISSUER

CITY OF MARION, IOWA

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

Table of Contents

Name	Title	Term Expires
	Elected Officials	
	(Before January, 2016)	
Allen Snooks Bouska	Mayor	December 31, 2015
Kim Etzel	Council Member - First Ward	December 31, 2015
Joe Spinks	Council Member - Second Ward	December 31, 2017
Cody Crawford	Council Member - Third Ward (resigned 9/30/15)	December 31, 2015
Nicolas AbouAssaly	Council Member - Fourth Ward	December 31, 2017
Mary Lou Pazour	Council Member - At-Large	December 31, 2017
Paul Draper	Council Member - At-Large	December 31, 2015
	(After January, 2016)	
Nicolas AbouAssaly	Mayor	December 31, 2019
Kim Etzel	Council Member - First Ward	December 31, 2019
Joe Spinks	Council Member - Second Ward	December 31, 2017
Will Brandt	Council Member - Third Ward	December 31, 2019
Randy Strnad	Council Member - Fourth Ward	December 31, 2017
Mary Lou Pazour	Council Member - At-Large	December 31, 2017
Paul Draper	Council Member - At-Large	December 31, 2019
	Appointed Officials	
Lon Pluckhahn	City Manager	Indefinite
Wesley A. Nelson	Finance Director/City Clerk	Indefinite
Donald C. Hoskins	City Attorney	Indefinite
Tom Treharne	Director of Planning and Development	Indefinite
Harry Daugherty	Chief of Police (retired June 30, 2016)	Civil Service
Daniel Whitlow	City Engineer	Indefinite
Deb Krebill	Fire Chief	Civil Service
Doug Raber	Library Director (retired March 4, 2016)	Indefinite
Jo Pearson	Acting Library Director (March 5 - April 17, 2016)	Indefinite
Elsworth Carman	Library Director (April 18, 2016)	Indefinite
Mike Carolan	Director of Parks and Recreation	Indefinite
Ryan Miller	Public Services Director	Indefinite
John C. Bender	Marion Municipal Water Department - Trustee	December 31, 2021
Gregory O. Hapgood	Marion Municipal Water Department - Trustee - 2015 Chairperson	December 31, 2016
John D. McIntosh	Marion Municipal Water Department - Trustee	December 31, 2017
Mary Ann McComas	Marion Municipal Water Department - Trustee	December 31, 2018
William A. Kling	Marion Municipal Water Department - Trustee - 2016 Chairperson	December 31, 2020
Todd Steigerwaldt	Marion Municipal Water Department - General Manager	Indefinite

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Marion as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedules of proportionate share of the net pension liability, the schedules of contributions and the schedule of funding progress for the retiree health plan on pages 5 through 12 and 58 through 67 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 which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marion's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included on pages 68 through 74, including the schedule of expenditures of federal awards required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 6, 2017 on our consideration of the City of Marion'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 of Marion's internal control over financial reporting and compliance.

Hogan - Hansen

HOGAN - HANSEN

Cedar Rapids, Iowa
January 6, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the City of Marion, Iowa, we offer readers of the City of Marion’s financial statements this narrative and analysis of the financial statements of the City of Marion for the fiscal year ended June 30, 2016. This section should be read in conjunction with the financial statements and the accompanying notes that follow. It should also be noted that the information contained here will provide information on both the governmental operations and the business-type activities of the City.

FINANCIAL HIGHLIGHTS

The assets of the City of Marion’s governmental activities exceeded its liabilities at the close of June 30, 2016 by $174.8 million (net position).

The City’s net position for governmental activities increased by $3.5 million.

At the end of the current fiscal year, unassigned fund balance for the General Fund was $7 million, or 40.7% of the total General Fund expenditures. For the purpose of these financial statements, the General Fund also includes the Equipment Replacement, Tax Stabilization and Police Retirement Trust and Agency Funds.

Total general obligation debt decreased by $3,710,000. There were no general obligation notes issued during the year.

USING THIS ANNUAL REPORT

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

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

Government-wide financial statements consist of a statement of net position and a statement of activities. These provide information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

Required supplementary information further explains and supports the financial statements with a comparison of the City's budget for the year, the City’s proportionate share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary information provides detailed information about the nonmajor governmental and enterprise funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefitting the City.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-Wide Financial Statement

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

The statement of net position presents financial information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the City's 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 change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The statement of net position and the statement of activities report three kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, user charges and state and federal grants finance most of these activities.

- Business-type activities include solid waste management collection, the sanitary sewer system, city communication utility and urban forest. These activities are financed primarily by user charges.

- The component units include the activities of the Marion Water Department (Water), the Friends of the Marion Carnegie Library (Friends), the Marion Parks and Recreation Foundation, Inc. (Parks) and the Marion Firefighter's Association (Fire). The City is financially accountable for the component units and has included them in the financial statements and notes, although they are legally separate from the City.

Fund Financial Statements

The City has three kinds of funds:

1. Governmental Funds

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year end that are available for spending. Governmental funds include: (1) the General Fund, (2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax, Tax Increment Financing and the Employee Benefits Fund, (3) the Debt Service Fund, (4) the Capital Projects Funds and (5) the Permanent Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2. Proprietary Funds

Proprietary funds account for the City's enterprise and internal service funds. The enterprise funds report services for which the City charges customers for the service it provides. The internal service funds are used to account for health insurance and other employee benefits. Proprietary funds are reported in the same way all activities are reported in the statement of net position and the statement of activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. Internal service funds are included in governmental activities in the statement of net position and statement of activities. The enterprise funds include the Sewer Rental Fund and Storm Water Management Fund which are considered to be major funds of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

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

3. Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the City of Marion's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The financial statements required for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

Government-Wide Financial Analysis

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

Net Position at End of Year

(in thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2016	**2015 (As Restated)**	**2016**	**2015 (As Restated)**	**2016**	**2015 (As Restated)**
Current and other assets	$ 75,273	$ 80,531	$ 9,107	$ 8,771	$ 84,380	$ 89,302
Capital assets	194,546	188,227	41,651	40,855	236,197	229,082
Total Assets	**269,819**	**268,758**	**50,758**	**49,626**	**320,577**	**318,384**
Deferred Outflows of Resources	**3,339**	**2,903**	**263**	**259**	**3,602**	**3,162**
Total Assets and Deferred Outflows of Resources	**$ 273,158**	**$ 271,661**	**$ 51,021**	**$ 49,885**	**$ 324,179**	**$ 321,546**
Long-term liabilities	$ 66,181	$ 67,713	$ 1,188	$ 949	$ 67,369	$ 68,662
Other liabilities	8,458	7,394	291	359	8,749	7,753
Total Liabilities	**74,639**	**75,107**	**1,479**	**1,308**	**76,118**	**76,415**
Deferred Inflows of Resources	**23,797**	**25,321**	**90**	**362**	**23,887**	**25,683**
Net Position						
Net investment in capital assets	141,127	130,722	41,651	40,855	182,778	171,577
Restricted	33,656	41,079	—	—	33,656	41,079
Unrestricted	(61)	(568)	7,801	7,360	7,740	6,792
Total Net Position	**174,722**	**171,233**	**49,452**	**48,215**	**224,174**	**219,448**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 273,158**	**$ 271,661**	**$ 51,021**	**$ 49,885**	**$ 324,179**	**$ 321,546**

Net position of governmental activities increased approximately $3.5 million for the fiscal year 2016. Net position of business-type activities increased approximately $1.2 million for the fiscal year 2016. The largest portion of the City's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately $(0.06) million as of the end of this year for governmental activities and $7.8 million for business-type activities. The deficit in the governmental activities is due to the recording of the net pension liability.

A summary version of the statement of activities follows:

	Changes in Net Position for the Year Ended June 30, (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015 (As Restated)	2016	2015 (As Restated)	2016	2015 (As Restated)
Revenue						
Program Revenue						
Charges for service	$ 1,921	$ 1,813	$ 7,447	$ 7,038	$ 9,368	$ 8,851
Operating grants and contributions	553	1,006	2	99	555	1,105
Capital grants and contributions	2,201	2,495	1,626	—	3,827	2,495
General Revenue						
Property tax and tax increment financing	21,889	19,561	—	—	21,889	19,561
Other city tax and special assessments	4,931	4,248	—	—	4,931	4,248
Local option sales tax	4,510	4,456	—	—	4,510	4,456
Unrestricted investment earnings	611	594	97	93	708	687
Miscellaneous	20	7	—	—	20	7
Gain (loss) on disposal of capital assets	(13)	5	—	(50)	(13)	(45)
Total Revenue	**36,623**	**34,185**	**9,172**	**7,180**	**45,795**	**41,365**
Program Expenses						
Public safety	9,876	6,958	—	—	9,876	6,958
Public works	6,853	12,133	—	—	6,853	12,133
Culture and recreation	5,231	2,713	—	—	5,231	2,713
Community and economic development	7,310	8,104	—	—	7,310	8,104
General government	3,153	2,523	—	—	3,153	2,523
Interest and fiscal charges on long-term debt	1,635	1,427	—	—	1,635	1,427
Sewer	—	—	5,100	4,453	5,100	4,453
Solid waste	—	—	1,648	1,743	1,648	1,743
City communication and utility	—	—	80	18	80	18
Urban forest	—	—	183	169	183	169
Total Expenses	**34,058**	**33,858**	**7,011**	**6,383**	**41,069**	**40,241**
Transfers	**924**	**340**	**(924)**	**(340)**	**—**	**—**
Change in Net Position	**3,489**	**667**	**1,237**	**457**	**4,726**	**1,124**
Net Position - Beginning of Year, as restated	171,233	170,566	48,215	47,758	219,448	218,324
Net Position - End of Year	**$ 174,722**	**$ 171,233**	**$ 49,452**	**$ 48,215**	**$ 224,174**	**$ 219,448**

Governmental Activities

Charges for service make up 5.3% of governmental revenue. Operating and capital grants and contributions, primarily for street projects and building improvement projects, make up another 7.5% of governmental revenue. The remaining revenue comes from primarily property, road use and local option sales taxes.

Business-Type Activities

As expected, charges for service is the primary revenue source for business-type activities. Sanitary sewer, urban forest and solid waste fees are the primary charges for service that make up 98.9% of total revenue. Investment income accounts for an additional 1.1% of total revenue.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of Marion completed the year, its governmental funds reported a combined fund balance of $45,553,362 which is less than the $53,600,428 total fund balance as of June 30, 2015. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund showed a decrease in fund balance of $812,768 from the prior year to $11,363,957. Revenue increased 2.7% over the prior year to $14,888,661 and expenditures decreased 3% to $17,104,799. Net other financing sources totaled $1,403,370.

The Special Revenue, Road Use Tax Fund is used to account for the maintenance of the City's infrastructure. This fund ended fiscal year 2016 with a balance of $4,674,646, compared to the prior year ending balance of $3,805,941.

The Special Revenue, Trust and Agency (Employee Benefits) Fund is required by the Code of Iowa to account for property tax levied for employee benefits. This fund showed a decrease in fund balance of $274,603 from the prior year to $813,298.

The Special Revenue, Local Option Sales Tax Fund accounts for revenue from the tax authorized by referendum and used for capital improvements, equipment and community programs and services. This fund ended fiscal year 2016 with a $5,316,675 balance compared to the prior year ending fund balance of $3,722,905. Local option sales tax revenue increased $615,008 in fiscal year 2016.

The Special Revenue, Tax Increment Financing Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal year 2016 with a ($97,615) balance compared to the prior year ending balance of ($292,716). The deficit fund balance is a result of transfers to other funds to pay urban renewal project debt prior to the collection of tax increment financing revenue.

The Debt Service Fund ended fiscal year 2016 with a $465,968 balance compared to the prior year ending balance of $475,661. Property tax revenue increased $159,887 while bond principal and interest payments decreased $326,481 in fiscal year 2016.

The Capital Projects Fund ended fiscal year 2016 with a $22,232,765 balance compared to the prior year ending balance of $31,768,977.

Proprietary Fund Highlights

The Enterprise, Sewer Rental Fund accounts for the operation and maintenance of the City's sanitary sewer system. This fund ended fiscal year 2016 with a net position of $17,869,077 compared to the restated prior year ending net position of $17,033,592.

The Enterprise, Storm Water Management Fund, which accounts for the operation and maintenance of the City's storm water management system, ended fiscal year 2016 with a $23,919,759 net position balance compared to the restated prior year ending net position balance of $23,082,170.

Budgetary Highlights

Over the course of the year, the City amended its budget one time. The budgeted disbursements were increased due to TIF payments, equipment, land and right-of-way purchases, payments of accrued leave to employees leaving employment, unplanned equipment repairs, facility planning, census costs, increased project costs and new enterprise resource planning software.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled $194,546,416 (net of accumulated depreciation) as of June 30, 2016. Capital assets for business-type activities totaled $41,650,668 (net of accumulated depreciation) as of June 30, 2016. See Note 3 to the financial statements for more information about the City's capital assets.

Construction in progress as of June 30, 2016 consists primarily of street projects, sewer projects and the central corridor project.

Long-Term Debt

As of June 30, 2016, the City had $41,160,626 of outstanding general obligation bonds and notes for governmental activities. See Note 4 to the financial statements for more information about the City's long-term debt.

The City continues to carry a general obligation bond rating of Aa1 assigned by national rating agencies to the City's debt since 2010. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below its constitutional debt limit of approximately $121 million. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS

The unemployment rate for Linn County is currently at 4.0%, which is above where it was the previous year at 3.7% and less than the national unemployment rate of 4.9%.

Retail sales are also reported on a fiscal year, April 1 to March 31, basis. For fiscal year 2015, the most recent available (April 1, 2014 to March 31, 2015), retail sales for Marion were $361.3 million and $3.814 billion for Linn County. For fiscal year 2014, retail sales were $351.2 million for Marion and $3.662 billion for Linn County.

The total value of all building permits for fiscal year 2016 was approximately $68.7 million, which is down significantly from the fiscal year 2015 amount of $82.6 million. Building activity continues to remain strong in the Marion area.

NEXT YEAR'S BUDGET AND RATES

The adopted fiscal year 2016-2017 budget calls for an increase in tax receipts of 3.5% and accomplishes all of the Council's long-standing objectives including maintaining the current level of services, maintaining adequate levels of cash reserves and complying with all of the City's financial policies.

Unlike many cities, Marion does not own or operate a wastewater treatment plant. Wastewater treatment is handled through a contract with the City of Cedar Rapids. The City of Marion has been negotiating a new agreement with Cedar Rapids to use a flow-based billing system rather than population-based. The draft budget anticipates that happening in the next fiscal year. A 6.0% overall increase in collections is budgeted. The main reason for this is a budgeted increase in costs to Cedar Rapids in case the adoption of a new agreement is delayed.

Fees are also expected to start the transition from a base fee/usage billing system to a consumption-based system starting in fiscal year 2016-2017. This will equalize residential rates and more accurately bill based on usage. Unlike the current system, it will also reward those that conserve and put less into the system. The new flow-based agreement with Cedar Rapids will ensure that the City sees a reduction in costs as well with lower flows.

The solid waste fee was last increased in January, 2014. The budget proposes increasing the reduced rate by $0.50/month to $9.50 while maintaining the current regular rate. When the public service department transitions over to a compressed natural gas fleet, it is anticipated that the fleet will be leased vehicles rather than purchased. This will reduce the annual capital needs in the replacement fund.

The total City tax levy rate for fiscal year 2016-2017 is 13.82107 per taxable valuation compared to 13.58625 for fiscal year 2015-2016. Net taxable valuation for fiscal year 2016-2017 is $1,396.6 million, which was an increase of $24 million from the fiscal year 2015-2016 level which was $1,372.6 million.

FINANCIAL INFORMATION CONTACT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the Office of the Finance Director at 1225 - 6th Avenue, City Hall, Marion, Iowa 52302.

Basic Financial Statements

Statement of Net Position

As of June 30, 2016

	Primary Government			Component Unit			
	Governmental Activities	Business-Type Activities	Total	Water	Friends	Parks	Fire
Assets and Deferred Outflows of Resources							
Assets							
Cash	$ 35,385,922	$ 5,527,331	$ 40,913,253	$ 4,281,644	$ 143,767	$ 34,058	$ 81,533
Pooled investments	16,007,913	1,719,899	17,727,812	—	902,565	—	15,417
Receivables							
Property Tax and Tax Increment Financing, Net of Allowance							
Current year delinquent	96,138	—	96,138	—	—	—	—
Succeeding year	22,566,570	—	22,566,570	—	—	—	—
Unbilled usage	—	678,875	678,875	401,065	—	—	—
Accounts	190,043	425,438	615,481	224,166	—	—	—
Accrued interest	36,973	5,472	42,445	402	—	—	1,316
Other	44,830	—	44,830	—	—	—	—
Due from other governments	1,585,533	310	1,585,843	—	—	—	—
Internal loans - portion due within one year	(22,315)	22,315	—	—	—	—	—
Inventories	108,606	—	108,606	166,619	—	—	51
Internal loans - portion due after one year	(727,685)	727,685	—	—	—	—	—
Restricted Assets							
Cash and investments	—	—	—	149,638	445,873	—	930,810
Capital assets, net of accumulated depreciation	194,546,416	41,650,668	236,197,084	20,567,921	—	—	—
Total Assets	**269,818,944**	**50,757,993**	**320,576,937**	**25,791,455**	**1,492,205**	**34,058**	**1,029,127**
Deferred Outflows of Resources							
Pension-related deferred outflows	**3,339,071**	**263,275**	**3,602,346**	**104,027**	**—**	**—**	**—**
Total Assets and Deferred Outflows of Resources	**$ 273,158,015**	**$ 51,021,268**	**$ 324,179,283**	**$ 25,895,482**	**$ 1,492,205**	**$ 34,058**	**$ 1,029,127**

See accompanying notes to the financial statements.

Statement of Net Position

As of June 30, 2016

	Primary Government			Component Unit			
	Governmental Activities	Business-Type Activities	Total	Water	Friends	Parks	Fire
Liabilities, Deferred Inflows of Resources and Net Position							
Liabilities							
Accounts payable	$ 2,833,512	$ 142,572	$ 2,976,084	$ 205,629	$ —	$ —	$ —
Accrued interest payable	122,677	—	122,677	3,715	—	—	—
Salaries and benefits payable	834,219	114,984	949,203	68,944	—	—	—
Self-insured estimated claims	233,645	—	233,645	16,355	—	—	—
Reinsurance premiums payable	58,879	—	58,879	4,122	—	—	—
Payable from restricted assets	—	—	—	149,638	—	—	—
Long-Term Liabilities							
Portion Due Within One Year							
General obligation bonds	3,985,000	—	3,985,000	—	—	—	—
General obligation notes	20,626	—	20,626	—	—	—	—
Capital lease	265,000	—	265,000	—	—	—	—
Compensated absences	79,637	33,855	113,492	76,133	—	—	—
Nonbonded indebtedness	24,993	—	24,993	—	—	—	—
Early separation plan liability	—	—	—	15,530	—	—	—
SRF loan	—	—	—	122,000	—	—	—
Portion Due or Payable After One Year							
General obligation bonds	37,155,000	—	37,155,000	—	—	—	—
Unamortized premium on general obligation notes	676,042	—	676,042	—	—	—	—
Capital lease	11,150,000	—	11,150,000	—	—	—	—
Compensated absences	3,350,004	—	3,350,004	—	—	—	—
Nonbonded indebtedness	142,379	—	142,379	—	—	—	—
Early separation plan liability	—	—	—	40,118	—	—	—
SRF loan	—	—	—	2,196,000	—	—	—
Net pension liability	12,427,657	1,187,738	13,615,395	632,999	—	—	—
Net OPEB liability	1,280,000	—	1,280,000	99,000	—	—	—
Total Liabilities	74,639,270	1,479,149	76,118,419	3,630,183	—	—	—
Deferred Inflows of Resources							
Unavailable Revenue							
Succeeding year property tax and tax increment financing	22,566,570	—	22,566,570	—	—	—	—
Pension-related deferred inflows	1,230,676	89,668	1,320,344	60,401	—	—	—
Total Deferred Inflows of Resources	23,797,246	89,668	23,886,914	60,401	—	—	—
Net Position							
Net investment in capital assets	141,127,376	41,650,668	182,778,044	18,249,921	—	—	—
Restricted for							
Cemetery perpetual care	170,366	—	170,366	—	—	—	—
Benefits	813,298	—	813,298	—	—	—	—
Debt service	343,291	—	343,291	—	—	—	—
Capital projects	22,232,765	—	22,232,765	—	—	—	—
Streets	4,674,646	—	4,674,646	—	—	—	—
Economic development	104,695	—	104,695	—	—	—	—
Other purposes	5,316,675	—	5,316,675	—	—	—	—
Unrestricted	(61,613)	7,801,783	7,740,170	3,954,977	1,492,205	34,058	1,029,127
Total Net Position	174,721,499	49,452,451	224,173,950	22,204,898	1,492,205	34,058	1,029,127
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 273,158,015	$ 51,021,268	$ 324,179,283	$ 25,895,482	$ 1,492,205	$ 34,058	$ 1,029,127

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2016

		Program Revenue			Net Revenue (Expense) and Changes in Net Position			Component Unit			
Functions/Programs	**Expenses**	**Charges for Service**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**Water**	**Friends**	**Parks**	**Fire**
Primary Government											
Governmental Activities											
Public safety	$ 9,875,554	$ 217,248	$ 127,451	$ 85,284	$ (9,445,571)	$ —	$ (9,445,571)	$ —	$ —	$ —	$ —
Public works	6,852,869	21,747	752	1,361,208	(5,469,162)	—	(5,469,162)	—	—	—	—
Culture and recreation	5,230,554	562,662	327,607	—	(4,340,285)	—	(4,340,285)	—	—	—	—
Community and economic development	7,310,091	1,020,515	—	754,378	(5,535,198)	—	(5,535,198)	—	—	—	—
General government	3,152,754	99,042	96,999	—	(2,956,713)	—	(2,956,713)	—	—	—	—
Interest and other charges on long-term debt	1,635,013	—	—	—	(1,635,013)	—	(1,635,013)	—	—	—	—
Total Governmental Activities	**34,056,835**	**1,921,214**	**552,809**	**2,200,870**	**(29,381,942)**	**—**	**(29,381,942)**	**—**	**—**	**—**	**—**
Business-Type Activities											
Sewer	5,100,160	5,167,792	328	1,625,603	—	1,693,563	1,693,563	—	—	—	—
Solid waste	1,648,237	1,915,370	46	—	—	267,179	267,179	—	—	—	—
City communication and utility	79,612	9,564	—	—	—	(70,048)	(70,048)	—	—	—	—
Urban forest	182,684	354,578	1,560	—	—	173,454	173,454	—	—	—	—
Total Business-Type Activities	**7,010,693**	**7,447,304**	**1,934**	**1,625,603**	**—**	**2,064,148**	**2,064,148**	**—**	**—**	**—**	**—**
Total Primary Government	**$ 41,067,528**	**$ 9,368,518**	**$ 554,743**	**$ 3,826,473**	**(29,381,942)**	**2,064,148**	**(27,317,794)**	**—**	**—**		
Component Unit - Water	**$ 2,936,424**	**$ 3,957,239**	**$ —**	**$ 591,411**	**—**	**—**	**—**	**1,612,226**	**—**	**—**	**—**
Component Unit - Friends	**$ 31,953**	**$ —**	**$ 34,602**	**$ —**	**—**	**—**	**—**	**—**	**2,649**	**—**	**—**
Component Unit - Parks	**$ 3,891**	**$ —**	**$ 5,050**	**$ —**	**—**	**—**	**—**	**—**	**—**	**1,159**	**—**
Component Unit - Fire	**$ 11,040**	**$ —**	**$ 12,121**	**$ —**	**—**	**—**	**—**	**—**	**—**	**—**	**1,081**
General Revenue (Expense)											
Property Tax Levied for											
General purposes					15,971,087	—	15,971,087	—	—	—	—
Debt service					3,419,780	—	3,419,780	—	—	—	—
Tax increment financing					2,497,995	—	2,497,995	—	—	—	—
Other City Tax											
Cable television franchise					375,818	—	375,818	—	—	—	—
Hotel/motel					257,781	—	257,781	—	—	—	—
Road use tax					4,297,070	—	4,297,070	—	—	—	—
Local option sales tax					4,510,067	—	4,510,067	—	—	—	—
Unrestricted investment earnings					610,962	96,946	707,908	21,023	—	221	15,200
Special assessments					556	220	776	—	—	—	—
Miscellaneous					19,524	—	19,524	67,664	(13,667)	—	—
Loss on disposal of capital assets					(13,767)	—	(13,767)	(1,422)	—	—	—
Total General Revenue					**31,946,873**	**97,166**	**32,044,039**	**87,265**	**(13,667)**	**221**	**15,200**
Transfers					**923,950**	**(923,950)**	**—**	**—**	**—**	**—**	**—**
Change in Net Position					**3,488,881**	**1,237,364**	**4,726,245**	**1,699,491**	**(11,018)**	**1,380**	**16,281**
Net Position - Beginning of Year, as restated (Note 19)					171,232,618	48,215,087	219,447,705	20,505,407	1,503,223	32,678	1,012,846
Net Position - End of Year					**$ 174,721,499**	**$ 49,452,451**	**$ 224,173,950**	**$ 22,204,898**	**$ 1,492,205**	**$ 34,058**	**$ 1,029,127**

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2016

	General	Special Revenue: Road Use Tax	Special Revenue: Trust and Agency (Employee Benefits)	Special Revenue: Local Option Sales Tax	Special Revenue: Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
Assets									
Cash	$ 8,730,821	$ 4,557,674	$ 732,008	$ 4,754,089	$ 344,354	$ 442,782	$ 12,044,091	$ 816,985	$ 32,422,804
Pooled investments	3,225,738	120,002	97,571	—	—	7,870	12,054,607	—	15,505,788
Receivables									
Property Tax									
Current year delinquent	55,438	—	17,353	—	8,031	15,316	—	—	96,138
Succeeding year	11,918,124	—	4,206,805	—	3,278,698	3,162,943	—	—	22,566,570
Accounts	127,443	20,044	—	—	—	—	18,176	—	165,663
Accrued interest	2,729	—	—	—	—	—	31,863	—	34,592
Other	44,830	—	—	—	—	—	—	—	44,830
Due from other governments	57,403	327,248	—	580,578	—	—	585,105	35,199	1,585,533
Inventories	108,606	—	—	—	—	—	—	—	108,606
Total Assets	**$ 24,271,132**	**$ 5,024,968**	**$ 5,053,737**	**$ 5,334,667**	**$ 3,631,083**	**$ 3,628,911**	**$ 24,733,842**	**$ 852,184**	**$ 72,530,524**
Liabilities, Deferred Inflows of Resources and Fund Balances									
Liabilities									
Accounts payable	$ 238,614	$ 274,532	$ 33,634	$ 10,000	$ —	$ —	$ 2,201,077	$ 68,516	$ 2,826,373
Salaries and benefits payable	750,437	75,790	—	7,992	—	—	—	—	834,219
Interfund loan	—	—	—	—	450,000	—	300,000	—	750,000
Total Liabilities	**989,051**	**350,322**	**33,634**	**17,992**	**450,000**	**—**	**2,501,077**	**68,516**	**4,410,592**
Deferred Inflows of Resources									
Unavailable Revenue									
Succeeding year property tax	**11,918,124**	**—**	**4,206,805**	**—**	**3,278,698**	**3,162,943**	**—**	**—**	**22,566,570**
Fund Balances									
Nonspendable									
Inventories	108,606	—	—	—	—	—	—	—	108,606
Cemetery perpetual care	—	—	—	—	—	—	—	170,366	170,366
Restricted for									
Benefits	—	—	813,298	—	—	—	—	—	813,298
Debt service	—	—	—	—	—	465,968	—	—	465,968
Capital projects	—	—	—	—	—	—	22,232,765	—	22,232,765
Streets	—	4,674,646	—	—	—	—	—	—	4,674,646
Economic development	—	—	—	—	—	—	—	104,695	104,695
Other purposes	—	—	—	5,316,675	—	—	—	—	5,316,675
Committed for									
Pension	683,019	—	—	—	—	—	—	—	683,019
Capital projects	—	—	—	—	—	—	—	317,301	317,301
Assigned for									
Equipment reserve	3,315,003	—	—	—	—	—	—	—	3,315,003
Tax stabilization	230,653	—	—	—	—	—	—	—	230,653
Census reserve	63,535	—	—	—	—	—	—	—	63,535
Capital projects	—	—	—	—	—	—	—	191,306	191,306
Unassigned	6,963,141	—	—	—	(97,615)	—	—	—	6,865,526
Total Fund Balances	**11,363,957**	**4,674,646**	**813,298**	**5,316,675**	**(97,615)**	**465,968**	**22,232,765**	**783,668**	**45,553,362**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 24,271,132**	**$ 5,024,968**	**$ 5,053,737**	**$ 5,334,667**	**$ 3,631,083**	**$ 3,628,911**	**$ 24,733,842**	**$ 852,184**	**$ 72,530,524**

See accompanying notes to the financial statements.

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2016

Total Fund Balances for Governmental Funds (Page 16)....		**$ 45,553,362**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is $246,893,966 and the accumulated depreciation is $52,347,550.		194,546,416
Internal service funds are used by management to charge the costs of employee benefits and the partially self-funded insurance plan to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statements of net position.		3,192,341
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds..........		(122,677)
Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources..........	$ 3,339,071	
Deferred inflows of resources..........	(1,230,676)	2,108,395
Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	$ (41,140,000)	
Unamortized premium on general obligation bonds..........	(676,042)	
General obligation notes	(20,626)	
Capital lease	(11,415,000)	
Compensated absences..........	(3,429,641)	
Nonbonded indebtedness	(167,372)	
Net pension liability	(12,427,657)	
Net OPEB liability..........	(1,280,000)	(70,556,338)
Net Position of Governmental Activities (Page 14)..........		**$ 174,721,499**

See accompanying notes to the financial statements.

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

Year Ended June 30, 2016

	General	Special Revenue: Road Use Tax	Special Revenue: Trust and Agency (Employee Benefits)	Special Revenue: Local Option Sales Tax	Special Revenue: Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
Revenue									
Property tax	$ 12,159,949	$ —	$ 3,811,138	$ —	$ —	$ 3,419,780	$ —	$ —	$ 19,390,867
Tax increment financing	—	—	—	—	2,497,995	—	—	—	2,497,995
Other city tax	633,599	—	—	—	—	—	—	—	633,599
Licenses and permits	732,894	—	—	—	—	—	—	—	732,894
Use of money and property	127,375	6,059	675	24,026	—	8,064	407,907	3,926	578,032
Intergovernmental	305,555	4,297,822	106,679	4,510,067	—	—	783,162	62,105	10,065,390
Charges for service	909,931	—	34,539	—	—	—	235,281	1,132	1,180,883
Special assessments	—	—	—	—	—	556	—	—	556
Miscellaneous	19,358	—	24,486	—	—	—	117,335	—	161,179
Total Revenue	**14,888,661**	**4,303,881**	**3,977,517**	**4,534,093**	**2,497,995**	**3,428,400**	**1,543,685**	**67,163**	**35,241,395**
Expenditures									
Operating									
Public safety	9,369,263	—	110,793	—	—	—	—	—	9,480,056
Public works	822,642	2,329,049	—	170,197	—	—	—	—	3,321,888
Culture and recreation	3,513,963	—	308,877	—	—	—	—	—	3,822,840
Community and economic development	1,134,958	—	—	—	688,757	—	—	138,529	1,962,244
General government	2,263,973	—	—	—	—	—	—	—	2,263,973
Debt Service									
Principal	—	—	—	—	—	4,011,146	—	—	4,011,146
Interest and fiscal charges	—	—	—	—	—	1,699,965	53,289	—	1,753,254
Capital projects	—	1,051,108	—	—	—	—	13,523,906	—	14,575,014
Total Expenditures	**17,104,799**	**3,380,157**	**419,670**	**170,197**	**688,757**	**5,711,111**	**13,577,195**	**138,529**	**41,190,415**
Revenue Over (Under) Expenditures	**(2,216,138)**	**923,724**	**3,557,847**	**4,363,896**	**1,809,238**	**(2,282,711)**	**(12,033,510)**	**(71,366)**	**(5,949,020)**
Other Financing Sources (Uses)									
Operating transfers in	1,525,576	10,000	—	—	395,000	2,327,218	2,997,298	—	7,255,092
Operating transfers out	(132,177)	(65,019)	(3,832,450)	(2,770,126)	(2,009,137)	(54,200)	(500,000)	—	(9,363,109)
Sale of capital assets	9,971	—	—	—	—	—	—	—	9,971
Total Other Financing Sources (Uses)	**1,403,370**	**(55,019)**	**(3,832,450)**	**(2,770,126)**	**(1,614,137)**	**2,273,018**	**2,497,298**	**—**	**(2,098,046)**
Net Change in Fund Balances	**(812,768)**	**868,705**	**(274,603)**	**1,593,770**	**195,101**	**(9,693)**	**(9,536,212)**	**(71,366)**	**(8,047,066)**
Fund Balances - Beginning of Year	12,176,725	3,805,941	1,087,901	3,722,905	(292,716)	475,661	31,768,977	855,034	53,600,428
Fund Balances - End of Year	**$ 11,363,957**	**$ 4,674,646**	**$ 813,298**	**$ 5,316,675**	**$ (97,615)**	**$ 465,968**	**$ 22,232,765**	**$ 783,668**	**$ 45,553,362**

See accompanying notes to the financial statements.

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

Year Ended June 30, 2016

Change in Fund Balances - Total Governmental Funds (Page 18)		**$ (8,047,066)**
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 assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:		
Capital outlay	$ 10,726,377	
Contributed capital assets	1,361,208	
Depreciation expense	(5,744,789)	6,342,796
The net book value of capital assets disposed of during the year.		(23,738)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due.		18,179
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of the long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Current year issuances exceeded repayments as follows:		
Repayment of general obligation bonds	$ 3,710,000	
Repayment of capital lease	235,000	
Increase in nonbonded indebtedness	(25,000)	
Repayment of general obligation notes	41,146	
Repayment of nonbonded indebtedness	25,000	3,986,146
Amortization of premiums on bonds payable does not provide current financial resources to governmental funds but it decreases liabilities in the statement of net position. ...		100,062

See accompanying notes to the financial statements.

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

Year Ended June 30, 2016

The current year City employer share of IPERS and MFPRSI contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the statement of net position.		$ 1,914,883
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 as follows:		
Compensated absences..	$ (82,626)	
Pension expense..	(1,220,210)	
Net OPEB liability	(40,000)	(1,342,836)
Internal service funds are used by management to charge the costs of employee benefits and the partially self-funded insurance plan to individual funds. The change in net position of the internal service funds is reported in governmental activities in the statement of activities.		540,455
Change in Net Position of Governmental Activities (Page 15)		**$ 3,488,881**

See accompanying notes to the financial statements.

Statement of Net Position - Proprietary Funds

As of June 30, 2016

	Enterprise				Internal Service		
	Sewer Rental	Storm Water Management	Nonmajor	Total	Employee Benefit	Health Insurance	Total
Assets							
Current Assets							
Cash	$ 1,080,428	$ 1,064,563	$ 3,382,340	$ 5,527,331	$ 456,167	$ 2,506,951	$ 2,963,118
Pooled investments	351,280	—	1,368,619	1,719,899	502,125	—	502,125
Receivables							
Unbilled usage	402,779	82,291	193,805	678,875	—	—	—
Accounts	221,149	51,964	152,325	425,438	—	24,380	24,380
Accrued interest	—	—	5,472	5,472	2,381	—	2,381
Due from other governments	310	—	—	310	—	—	—
Interfund loan	—	—	22,315	22,315	—	—	—
Total Current Assets	**2,055,946**	**1,198,818**	**5,124,876**	**8,379,640**	**960,673**	**2,531,331**	**3,492,004**
Noncurrent Assets							
Interfund loan	—	—	727,685	727,685	—	—	—
Capital assets, net of accumulated depreciation	16,268,428	22,970,407	2,411,833	41,650,668	—	—	—
Total Noncurrent Assets	**16,268,428**	**22,970,407**	**3,139,518**	**42,378,353**	**—**	**—**	**—**
Total Assets	**18,324,374**	**24,169,225**	**8,264,394**	**50,757,993**	**960,673**	**2,531,331**	**3,492,004**
Deferred Outflows of Resources							
Pension-related deferred outflows	**89,647**	**57,841**	**115,787**	**263,275**	**—**	**—**	**—**
Total Assets and Deferred Outflows of Resources	**$ 18,414,021**	**$ 24,227,066**	**$ 8,380,181**	**$ 51,021,268**	**$ 960,673**	**$ 2,531,331**	**$ 3,492,004**
Liabilities, Deferred Inflows of Resources and Net Position							
Current Liabilities							
Accounts payable	$ 35,472	$ 3,440	$ 103,660	$ 142,572	$ 6,077	$ 1,062	$ 7,139
Salaries and benefits payable	40,863	23,266	50,855	114,984	—	—	—
Self-insurance estimated claims	—	—	—	—	—	233,645	233,645
Reinsurance premiums payable	—	—	—	—	—	58,879	58,879
Compensated absences	33,855	—	—	33,855	—	—	—
Total Current Liabilities	**110,190**	**26,706**	**154,515**	**291,411**	**6,077**	**293,586**	**299,663**
Noncurrent Liabilities							
Net pension liability	**405,613**	**261,291**	**520,834**	**1,187,738**	**—**	**—**	**—**
Total Liabilities	**515,803**	**287,997**	**675,349**	**1,479,149**	**6,077**	**293,586**	**299,663**
Deferred Inflows of Resources							
Pension-related deferred inflows	**29,141**	**19,310**	**41,217**	**89,668**	**—**	**—**	**—**
Net Position							
Net investment in capital assets	16,268,428	22,970,407	2,411,833	41,650,668	—	—	—
Unrestricted	1,600,649	949,352	5,251,782	7,801,783	954,596	2,237,745	3,192,341
Total Net Position	**17,869,077**	**23,919,759**	**7,663,615**	**49,452,451**	**954,596**	**2,237,745**	**3,192,341**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 18,414,021**	**$ 24,227,066**	**$ 8,380,181**	**$ 51,021,268**	**$ 960,673**	**$ 2,531,331**	**$ 3,492,004**

See accompanying notes to the financial statements.

Statement of Revenue, Expenses and Changes in Fund Net Position - Proprietary Funds

Year Ended June 30, 2016

	Enterprise				Internal Service		
	Sewer Rental	Storm Water Management	Nonmajor	Total	Employee Benefit	Health Insurance	Total
Operating Revenue							
Licenses and permits	$ —	$ —	$ 1,950	$ 1,950	$ —	$ —	$ —
Charges for service	3,784,689	984,409	2,676,156	7,445,254	—	—	—
Miscellaneous	—	—	320	320	—	184,461	184,461
Total Operating Revenue	**3,784,689**	**984,409**	**2,678,426**	**7,447,524**	**—**	**184,461**	**184,461**
Operating Expenses							
Personal services	767,757	493,910	959,626	2,221,293	—	—	—
Services and commodities	2,834,881	20,723	709,116	3,564,720	312,471	2,396,431	2,708,902
Depreciation	494,651	488,238	241,791	1,224,680	—	—	—
Total Operating Expenses	**4,097,289**	**1,002,871**	**1,910,533**	**7,010,693**	**312,471**	**2,396,431**	**2,708,902**
Operating Income (Loss)	**(312,600)**	**(18,462)**	**767,893**	**436,831**	**(312,471)**	**(2,211,970)**	**(2,524,441)**
Nonoperating Revenue							
Investment income	5,150	6,944	84,852	96,946	32,929	—	32,929
Intergovernmental	310	18	1,606	1,934	—	—	—
Capital contributions	547,472	1,078,131	—	1,625,603	—	—	—
Total Nonoperating Revenue	**552,932**	**1,085,093**	**86,458**	**1,724,483**	**32,929**	**—**	**32,929**
Income (Loss) Before Transfers	**240,332**	**1,066,631**	**854,351**	**2,161,314**	**(279,542)**	**(2,211,970)**	**(2,491,512)**
Transfers							
Transfers in	809,426	—	—	809,426	155,358	2,876,609	3,031,967
Transfers out	(214,273)	(229,042)	(1,290,061)	(1,733,376)	—	—	—
Total Transfers	**595,153**	**(229,042)**	**(1,290,061)**	**(923,950)**	**155,358**	**2,876,609**	**3,031,967**
Change in Net Position	**835,485**	**837,589**	**(435,710)**	**1,237,364**	**(124,184)**	**664,639**	**540,455**
Net Position - Beginning of Year, as restated (Note 19)	17,033,592	23,082,170	8,099,325	48,215,087	1,078,780	1,573,106	2,651,886
Net Position - End of Year	**$ 17,869,077**	**$ 23,919,759**	**$ 7,663,615**	**$ 49,452,451**	**$ 954,596**	**$ 2,237,745**	**$ 3,192,341**

See accompanying notes to the financial statements.

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2016

	Enterprise				Internal Service		
	Sewer Rental	Storm Water Management	Nonmajor	Total	Employee Benefit	Health Insurance	Total
Cash Flows From Operating Activities							
Cash received from customers and users	$ 3,743,920	$ 1,009,289	$ 2,691,355	$ 7,444,564	$ —	$ 193,589	$ 193,589
Cash paid to employees for services	(772,503)	(498,370)	(967,489)	(2,238,362)	—	—	—
Cash paid to suppliers for goods and services	(2,826,046)	(38,438)	(761,795)	(3,626,279)	(310,278)	(2,370,277)	(2,680,555)
Net Cash Provided by (Used in) Operating Activities	**145,371**	**472,481**	**962,071**	**1,579,923**	**(310,278)**	**(2,176,688)**	**(2,486,966)**
Cash Flows From Noncapital Financing Activities							
Net transfers	595,153	(229,042)	(1,335,061)	(968,950)	155,358	2,876,609	3,031,967
State and federal grants received	2,325	156	1,951	4,432	—	—	—
Increase in due to other funds	—	—	16,734	16,734	—	—	—
Net Cash Provided by (Used in) Noncapital Activities	**597,478**	**(228,886)**	**(1,316,376)**	**(947,784)**	**155,358**	**2,876,609**	**3,031,967**
Cash Flows From Capital and Related Financing Activities							
(Increase) decrease in interfund loan	52,749	—	(300,000)	(247,251)	—	—	—
Acquisition of capital assets	(225,194)	(153,079)	(220,287)	(598,560)	—	—	—
Disposal of capital assets	—	—	205,316	205,316	—	—	—
Net Cash Used in Capital and Related Financing Activities	**(172,445)**	**(153,079)**	**(314,971)**	**(640,495)**	**—**	**—**	**—**
Cash Flows From Investing Activities							
Interest on investments	5,150	6,944	91,138	103,232	37,477	—	37,477
Purchase of investments	(68)	—	—	(68)	—	—	—
Proceeds from sale of investments	—	—	68,331	68,331	222,473	—	222,473
Net Cash Provided by Investing Activities	**5,082**	**6,944**	**159,469**	**171,495**	**259,950**	**—**	**259,950**
Net Increase (Decrease) in Cash	**575,486**	**97,460**	**(509,807)**	**163,139**	**105,030**	**699,921**	**804,951**
Cash - Beginning of Year	504,942	967,103	3,892,147	5,364,192	351,137	1,807,030	2,158,167
Cash - End of Year	**$ 1,080,428**	**$ 1,064,563**	**$ 3,382,340**	**$ 5,527,331**	**$ 456,167**	**$ 2,506,951**	**$ 2,963,118**
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities							
Income (loss) from operations	$ (312,600)	$ (18,462)	$ 821,249	$ 490,187	$ (312,471)	$ (2,211,970)	$ (2,524,441)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities							
Depreciation	494,651	488,238	188,435	1,171,324	—	—	—
Change in Assets and Liabilities							
(Increase) decrease in receivables	(40,769)	24,880	12,929	(2,960)	—	9,128	9,128
Increase in deferred outflows of resources	(1,408)	(901)	(1,767)	(4,076)	—	—	—
Increase (decrease) in payables	8,835	(17,715)	(52,679)	(61,559)	2,193	26,154	28,347
Increase in salaries and benefits payable	8,897	4,027	8,767	21,691	—	—	—
Increase in compensated absences	(381)	—	—	(381)	—	—	—
Increase in net pension liability	82,345	52,693	103,247	238,285	—	—	—
Decrease in deferred inflows of resources	(94,199)	(60,279)	(118,110)	(272,588)	—	—	—
Net Cash Provided by (Used in) Operating Activities	**$ 145,371**	**$ 472,481**	**$ 962,071**	**$ 1,579,923**	**$ (310,278)**	**$ (2,176,688)**	**$ (2,486,966)**

See accompanying notes to the financial statements.

Statement of Fiduciary Net Position - Trust Fund

As of June 30, 2016

	Cemetery Memorial
Assets	
Pooled investments	$ 2,008
Liabilities and Net Position	
Liabilities	
Due to others	$ 631
Net Position	
Held in trust	1,377
Total Liabilities and Net Position	$ 2,008

See accompanying notes to the financial statements.

Statement of Changes in Fiduciary Net Position - Trust Fund

Year Ended June 30, 2016

	Cemetery Memorial
Additions	
Interest income	$ 2
Net Position - Beginning of Year	1,375
Net Position - End of Year	**$ 1,377**

See accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

The City of Marion, Iowa, (City) is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1865 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. It also provides sewer and sanitation services.

The financial statements of the City of Marion have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, the City has included all 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.

These financial statements present the City of Marion (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. Certain disclosures about the Marion Water Department (Water) are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Units

The Water Department is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Water Department is governed by a five-member board appointed by the City Council and the Water Department's operating budget is subject to the approval of the City Council.

The Friends of Marion Carnegie Library (Friends) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Friends is a nonprofit organization founded to promote the use of the Library and provide financial assistance for various programs. The Organization has a year end of December 31. Accordingly, the Organization's financial information included in the statement of activities and net position is as of and for the year ended December 31, 2015.

(1) Summary of Significant Accounting Policies

The Marion Parks and Recreation Foundation, Inc. (Parks) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Parks Foundation is a nonprofit organization founded to develop parks and recreation facilities within the City and provide financial assistance for various programs. The Parks Foundation has a year end of December 31. Accordingly, the Parks Foundation's financial information included in the statement of activities and net position is as of and for the year ended December 31, 2015.

The Marion Firefighter's Association (Fire) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. Its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Fire association is a nonprofit organization founded to provide a structural way for volunteers and full-time firefighters to coordinate, encourage, promote and participate and to develop and implement programs aimed at meeting the needs of the City. The Fire association has a year end of December 31. Accordingly, the Fire association's financial information included in the statement of activities and net position is as of and for the year ended December 31, 2015.

Jointly Governed Organizations
The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Iowa League of Cities, Linn County Emergency Management Agency, Marion Economic Development Company (MEDCO) and Regional Planning Commission.

Basis of Presentation

Government-Wide Financial Statements
The statement of net position and the statement of activities report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net position presents the City's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

(1) Summary of Significant Accounting Policies

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

The Special Revenue, Road Use Tax Fund is used to account for the maintenance of the City's infrastructure, such as streets, bridges and storm sewers. The revenue of the Road Use Tax Fund is primarily derived from state taxes. The expenditures primarily relate to the upkeep of the City's infrastructure.

The Special Revenue, Trust and Agency (Employee Benefits) Fund is required by the Code of Iowa to account for property tax levied for employee benefits. This fund either pays benefits as expenditures (primarily police and fire pension costs) or transfers cash to the General Fund to reimburse allowable benefits paid therefrom.

The Special Revenue, Local Option Sales Tax Fund is used to account for the revenue from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The Special Revenue, Tax Increment Financing Fund is used to account for revenue from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation bonds and other indebtedness incurred for urban renewal projects.

The Debt Service Fund is used to account for property tax and other revenue to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

(1) Summary of Significant Accounting Policies

The City reports the following major proprietary funds:

The Enterprise, Sewer Rental Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Enterprise, Storm Water Management Fund is used to account for the operation and maintenance of the City's storm water management system.

The City also reports the following additional proprietary funds:

Internal Service Funds are utilized to account for health insurance and other employee benefits provided to other departments on a cost-reimbursement basis.

Additionally, the City reports a trust fund which is used to account for outside donations held by the City as a trustee.

Measurement Focus and Basis of Accounting

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

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

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

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

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

(1) Summary of Significant Accounting Policies

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

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

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity
The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments
The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost and nonnegotiable certificates of deposit, which are stated at cost.

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

Property Tax Receivable, Including Tax Increment Financing
Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City as of June 30, 2016 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

(1) Summary of Significant Accounting Policies

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1-1/2% per month penalty for delinquent payments, is based on January 1, 2014 assessed property valuations, is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2015.

Unbilled Usage
Accounts receivable are recorded in the enterprise funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due to Other Funds
During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories
Inventories are valued at cost using the first-in, first-out method. Inventories in the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets
Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the City) are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position and in the proprietary funds statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of $3,000 for all items except for intangible assets which are $5,000. The City had no intangible assets as of June 30, 2016.

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

Asset Class	Estimated Useful Lives
Buildings	40 - 50 Years
Improvements other than buildings	5 - 50 Years
Equipment	2 - 20 Years
Infrastructure (distribution and storm sewer system)	5 - 80 Years
Intangibles	50 Years

(1) Summary of Significant Accounting Policies

Deferred Outflows of Resources

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

Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours and personal leave and compensatory time for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Road Use Tax and Sewer Rental Funds. Also see Note 9.

Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities column in the statement of net position and the proprietary fund statement of net position.

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

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 (IPERS) and the Municipal Fire and Police Retirement System 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.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is 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 and tax increment financing receivable not collected within 60 days after year end.

(1) Summary of Significant Accounting Policies

Deferred inflows of resources in the statement of net position consist of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Balances

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

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

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

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

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

Tax Stabilization

The City Council has established the Tax Stabilization Fund to provide a funding mechanism to reduce future property tax impacts. In an unusual budget year, this reserve can be used to smooth spikes in property tax. The Tax Stabilization Fund is presented as part of the General Fund in the financial statements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted.

Estimates and Assumptions

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

(2) Cash and Pooled Investments

Primary Government

The City's deposits as of June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's cash and investments as of June 30, 2016 were as follows:

Cash	$ 40,913,253
Pooled cash investments - Iowa Public Agency Investment Trust	4,911,489
Money market accounts	307,128
U.S. Instrumentalities	
Original maturities 5 years or less	429
Original maturities 6 to 10 years	49,595
Original maturities 10+ years	12,459,171
Total	**$ 58,641,065**

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 U.S. instrumentalities of $12,509,195 is valued using the last reported sales price at current exchange rates. (Level 1 inputs)

In addition, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of $4,911,489 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in IPAIT is unrated.

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

Interest Rate Risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(2) Cash and Pooled Investments

Credit Risk
The City's U.S. Instrumentalities investments as of June 30, 2016 are rated Aaa or better by Moody's Investors service. The investment in the Iowa Public Agency Investment Trust is unrated.

Discretely Presented Component Units
The Friends of Marion Carnegie Library's investments as of December 31, 2015 consist of mutual funds and other investments with a fair value of $1,348,438.

The Marion Firefighter's Association's investments as of December 31, 2015 consist of mutual funds and other investments with a fair value of $921,055.

(3) Capital Assets

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

Primary Government	Balance - Beginning of Year, as Restated (Note 19)	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 78,092,161	$ 314,600	$ —	$ 78,406,761
Construction in progress	7,096,642	9,446,023	4,804,494	11,738,171
Total Capital Assets Not Being Depreciated	85,188,803	9,760,623	4,804,494	90,144,932
Capital Assets Being Depreciated				
Buildings	30,371,304	68,682	—	30,439,986
Improvements other than buildings	103,825,566	5,565,235	—	109,390,801
Equipment	16,230,581	1,497,539	809,873	16,918,247
Total Capital Assets Being Depreciated	150,427,451	7,131,456	809,873	156,749,034
Less Accumulated Depreciation for				
Buildings	5,206,475	757,120	—	5,963,595
Improvements other than buildings	33,346,018	3,429,768	—	36,775,786
Equipment	8,836,403	1,557,901	786,135	9,608,169
Total Accumulated Depreciation	47,388,896	5,744,789	786,135	52,347,550
Net Capital Assets Being Depreciated	103,038,555	1,386,667	23,738	104,401,484
Net Governmental Activities Capital Assets	**$ 188,227,358**	**$ 11,147,290**	**$ 4,828,232**	**$ 194,546,416**

(3) Capital Assets

Primary Government	Balance - Beginning of Year, as Restated (Note 19)	Increases	Decreases	Balance - End of Year
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land	$ 464,658	$ 3,000	$ —	$ 467,658
Construction in progress	1,553,560	229,900	417,044	1,366,416
Total Capital Assets Not Being Depreciated	2,018,218	232,900	417,044	1,834,074
Capital Assets Being Depreciated				
Buildings	8,300	12,000	—	20,300
Equipment	3,217,151	—	—	3,217,151
Distribution system	28,159,151	793,083	—	28,952,234
Storm sewer system	29,426,252	1,399,554	—	30,825,806
Communication system	533,558	—	—	533,558
Total Capital Assets Being Depreciated	61,344,412	2,204,637	—	63,549,049
Less Accumulated Depreciation for				
Buildings	2,020	1,032	—	3,052
Equipment	2,058,219	246,899	—	2,305,118
Distribution system	12,622,667	435,155	—	13,057,822
Storm sewer system	7,500,288	488,238	—	7,988,526
Communication system	324,581	53,356	—	377,937
Total Accumulated Depreciation	22,507,775	1,224,680	—	23,732,455
Net Capital Assets Being Depreciated	38,836,637	979,957	—	39,816,594
Net Business-Type Activities Capital Assets	**$ 40,854,855**	**$ 1,212,857**	**$ 417,044**	**$ 41,650,668**

Depreciation expense was charged to functions of the primary government as follows for the year ended June 30, 2016:

Governmental Activities	
Public safety	$ 1,036,642
Public works	3,519,574
Culture and recreation	985,163
Community and economic development	6,928
General government	196,482
Total Depreciation Expense - Governmental Activities	**$ 5,744,789**
Business-Type Activities	
City communication and utility	$ 53,356
Sewer rental	494,651
Solid waste	188,435
Storm water management	488,238
Total Depreciation Expense - Business-Type Activities	**$ 1,224,680**

(4) Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2016:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year	Due Within One Year	Range of Interest Rates
Governmental Activities						
General obligation bonds	$ 44,850,000	$ —	$ 3,710,000	$ 41,140,000	$ 3,985,000	1.500 - 4.00%
Unamortized premium on general obligation bonds	776,104	—	100,062	676,042	—	N/A
General obligation notes	61,772	—	41,146	20,626	20,626	4.375 - 5.20
Capital lease	11,650,000	—	235,000	11,415,000	265,000	1.150 - 4.15
Compensated absences	3,347,015	354,989	272,363	3,429,641	79,637	N/A
Nonbonded indebtedness	167,372	25,000	25,000	167,372	24,993	1.50
Net pension liability	9,632,242	2,795,415	—	12,427,657	—	N/A
Net OPEB liability	1,240,000	208,867	168,867	1,280,000	—	N/A
Total	**$ 71,724,505**	**$ 3,384,271**	**$ 4,552,438**	**$ 70,556,338**	**$ 4,375,256**	
Business-Type Activities						
Compensated absences	$ 34,236	$ —	$ 381	$ 33,855	$ 33,855	N/A
Net pension liability	949,453	238,285	—	1,187,738	—	N/A
Total	**$ 983,689**	**$ 238,285**	**$ 381**	**$ 1,221,593**	**$ 33,855**	

General Obligation Bonds

Eleven issues of unmatured general obligation bonds totaling $41,140,000 were outstanding as of June 30, 2016. General obligation bonds bear interest at rates ranging from 1.5% to 4% per annum and mature in varying annual amounts ranging from $100,000 to $800,000, with the final maturities due in the year ending June 30, 2034.

Details of the City's general obligation bonds payable as of June 30, 2016 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding 6-30-16
Governmental Activities						
Corporate purpose	12-15-09	3.00 - 3.13%	6-1-20	$ 220,000 - $ 245,000	$ 2,120,000	$ 925,000
Corporate purpose	12-15-09	3.00 - 4.00	6-1-25	395,000 - 535,000	6,285,000	4,140,000
Corporate purpose	2-13-12	2.00 - 3.00	6-1-28	535,000 - 710,000	9,270,000	7,280,000
Corporate purpose	2-13-12	2.00 - 2.13	6-1-23	450,000 - 515,000	4,570,000	3,355,000
Refunding corporate purpose	3-6-13	3.00	6-1-17	370,000	2,610,000	370,000
Corporate purpose	1-7-14	2.00 - 3.75	6-1-29	440,000 - 605,000	6,575,000	6,575,000
Corporate purpose	1-7-14	2.00 - 2.75	6-1-25	100,000 - 120,000	1,065,000	965,000
Corporate purpose	10-2-14	2.00 - 3.25	6-1-30	140,000 - 185,000	2,360,000	2,220,000
Corporate purpose	2-3-15	2.00 - 3.00	6-1-34	550,000 - 800,000	12,180,000	11,725,000
Corporate purpose	2-3-15	1.50 - 2.90	6-1-27	195,000 - 245,000	2,565,000	2,390,000
Refunding corporate purpose	3-5-15	1.50	6-1-18	590,000 - 605,000	1,765,000	1,195,000
						$ 41,140,000

(4) Long-Term Liabilities

A summary of the annual general obligation bond principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 3,985,000	$ 1,075,964	$ 5,060,964
2018	3,680,000	990,339	4,670,339
2019	3,125,000	914,414	4,039,414
2020	3,210,000	843,264	4,053,264
2021	3,035,000	769,708	3,804,708
2022-2026	14,175,000	2,670,009	16,845,009
2027-2031	7,600,000	921,580	8,521,580
2032-2034	2,330,000	141,150	2,471,150
	$ 41,140,000	$ 8,326,428	$ 49,466,428

General Obligation Notes
Two issues of unmatured general obligation notes totaling $20,626 were outstanding as of June 30, 2016. General obligation notes bear interest at rates ranging from 4.375% to 5.2% per annum and mature in monthly and annual amounts ranging from $368 to $20,258, with the final maturities due in the year ending June 30, 2017.

Details of the City's general obligation notes payable as of June 30, 2016 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding 6-30-16
Government Activities						
Geo-Thermal note	7-20-06	5.200%	7-1-16	$ 368	$ 60,255	$ 368
Geo-Thermal note	12-28-06	4.375	1-1-17	20,258	285,577	20,258
						$ 20,626

A summary of the annual general obligation note principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 20,626	$ 297	$ 20,923

In August, 2011, the City approved an interfund loan from the Enterprise - Solid Waste Fund to the Special Revenue - Tax Increment Financing (TIF) Fund for an undefined period. This loan was used to fund an economic development incentive payment to the ESCO Group. The City will use TIF funds to repay this loan once the TIF district has the funds. It is estimated the City will begin making repayments beginning in the fiscal year ending June 30, 2018.

(4) Long-Term Liabilities

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-16
Enterprise - Solid Waste	Special Revenue - Tax Increment Financing	$ 200,000	$ 200,000

In March, 2014, the City approved an interfund loan from the Enterprise - Sewer Rent Replacement Fund to the Special Revenue - Tax Increment Financing (TIF) Fund for a period not to exceed ten years at 2.5% annual interest. This loan was used to fund an economic development incentive payment to PDS Investments, LLC. The City will use 50% of the TIF funds from the PDS project to repay this loan beginning in the fiscal year ending June 30, 2017.

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-16
Enterprise - Sewer Rent Replacement	Special Revenue - Tax Increment Financing	$ 250,000	$ 250,000

In June, 2014, the City approved an interfund loan from the Enterprise - Sewer Rent Replacement Fund to the Capital Projects Fund for a period not to exceed 20 years at 2.5% annual interest. This loan was used to fund an economic development incentive payment to Capital Commercial Division, LLC. The City will use TIF funds to repay this loan once the TIF district has the funds.

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-16
Enterprise - Sewer Rent Replacement	Capital Projects	$ 300,000	$ 300,000

Capital Lease

During the year ended June 30, 2013, the City entered into various agreements to construct a police station containing approximately 45,000 square feet on two floors plus a basement and related facilities and improvements. To finance the construction, the City entered into an agreement to lease land it owns to Bankers Trust Company, NA (Bankers) as trustee, and in turn lease that land back from Bankers for 50 years for the total lease payment of $1. Bankers subleased the land to V & K Development, LLC to provide for the engineering, design, development, construction, furnishing and equipping of the facility. In November, 2013, the City leased the building from Bankers under a lease purchase agreement being accounted for as a capital lease by the City. The capital lease agreement included interest at 1.15% - 4.15% per annum and requires payments in amounts necessary to repay Bankers for the total proceeds of $11,650,000 that Bankers obtained by selling certificates of participation in the lease to investors. Once the certificates of participation are repaid, ownership of the building transfers to the City.

The City paid $397,954 of interest under the capital lease agreement during the year ended June 30, 2016.

(4) Long-Term Liabilities

The following is a schedule by years of future minimum lease payments on the capital lease obligation:

Year Ending June 30,	
2017	$ 660,251
2018	790,481
2019	816,681
2020	865,806
2021	876,686
2022-2026	4,632,044
2027-2031	5,048,900
2032-2033	2,201,140
Total Minimum Lease Payments	15,891,989
Less amount representing interest	(4,476,989)
Present Value of Net Minimum Lease Payments	**$ 11,415,000**

(5) Summary of Nonbonded Indebtedness

During the year ended June 30, 2001, the City entered into an agreement with a donor to pay an annuity of $25,000 each year for as long as the donor lives in exchange for a gift of 180 acres of land to be used for park purposes. Using an estimated life span based on annuity tables and discounted at the City's estimated incremental borrowing rate of 1.5%, an estimated liability of $167,372 was calculated. This annuity liability is revalued annually based upon changes in life expectancy and discount rates.

Since the development of this land for park purposes is not expected to be fully completed for many years, the agreement with the donors allows the City to lease this land or any part of it for farming purposes pending full development. In October, 2012, the City entered into a one-year agreement to lease 66 acres of cropland at $250 per acre per year subject to proportionate reduction as land is developed. In September, 2013, October, 2014 and September, 2015, a one-year extension of the lease was approved.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer From	Amount
General	Special Revenue	
	Trust and Agency (Employee Benefits)	$ 1,429,516
	Local Option Sales Tax	2,100
	Capital Projects	75,000
	Enterprise	
	Urban Forest Utility	18,960
		1,525,576
Special Revenue		
Road Use Tax	Enterprise	
	Urban Forest Utility	10,000

(6) Interfund Transfers

Transfer to	Transfer From	Amount
Special Revenue		
Tax Increment Financing	Capital Projects	$ 395,000
Debt Service	General	102,500
	Special Revenue	
	Tax Increment Financing	2,009,137
	Capital Projects	30,000
	Enterprise	
	Sewer Rental	24,000
	Storm Water Management	161,581
		2,327,218
Capital Projects	Special Revenue	
	Local Option Sales Tax	2,747,298
	Enterprise	
	Sewer Rental Replacement	250,000
		2,997,298
Enterprise		
Sewer Rental	Debt Service	54,200
	Enterprise	
	Sewer Rental Replacement	755,226
		809,426
Internal Service		
Employee Benefit	General	29,677
	Special Revenue	
	Road Use Tax	65,019
	Local Option Sales Tax	506
	Enterprise	
	Sewer Rental	18,252
	Solid Waste	40,445
	Urban Forest Utility	350
	Storm Water Management	1,109
		155,358
Internal Service		
Employee Benefits	Special Revenue	
	Trust and Agency (Employee Benefits)	2,402,934
	Local Option Sales Tax	20,222
	Enterprise	
	Sewer Rental	172,021
	Solid Waste	188,534
	Urban Forest Utility	26,546
	Storm Water Management	66,352
		2,876,609
		$ 11,096,485

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(7) Pension and Retirement Benefits

The City offers City employees the following retirement plans:

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

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

Pension Benefits
A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime 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.)

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-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% 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% for each month that the member receives benefits before age 65.

(7) Pension and Retirement Benefits

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

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 one percentage point. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, regular members contributed 5.95% of covered payroll and the City contributed 8.93% for a total rate of 14.88%. Protective occupation members contributed 6.56% of pay and the City contributed 9.84% for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 were $642,963.

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

As of June 30, 2016, the City reported a liability of $4,885,852 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. As of June 30, 2015, the City's proportion was 0.0988942% which was an increase of 0.000212% from its proportion measured as of June 30, 2014.

(7) Pension and Retirement Benefits

For the year ended June 30, 2016, the City recognized pension expense of $486,375. As of June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 73,823	$ 63
Changes of assumptions	134,529	—
Net difference between projected and actual earnings on IPERS' investments	—	406,806
Changes in proportion and differences between City contributions and proportionate share of contributions	259,588	12
City contributions subsequent to the measurement date	642,963	—
Total	**$ 1,110,903**	**$ 406,881**

$642,963 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2017	$ (61,641)
2018	(61,641)
2019	(61,641)
2020	239,254
2021	6,728
Total	**$ 61,059**

There were no nonemployer contributing entities at IPERS.

Actuarial Assumptions

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

Rate of inflation (effective June 30, 2014)	3% per annum.
Salary increases (effective June 30, 2010)	4% to 17%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4% per annum, based on 3% inflation assumption and 1.00% real wage inflation.

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

(7) Pension and Retirement Benefits

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.

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

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

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 employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the 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 one percentage point lower (6.5%) or one percentage point 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	$ 8,555,776	$ 4,885,852	$ 1,788,174

(7) Pension and Retirement Benefits

Pension Plan Fiduciary Net Position

Detailed information about IPERS' 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

As of June 30, 2016, the City reported no material amounts payable to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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, IA 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 four 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 four 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 three years of compensation. The average of these three years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2% for each additional year of service, up to a maximum of eight 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% 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 three, four or five 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.

(7) Pension and Retirement Benefits

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% 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% of the member's average final compensation, for those with five or more years of service, or the member's service retirement benefit calculation amount, and 25% of average final compensation for those with less than five years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% 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% 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% 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, 2016.

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

The City's contributions to MFPRSI for the year ended June 30, 2016 was $1,429,516.

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

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

(7) Pension and Retirement Benefits

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

As of June 30, 2016, the City reported a liability of $8,729,543 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. As of June 30, 2015, the City's proportion was 0.01858084% which was an increase of 0.00018616% from its proportions measured as of June 30, 2014.

For the year ended June 30, 2016 the City recognized pension expense of $853,047. As of June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 234,652	$ 14,918
Changes of assumptions	656,828	—
Net difference between projected and actual earnings on investments	—	898,545
Changes in proportion and differences between City contributions and proportionate share of contributions	170,447	—
City contributions subsequent to the measurement date	1,429,516	—
Total	**$ 2,491,443**	**$ 913,463**

$1,429,516 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 ending June 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2017	$ (166,676)
2018	(166,676)
2019	(166,676)
2020	572,913
2021	75,578
Total	**$ 148,463**

Actuarial Assumptions

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

Rate of inflation	3%
Salary increases	4.5% to 15.00%, including inflation
Investment rate of return	7.5%, net of investment expense, including inflation

(7) Pension and Retirement Benefits

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

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

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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 geometric real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, MFPRSI'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 MFPRSI's investments was applied to all periods of projected benefit payments to determine the total pension liability.

(7) Pension and Retirement Benefits

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	$ 15,198,394	$ 8,729,543	$ 3,354,684

MFPRSI's Fiduciary Net Position
Detailed information about MFPRSI'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 MFPRSI
As of June 30, 2016, the City reported no material amounts payable to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to MFPRSI.

(8) Other Postemployment Benefits (OPEB)

Plan Description
The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 161 active and 14 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

(8) Other Postemployment Benefits (OPEB)

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

Annual required contribution	$ 344,472
Interest on net OPEB obligation	31,100
Adjustment to annual required contribution	(166,705)
Annual OPEB Cost	208,867
Contributions made	(168,867)
Increase in Net OPEB Obligation	40,000
Net OPEB Obligation - Beginning of Year	1,240,000
Net OPEB Obligation - End of Year	$ 1,280,000

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

For the year ended June 30, 2016, the City contributed $168,867 to the medical plan.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	$ 175,932	71.6%	$ 1,200,000
2015	197,873	79.8	1,240,000
2016	208,867	80.8	1,280,000

Funded Status and Funding Progress
As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was $1,605,633 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $1,605,633. The covered payroll (annual payroll of active employees covered by the plan) was approximately $12,277,000 and the ratio of the UAAL to covered payroll was 13.1%. As of June 30, 2016, there were no trust fund assets.

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

(8) Other Postemployment Benefits (OPEB)

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

As of the July 1, 2014 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a gender-specific basis. Annual retirement was assumed at the rate of retirement by attained age after becoming eligible to retire and continue health coverage and termination probabilities were assumed at a modest rate for active employees while no turnover was assumed after the benefit start date.

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

(9) Compensated Absences

City employees accumulate vacation hours for subsequent use or for payment upon termination, retirement or death. Employees covered under the International Association of Firefighters contract are also eligible for compensation at normal retirement of accumulated sick leave in excess of 90 days, to a maximum payment of 60 days. Employees covered under the Marion Policeman's Protective Association contract are eligible for compensation at normal retirement of 50% of their sick leave accumulated, to a maximum of 60 days. For employees covered under the AFSCME contract, Marion Water Department employees and all other nonunion City employees, sick leave can be accumulated but is payable only when used. City employees may also accumulate compensatory hours for overtime worked to be used subsequently or paid out upon termination, retirement or death. The City's approximate maximum liability for earned compensated absences payable to employees, including related tax and fringe amounts, is as follows:

Type of Benefit	Amount 6-30-16
Primary Government	
Sick leave	$ 961,531
Vacation and personal leave	1,552,177
Compensatory time	949,788
	$ 3,463,496

The above liabilities have been computed based on rates of pay as of June 30, 2016.

(10) Conduit Debt

The City has issued a total of $18,153,515 of industrial development revenue and health care facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which $10,229,881 is outstanding as of June 30, 2016. The bonds and related interest are payable solely from revenue of applicable projects. Bond principal and interest do not constitute liabilities of the City.

(11) Employee Health Care Plan

The City self-funds for health insurance claims to a stop-loss insured amount of $30,000 per participant and a 125% aggregate stop-loss amount based on the "pure premiums" amount multiplied by the number of single and family contracts covered during the contract year. The following is a summary of claims paid during the year and an estimate of the claims incurred, but not reported as of June 30, 2016:

	Primary Government	Discretely Presented Component Unit - Marion Water Department	Total
Claims paid during the year	$ 1,657,793	$ 112,662	$ 1,770,455
Estimated claims incurred but unpaid at June 30, 2016	233,645	16,355	250,000

The City has chosen to establish a risk financing fund for risks associated with the employees' health insurance plan. The risk financing is accounted for as an internal service fund where assets are set aside for claim settlements. The cost of these benefits is charged to each department and fund based upon the number of employees whose salary is charged to the department and fund and the type of plan (single or family) chosen by the employee. Amounts charged are $517 per month single or $1,294 per month family which is an actuarially determined amount with a reasonable provision for future unexpected claims. Employees pay $50 per month for single coverage and $100 per month for family coverage. The amount charged will be adjusted over a reasonable period of time so that the internal service fund receipts and disbursements are approximately equal.

(12) Related Party Transactions

The Marion Water Department bills and collects for sewer, garbage and urban forestry services provided for the City of Marion to its residents. During the year ended June 30, 2016, the Marion Water Department collected and remitted to the City $4,901,743 for sewer, $1,723,486 for garbage service and $350,075 for urban forest. Fees paid to the Water Department by the City during the year to pay for this service totaled $111,320.

(13) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300%.

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

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2016 were $226,055.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to $350,000 per claim. Claims exceeding $350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or loss was incurred.

The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2016, no liability has been recorded in the City's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

(13) Risk Management

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

Iowa Municipalities Workers' Compensation Association

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

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

The City's premium contributions to the Association are recorded as expenditures from its operating funds at the time of payment to the risk pool. Premiums paid to the Association for the year ended June 30, 2016 were $112,004.

The Association uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. Claims exceeding $500,000 are reinsured in an amount not to exceed $1,500,000 per occurrence.

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

(14) Deficit Balances

The Special Revenue, Tax Increment Financing Fund had a deficit balance of $97,615 as of June 30, 2016. The deficit balance was the result of various costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of tax increment financing or transfers from other funds.

(15) Development Agreements

The City has entered into various development agreements to assist in certain urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction of buildings and certain improvements by the developers. Certain agreements also require the developer to certify specific employment requirements are met.

The total amount rebated during the year ended June 30, 2016 was $688,757. The estimated outstanding balance of the agreements as of June 30, 2016 was $4,757,867.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City, except for $4,757,867 which requires an annual appropriation by the City Council.

(16) Commitments and Contingencies

Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. See Note 13. Settled claims from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

Component Unit

The Water Department provides single premium health insurance coverage for a period not to exceed two years for retirees who qualify under an early separation agreement.

(17) Construction Commitments and Subsequent Events

As of June 30, 2016, the City had entered into several construction contracts and agreements to purchase equipment and supplies totaling approximately $9.9 million for various street projects, equipment and supplies.

As of June 30, 2016, the City had committed up to $6.5 million including $2 million in local option sales tax funding, in partnership with the Cedar Rapids Metro Area YMCA to building a community fitness center in Marion. The City has also pledged a total of $1.25 million in financial support for a proposed baseball and softball complex.

Management has evaluated subsequent events through January 6, 2017, the date which the financial statements were available to be issued.

Subsequent to June 30, 2016, the City entered into the following transactions:

> Approved several agreements to purchase equipment and construct capital improvements. These agreements totaled approximately $1.6 million.

(18) New Accounting Pronouncement

The City of Marion adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. The Statement sets forth guidance for determining and disclosing fair value of assets and liabilities reported in the financial statements. Adoption did not have significant impact on amounts reported or disclosed.

(19) Prior Period Restatement

During the year ended June 30, 2016, management determined that fund balances were incorrect due to capital assets being incorrectly classified when placed into service. As of June 30, 2015, capital assets were overstated by $22,037,103 in the governmental activities and understated by $22,073,589 in the business-type activities. This correction had the following effect on the net position as of June 30, 2015.

	Government-Wide Statement of Activities			Business-Type Activities - Properietary Funds			
	Governmental Activities	Business-Type Activities	Total	Sewer Rental	Storm Water Management	Sewer Rental Replacement	City Communication & Utility
Net Position - Beginning of year, as previously reported	$ 193,269,721	$ 26,141,498	$219,411,219	$ 15,270,727	$ 3,016,770	$ 4,849,779	$ 488,762
Restatement for capital asset	(22,037,103)	22,073,589	36,486	1,762,865	20,065,400	36,347	208,977
Net Position - Beginning of year, as Restated	**$ 171,232,618**	**$ 48,215,087**	**$219,447,705**	**$ 17,033,592**	**$ 23,082,170**	**$ 4,886,126**	**$ 697,739**

	Governmental Activities						
	Capital Assets Not Being Depreciated - Construction in Progress	**Capital Assets Being Depreciated - Buildings**	**Less Accumulated Depreciation for Buildings**	**Capital Assets Being Depreciated - Improvements Other Than Buildings**	**Less Accumulated Depreciation for Improvements Other Than Buildings**	**Capital Assets Being Depreciated - Equipment**	**Less Accumulated Depreciation for Equipment**
Balances - June 30, 2015, as previously reported	$ 7,308,369	$ 31,870,028	$ (6,494,048)	$130,341,403	$ (38,392,315)	$ 15,327,107	$ (7,788,245)
Restatement for capital asset	(211,727)	(1,498,724)	1,287,573	(26,515,837)	5,046,297	903,474	(1,048,158)
Balances - July 1, 2015 as Restated	**$ 7,096,642**	**$ 30,371,304**	**$ (5,206,475)**	**$103,825,566**	**$ (33,346,018)**	**$ 16,230,581**	**$ (8,836,403)**

	Business-Type Activities								
	Capital Assets Not Being Depreciated - Construction in Progress	Capital Assets Being Depreciated - Equipment	Less Accumulated Depreciation for Equipment	Capital Assets Being Depreciated - Distribution System	Accumulated Depreciation for Distribution System	Capital Assets Being Depreciated - Storm Sewer System	Less Accumulated Depreciation for Storm Sewer System	Capital Assets Being Depreciated - Communication System	Less Accumulated Depreciation for Communication System
Balances - June 30, 2015, as previously reported	$ 1,305,486	$ 3,295,809	$ (2,070,675)	$ 28,712,913	$ (14,965,112)	$ 2,216,306	$ (184,399)	$ -	$ -
Restatement for capital asset	248,074	(78,658)	12,456	(553,762)	2,342,445	27,209,946	(7,315,889)	533,558	(324,581)
Balances - July 1, 2015 as Restated	**$ 1,553,560**	**$ 3,217,151**	**$ (2,058,219)**	**$ 28,159,151**	**$ (12,622,667)**	**$ 29,426,252**	**$ (7,500,288)**	**$ 533,558**	**$ (324,581)**

Required Supplementary Information

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

Year Ended June 30, 2016

	Actual			Budgeted Amounts		Over
	Governmental Funds	Enterprise Funds	Total	Original	Final	(Under) Budget
Receipts						
Property tax	$ 19,399,038	$ —	$ 19,399,038	$ 18,636,657	$ 18,636,657	$ 762,381
Tax increment financing	2,501,263	—	2,501,263	2,399,789	2,399,789	101,474
Other city tax	5,314,730	—	5,314,730	4,474,188	4,474,188	840,542
Licenses and permits	754,161	3,125	757,286	623,200	623,200	134,086
Use of money and property	764,819	98,775	863,594	471,817	471,817	391,777
Intergovernmental	5,016,253	28,102	5,044,355	4,464,634	4,464,634	579,721
Charges for service	771,506	11,813,575	12,585,081	11,710,144	11,710,144	874,937
Special assessments	556	220	776	10,200	10,200	(9,424)
Miscellaneous	678,483	731	679,214	801,125	801,125	(121,911)
Total Receipts	**35,200,809**	**11,944,528**	**47,145,337**	**43,591,754**	**43,591,754**	**3,553,583**
Disbursements						
Public safety	9,460,495	—	9,460,495	9,689,144	10,168,644	(708,149)
Public works	3,538,400	—	3,538,400	4,117,435	5,747,435	(2,209,035)
Culture and recreation	3,647,436	—	3,647,436	4,268,258	4,663,258	(1,015,822)
Community and economic development	1,819,206	—	1,819,206	1,977,381	2,138,381	(319,175)
General government	4,776,344	—	4,776,344	4,872,231	5,287,231	(510,887)
Debt service	5,709,660	—	5,709,660	5,716,568	5,721,568	(11,908)
Capital projects	14,239,054	—	14,239,054	20,856,500	28,091,500	(13,852,446)
Business-type activities	—	9,970,241	9,970,241	11,830,642	12,187,142	(2,216,901)
Total Disbursements	**43,190,595**	**9,970,241**	**53,160,836**	**63,328,159**	**74,005,159**	**(20,844,323)**
Receipts Over (Under) Disbursements	**(7,989,786)**	**1,974,287**	**(6,015,499)**	**(19,736,405)**	**(30,413,405)**	**24,397,906**
Other Financing Sources (Uses), Net	**1,179,722**	**(1,169,751)**	**9,971**	**15,000**	**15,000**	**(5,029)**
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	**(6,810,064)**	**804,536**	**(6,005,528)**	**(19,721,405)**	**(30,398,405)**	**24,392,877**
Balances - Beginning of Year	58,690,593	10,346,016	69,036,609	50,836,774	69,036,761	(152)
Balances - End of Year	**$ 51,880,529**	**$ 11,150,552**	**$ 63,031,081**	**$ 31,115,369**	**$ 38,638,356**	**$ 24,392,725**

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation

Year Ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue	$ 35,200,809	$ 40,586	$ 35,241,395
Expenditures	43,190,595	(2,000,180)	41,190,415
Net	(7,989,786)	2,040,766	(5,949,020)
Other financing sources (uses), net	1,179,722	(3,277,768)	(2,098,046)
Beginning fund balances	58,690,593	(5,090,165)	53,600,428
Ending Fund Balances	**$ 51,880,529**	**$ (6,327,167)**	**$ 45,553,362**

	Proprietary Funds			
	Cash Basis	Adjustment for Component Unit	Accrual Adjustments	GAAP Basis
Revenue	$ 11,944,528	$ (4,428,161)	$ 1,655,640	$ 9,172,007
Expenses	9,970,241	(3,869,645)	910,097	7,010,693
Net	1,974,287	(558,516)	745,543	2,161,314
Other financing sources (uses), net	(1,169,751)	—	245,801	(923,950)
Beginning fund balances	10,346,016	(3,040,821)	40,909,892	48,215,087
Ending Fund Balances	**$ 11,150,552**	**$ (3,599,337)**	**$ 41,901,236**	**$ 49,452,451**

Notes to Required Supplementary Information - Budgetary Reporting

Year Ended June 30, 2016

The budgetary comparison is presented as required supplementary information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except for the internal service, trust fund and component units. 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 disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by $10,677,000. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements did not exceed the amounts budgeted.

Schedule of Proportionate Share of the Net Pension Liability Iowa Public Employees' Retirement System

Last Two Years*

	2016	2015
City's proportion of the net pension liability	0.0988942	0.0986825%
City's proportionate share of the net pension liability	$4,885,852	$3,913,656
City's covered-employee payroll	$6,778,000	$6,458,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.08%	60.60%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	$ 642,963	$ 605,312	$ 576,709	$ 511,969	$ 460,652	$ 391,774	$ 358,230	$ 319,179	$ 299,056	$ 264,667
Contributions in relation to the statutorily required contributions	(642,963)	(605,312)	(576,709)	(511,969)	(460,652)	(391,774)	(358,230)	(319,179)	(299,056)	(264,667)
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
City's covered-employee payroll	$ 7,200,000	$ 6,778,000	$ 6,458,000	$ 5,905,000	$ 5,715,000	$ 5,637,000	$ 5,387,000	$ 5,026,000	$ 4,943,000	$ 4,603,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

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.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

Changes of Assumptions

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

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

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

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

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

Schedule of Proportionate Share of the Net Pension Liability Municipal Fire and Police Retirement System of Iowa

Last Two Years*

	2016	2015
City's proportion of the net pension liability	1.858084%	1.839468%
City's proportionate share of the net pension liability	$8,729,543	$6,668,039
City's covered-employee payroll	$4,873,000	$4,697,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179.14%	141.96%
Plan fiduciary net position as a percentage of the total pension liability	83.04%	86.27%

* The amounts presented for each fiscal year were determined as of June 30.

Schedule of Contributions
Municipal Fire and Police Retirement System of Iowa

Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	$ 1,429,516	$ 1,481,801	$ 1,414,872	$ 1,184,641	$ 1,091,493	$ 862,844	$ 702,481	$ 742,377	$ 955,070	$ 994,639
Contributions in relation to the statutorily required contributions	(1,429,516)	(1,481,801)	(1,414,872)	(1,184,641)	(1,091,493)	(862,844)	(702,481)	(742,377)	(955,070)	(994,639)
Contribution Deficiency (Excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
City's covered-employee payroll	$ 5,148,000	$ 4,873,000	$ 4,697,000	$ 4,535,000	$ 4,408,000	$ 4,336,000	$ 4,132,000	$ 3,959,000	$ 3,748,000	$ 3,584,000
Contributions as a percentage of covered-employee payroll	27.78%	30.41%	30.12%	26.12%	24.76%	19.90%	17.00%	18.75%	25.48%	27.75%

Notes to Required Supplementary Information - Pension Liability
Municipal Fire and Police Retirement System of Iowa

Year Ended June 30, 2016

Changes of Benefit Terms
There were no significant changes of benefit terms.

Changes of Assumptions
Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

Schedule of Funding Progress for the Retiree Health Plan

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	$ —	$ 2,614,066	$ 2,614,066	0%	$ 9,119,000	28.7%
2010	7-1-08	—	2,614,066	2,614,066	0	9,543,000	27.4
2011	7-1-10	—	2,820,489	2,820,489	0	9,915,000	28.5
2012	7-1-10	—	2,904,753	2,904,753	0	10,152,000	28.6
2013	7-1-12	—	1,672,700	1,672,700	0	10,429,000	16.0
2014	7-1-12	—	1,672,700	1,672,700	0	10,858,000	15.4
2015	7-1-14	—	1,702,936	1,702,936	0	11,344,000	15.0
2016	7-1-14	—	1,605,633	1,605,633	0	12,277,000	13.1

See Note 8 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2016

	Special Revenue	Capital Projects			Permanent	
	Community Development Block Grant	Park Develop-ment	Main-tenance Bond	Subdivision Develop-ment	Cemetery Perpetual Care	Total
Assets						
Current Assets						
Cash	$ 138,012	$ 171,018	$ 317,301	$ 20,288	$ 170,366	$ 816,985
Due from other governments	35,199	—	—	—	—	35,199
Total Assets	**$ 173,211**	**$ 171,018**	**$ 317,301**	**$ 20,288**	**$ 170,366**	**$ 852,184**
Liabilities and Fund Balances						
Liabilities						
Accounts payable	**$ 68,516**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 68,516**
Fund Balances						
Nonspendable						
Cemetery perpetual care	—	—	—	—	170,366	170,366
Restricted for						
Economic development	104,695	—	—	—	—	104,695
Committed for						
Capital projects	—	—	317,301	—	—	317,301
Assigned for						
Capital projects	—	171,018	—	20,288	—	191,306
Total Fund Balances	**104,695**	**171,018**	**317,301**	**20,288**	**170,366**	**783,668**
Total Liabilities and Fund Balances	**$ 173,211**	**$ 171,018**	**$ 317,301**	**$ 20,288**	**$ 170,366**	**$ 852,184**

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

Year Ended June 30, 2016

	Special Revenue	Capital Projects			Permanent	
	Community Development Block Grant	Park Develop-ment	Main-tenance Bond	Subdivision Develop-ment	Cemetery Perpetual Care	Total
Revenue						
Use of money and property	$ 977	$ 1,033	$ 1,916	$ —	$ —	$ 3,926
Intergovernmental	49,877	—	—	7,437	4,791	62,105
Charges for service	—	—	1,132	—	—	1,132
Total Revenue	**50,854**	**1,033**	**3,048**	**7,437**	**4,791**	**67,163**
Expenditures						
Operating						
Community and economic development	**138,529**	**—**	**—**	**—**	**—**	**138,529**
Revenue Over (Under) Expenditures	**(87,675)**	**1,033**	**3,048**	**7,437**	**4,791**	**(71,366)**
Fund Balances - Beginning of Year	192,370	169,985	314,253	12,851	165,575	855,034
Fund Balances - End of Year	**$ 104,695**	**$ 171,018**	**$ 317,301**	**$ 20,288**	**$ 170,366**	**$ 783,668**

Combining Schedule of Net Position - Nonmajor Enterprise Funds

As of June 30, 2016

	Sewer Rental Replace-ment	City Communi-cation and Utility	Solid Waste	Solid Waste Replace-ment	Urban Forest Utility	Total
Assets and Deferred Outflows of Resources						
Current Assets						
Cash	$ 2,025,453	$ 475,175	$ 100	$ 402,805	$ 478,807	$ 3,382,340
Pooled investments	561,614	—	405,005	402,000	—	1,368,619
Receivables						
Unbilled usage	649	—	161,084	—	32,072	193,805
Accounts	—	—	128,474	604	23,247	152,325
Accrued interest	1,734	—	1,788	1,950	—	5,472
Interfund loan	22,315	—	—	—	—	22,315
Total Current Assets	**2,611,765**	**475,175**	**696,451**	**807,359**	**534,126**	**5,124,876**
Noncurrent Assets						
Interfund loan	527,685	—	200,000	—	—	727,685
Capital assets, net of accumulated depreciation	1,208,355	155,621	1,047,857	—	—	2,411,833
Total Noncurrent Assets	**1,736,040**	**155,621**	**1,247,857**	**—**	**—**	**3,139,518**
Total Assets	**4,347,805**	**630,796**	**1,944,308**	**807,359**	**534,126**	**8,264,394**
Deferred Outflows of Resources						
Pension-related deferred outflows	**—**	**—**	**107,743**	**—**	**8,044**	**115,787**
Total Assets and Deferred Outflows of Resources	**$ 4,347,805**	**$ 630,796**	**$ 2,052,051**	**$ 807,359**	**$ 542,170**	**$ 8,380,181**
Liabilities, Deferred Inflows of Resources and Net Position						
Current Liabilities						
Accounts payable	$ 32,914	$ 100	$ 62,261	$ —	$ 8,385	$ 103,660
Salaries and benefits payable	—	—	43,662	—	7,193	50,855
Total Current Liabilities	**32,914**	**100**	**105,923**	**—**	**15,578**	**154,515**
Net pension liability	**—**	**—**	**483,318**	**—**	**37,516**	**520,834**
Total Liabilities	**32,914**	**100**	**589,241**	**—**	**53,094**	**675,349**
Deferred Inflows of Resources						
Pension-related deferred inflows	**—**	**—**	**39,954**	**—**	**1,263**	**41,217**
Net Position						
Net investment in capital assets	1,208,355	155,621	1,047,857	—	—	2,411,833
Unrestricted	3,106,536	475,075	374,999	807,359	487,813	5,251,782
Total Net Position	**4,314,891**	**630,696**	**1,422,856**	**807,359**	**487,813**	**7,663,615**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 4,347,805**	**$ 630,796**	**$ 2,052,051**	**$ 807,359**	**$ 542,170**	**$ 8,380,181**

Combining Schedule of Revenue, Expenses and Changes in Fund Net Position - Nonmajor Enterprise Funds

Year Ended June 30, 2016

	Sewer Rental Replacement	City Communication and Utility	Solid Waste	Solid Waste Replacement	Urban Forest Utility	Total
Operating Revenue						
Licenses and permits	$ —	$ —	$ 1,950	$ —	$ —	$ 1,950
Charges for service	398,694	9,564	1,652,593	260,727	354,578	2,676,156
Miscellaneous	—	—	320	—	—	320
Total Operating Revenue	**398,694**	**9,564**	**1,654,863**	**260,727**	**354,578**	**2,678,426**
Operating Expenses						
Personal services	—	—	880,310	—	79,316	959,626
Services and commodities	—	26,256	543,863	35,629	103,368	709,116
Depreciation	—	53,356	188,435	—	—	241,791
Total Operating Expenses	**—**	**79,612**	**1,612,608**	**35,629**	**182,684**	**1,910,533**
Income (Loss) From Operations	**398,694**	**(70,048)**	**42,255**	**225,098**	**171,894**	**767,893**
Nonoperating Revenue						
Intergovernmental	—	—	46	—	1,560	1,606
Investment income	35,297	3,005	20,155	23,752	2,643	84,852
Total Nonoperating Revenue	**35,297**	**3,005**	**20,201**	**23,752**	**4,203**	**86,458**
Income (Loss) Before Transfers Out	**433,991**	**(67,043)**	**62,456**	**248,850**	**176,097**	**854,351**
Transfers Out	**(1,005,226)**	**—**	**(228,979)**	**—**	**(55,856)**	**(1,290,061)**
Change in Net Position	**(571,235)**	**(67,043)**	**(166,523)**	**248,850**	**120,241**	**(435,710)**
Net Position - Beginning of Year, as restated (Note 19)	4,886,126	697,739	1,589,379	558,509	367,572	8,099,325
Net Position - End of Year	**$ 4,314,891**	**$ 630,696**	**$ 1,422,856**	**$ 807,359**	**$ 487,813**	**$ 7,663,615**

Combining Schedule of Cash Flows - Nonmajor Enterprise Funds

Year Ended June 30, 2016

	Sewer Rental Replace-ment	City Communi-cation and Utility	Solid Waste	Solid Waste Replace-ment	Urban Forest Utility	Total
Cash Flows From Operating Activities						
Cash received from customers and users	$ 398,467	$ 37,435	$ 1,642,303	$ 260,520	$ 352,630	$ 2,691,355
Cash paid to employees for services	—	—	(891,443)	—	(76,046)	(967,489)
Cash paid to suppliers for goods and services	(5,479)	(26,789)	(589,587)	(35,629)	(104,311)	(761,795)
Net Cash Provided by Operating Activities	**392,988**	**10,646**	**161,273**	**224,891**	**172,273**	**962,071**
Cash Flows From Noncapital Financing Activities						
Net transfers	(1,005,226)	—	(228,979)	(45,000)	(55,856)	(1,335,061)
State and federal grants received	—	—	391	—	1,560	1,951
Increase in due to other funds	—	—	16,734	—	—	16,734
Net Cash Used in Noncapital Financing Activities	**(1,005,226)**	**—**	**(211,854)**	**(45,000)**	**(54,296)**	**(1,316,376)**
Cash Flows From Capital and Related Financing Activities						
Increase in interfund loan	(300,000)	—	—	—	—	(300,000)
Acquisition of capital assets	(200,320)	—	(19,967)	—	—	(220,287)
Disposal of capital assets	205,316	—	—	—	—	205,316
Net Cash Used in Capital and Related Financing Activities	**(295,004)**	**—**	**(19,967)**	**—**	**—**	**(314,971)**
Cash Flows From Investing Activities						
Interest on investments	37,712	3,005	22,006	25,772	2,643	91,138
Sale of investments	68,331	—	—	—	—	68,331
Net Cash Provided by Investing Activities	**106,043**	**3,005**	**22,006**	**25,772**	**2,643**	**159,469**
Net Increase (Decrease) in Cash	**(801,199)**	**13,651**	**(48,542)**	**205,663**	**120,620**	**(509,807)**
Cash - Beginning of Year	2,826,652	461,524	48,642	197,142	358,187	3,892,147
Cash - End of Year	**$ 2,025,453**	**$ 475,175**	**$ 100**	**$ 402,805**	**$ 478,807**	**$ 3,382,340**
Reconciliation of Income (Loss) From Operations to Net Cash Provided by Operating Activities						
Income (loss) from operations	$ 398,694	($ 16,692)	$ 42,255	$ 225,098	$ 171,894	$ 821,249
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by Operating Activities						
Depreciation	—	—	188,435	—	—	188,435
Change in Assets and Liabilities						
(Increase) decrease in receivables	(227)	27,871	(12,560)	(207)	(1,948)	12,929
Increase in deferred outflows of resources	—	—	(1,620)	—	(147)	(1,767)
Decrease in payables	(5,479)	(533)	(45,724)	—	(943)	(52,679)
Increase in salaries and benefits payable	—	—	4,118	—	4,649	8,767
Increase in net pension liability	—	—	94,692	—	8,555	103,247
Decrease in deferred inflows of resources	—	—	(108,323)	—	(9,787)	(118,110)
Net Cash Provided by Operating Activities	**$ 392,988**	**$ 10,646**	**$ 161,273**	**$ 224,891**	**$ 172,273**	**$ 962,071**

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

Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue										
Property tax	$ 19,390,867	$ 18,279,551	$ 17,400,856	$ 16,925,535	$ 16,298,027	$ 15,638,561	$ 14,857,708	$ 14,436,527	$ 12,820,700	$ 12,512,678
Tax increment financing and other city tax	3,131,594	2,374,264	6,411,541	6,506,192	5,386,752	5,238,300	4,531,109	925,485	856,874	822,768
Licenses and permits	732,894	680,770	546,547	512,372	502,751	573,802	541,439	542,547	532,826	528,180
Use of money and property	578,032	546,900	524,526	641,024	657,236	658,559	715,090	874,905	1,135,512	1,198,796
Intergovernmental	10,065,390	8,389,101	5,209,702	4,906,177	5,024,346	7,951,255	5,677,970	3,693,796	3,752,935	2,943,735
Charges for service	1,180,883	1,131,847	1,014,752	747,635	842,441	808,083	432,527	408,310	367,322	394,383
Special assessments	556	11,754	12,159	17,085	13,910	18,069	19,323	21,446	22,848	23,716
Miscellaneous	161,179	486,160	14,973	10,815	244,913	53,871	365,070	318,639	377,097	287,072
Total Revenue	**$ 35,241,395**	**$ 31,900,347**	**$ 31,135,056**	**$ 30,266,835**	**$ 28,970,376**	**$ 30,940,500**	**$ 27,140,236**	**$ 21,221,655**	**$ 19,866,114**	**$ 18,711,328**
Expenditures										
Operating										
Public safety	$ 9,480,056	$ 9,628,508	$ 9,241,883	$ 8,632,337	$ 8,199,484	$ 7,989,669	$ 7,907,480	$ 7,225,455	$ 7,443,939	$ 6,870,973
Public works	3,321,888	3,591,277	3,168,323	2,697,064	3,383,641	3,177,611	3,206,090	2,988,781	2,969,549	2,563,142
Culture and recreation	3,822,840	3,861,382	3,879,457	3,477,272	3,349,677	3,375,571	3,304,388	3,025,885	2,854,777	2,612,677
Community and economic development	1,962,244	2,242,743	2,515,424	1,832,185	1,819,707	1,566,522	1,631,865	1,784,298	1,319,293	1,437,522
General government	2,263,973	2,310,282	1,976,493	1,670,946	1,876,773	1,720,425	1,784,151	1,660,215	1,494,061	1,776,781
Debt service	5,764,400	6,261,762	3,965,993	6,257,258	3,390,626	3,110,244	2,715,648	3,761,247	4,106,061	1,853,090
Capital projects	14,575,014	16,847,966	18,176,800	10,727,089	12,198,330	11,862,997	4,853,756	5,540,965	2,380,396	4,209,427
Total Expenditures	**$ 41,190,415**	**$ 44,743,920**	**$ 42,924,373**	**$ 35,294,151**	**$ 34,218,238**	**$ 32,803,039**	**$ 25,403,378**	**$ 25,986,846**	**$ 22,568,076**	**$ 21,323,612**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Grantor's Number	Federal Program/ Cluster Expenditures
U.S. Department of Housing and Urban Development			
Indirect			
Pass-Through Iowa Economic Development Authority			
Community Development Block Grants/ States Program and Non-Entitlement Grants in Hawaii	14.228	14-DTR-002	$ 135,242
U.S. Department of Justice			
Direct			
Law Enforcement Assistance - Narcotics and Dangerous Drugs Training	16.004		18,546
U.S. Department of Transportation			
Indirect			
Pass-Through Iowa Department of Transportation			
Transit Cluster			
Highway Planning and Construction	20.205	TAP-U-4775(628)-8I-57	29,996
Highway Planning and Construction	20.205	STP-A-4775(627)-86-57	561,526
			591,522
Pass-Through From Iowa Department of Public Safety			
State and Community Highway Safety	20.600	Various	22,035
Total U.S. Department of Transportation			613,557
U.S. Department of Homeland Security			
Direct			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4187-IA	15,103
Total Expenditures of Federal Awards			$ 782,448

Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Marion under programs of the federal government for the year ended June 30, 2016. 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 of Marion, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Marion.

Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Marion has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Subrecipients

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

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

To the Honorable Mayor and
Members of the City Council
City of Marion, 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, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Marion, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 6, 2017.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Marion's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 16-II-R-1, 16-II-R-2 and 16-II-R-3 to be material weaknesses.

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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. We consider the deficiencies described in Part II of the accompanying schedule of findings and questioned costs as items 16-II-R-4 and 16-II-R-5 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Marion’s financial statements are free of 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*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City’s operations for the year ended June 30, 2016 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.

City of Marion’s Responses to Findings

The City of Marion's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Marion’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

Hogan - Hansen

HOGAN - HANSEN

Cedar Rapids, Iowa
January 6, 2017

Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program
We have audited the City of Marion's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2016. The City of Marion's major federal program is identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal program.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the City of Marion's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Marion'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 the major federal program. However, our audit does not provide a legal determination on the City of Marion's compliance with those requirements.

Opinion on the Major Federal Program
In our opinion, the City of Marion complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The management of the City of Marion 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 the City of Marion'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 our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Marion'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 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. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in Part III of the accompanying schedule of findings and questioned costs as item 16-III-IC-1 that we consider to be material weaknesses.

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

The purpose of this report on internal control over compliance, a public record by law, 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.

Hogan - Hansen

HOGAN - HANSEN

Cedar Rapids, Iowa
January 6, 2017

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Part I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	X yes	___ no
Significant deficiency identified not considered to be material weaknesses?	X yes	___ no
Noncompliance material to financial statements noted?	__ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness identified?	X yes	___ no
Significant deficiency identified not considered to be material weakness?	__ yes	X 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 Section .510(a) of the Uniform Guidance?	X yes	___ no

Identification of major program:

CFDA Numbers or Cluster	**Name of Federal Program**
Transit Cluster	
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	__ yes	X no

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

16-II-R-1 Segregation of Duties

Prior Year Finding and Recommendation - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that incompatible duties are being performed by the same person. We realize that with a limited number of employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances and to assure that appropriate controls are in place or implemented. The potential effect of this material weakness is an error occurring or fraudulent activity being committed and not detected.

Current Year Finding - We found that the same condition still exists.

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

City's Response - The City is aware of the lack of segregation of duties and has considered alternatives to improve this situation.

Auditor's Conclusion - Response accepted.

16-II-R-2 Financial Statement Preparation

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

Current Year Finding - We found that the same condition still exists.

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

City's Response - The City will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

Auditor's Conclusion - Response accepted.

16-II-R-3 Asset Capitalization

Prior Year Finding and Recommendation - The City does not have a system of internal controls that can identify assets that should be capitalized in accordance with the City's policy. The potential effect of this material weakness is assets not being capitalized. The City should review expenditures/expenses to ensure that assets over the capitalization threshold are properly recorded.

Current Year Finding - We found the same condition still exists.

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

City's Response - The City is reviewing its capitalization procedures to better identify when assets can be capitalized.

Auditor's Conclusion - Response accepted.

16-II-R-4 Collected Rates

Auditor's Finding - During our testing of utility billings, specifically garbage, we noted an elderly resident was charged a preferential rate which is not allowable under Section 388.6 of the Code of Iowa. We also noted preferential rates for low-income and totally disabled residents which is not allowable under Section 388.6 of the Code of Iowa.

Auditor's Recommendation - We recommend that the City revise its rates to eliminate discriminatory rates. The potential effect of this significant deficiency is violation of Section 388.6 of the Code of Iowa.

City's Response - The City has eliminated the elderly rate discount effective January 1, 2017 and the City is waiting for the League of Cities' review of the low-income and totally disabled reduced rates before they eliminate this practice, but they will consider eliminating these rates as well to not be in violation of State Code.

Auditor's Conclusion - Response accepted.

16-II-R-5 Road Use Tax Funds

Auditor's Finding - During our testing, we noted exercise equipment was purchased with road use tax funds. Section 312.6 of the Iowa Code, limits road use tax funds to be used only for purposes relating to the construction, maintenance and supervision of public streets. The potential effect of this significant deficiency is possible misuse of road use tax funds.

Auditor's Recommendation - The City should review all expenditures from the Road Use Tax Fund before paid to determine that the expenditure is allowed under the Iowa Code.

City's Response - The City will review all expenditures from the Road Use Tax Fund before they are paid to determine that they are allowed under the Iowa Code.

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

All programs displayed on the schedule of expenditures of federal awards.

16-III-IC-1 (2016-001) **Segregation of Duties Over Federal Revenue and Expenditures**
Adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 16-II-R-1 for additional information.

Part IV: Findings Related to Statutory Reporting

16-IV-A **Certified Budget** - Disbursements during the year ended June 30, 2016 did not exceed the amounts in the amended budget.

16-IV-B **Questionable Expenditures** - Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Wal-Mart	Training event	$ 197
Hy-Vee	Snacks and refreshments for meeting	38
Hy-Vee	Strategic planning meeting and a funeral plant	198
VISA	Staff meeting	17
VISA	Health meeting	78
Various restaurants	Meal expenses of the City Manager and department heads	188

According to an Attorney General's opinion, it is possible for such expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Auditor's Recommendation - The City Council should determine and document the public purpose served by these expenditures before authorizing any further payments.

City's Response - The City Council has reviewed these types of expenditures and feels that they do serve a public purpose and have passed policies addressing these for staff to follow.

Auditor's Conclusion - Response accepted.

16-IV-C **Travel Expense** - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

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

16-IV-E **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

16-IV-F **City Council Minutes** - No transactions were found that we believe should have been approved in the City Council minutes but were not.

16-IV-G **Deposits and Investments** - We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.

16-IV-H **Tax Increment Financing** - The City’s tax increment financing (TIF) certification required by Chapter 403 of the Code of Iowa and filed in November, 2015 certified only debt payments required in fiscal year 2016 rather than the actual debt incurred. Certifications should certify actual indebtedness.

Auditor’s Recommendation - The City should follow Iowa Code Chapter 403.19 in completing the annual TIF certification to the County Auditor.

City’s Response - Because many of our TIF parcels are based on rebate agreements and not a fixed debt amount, it is difficult to calculate future rebate amounts with changing assessed valuation numbers and tax levies; therefore, when filing the report, we ask for enough revenue to satisfy the following year’s known debt. The filings have been discussed with the County and they feel the current method is acceptable.

Auditor’s Conclusion - Response accepted.

16-IV-I **Annual Urban Renewal Report** - The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1. However, during our testing, we noted that the annual urban renewal report ending cash did not reconcile to the audit report and TIF debt outstanding was not reported correctly.

Auditor’s Recommendation - The City should reconcile the data back to the audit report. The annual urban renewal report should be reviewed to ensure that errors are caught before filing.

City’s Response - The City will review procedures to ensure that the ending cash balance of the annual urban renewal report reconciles to the audit report and that outstanding TIF debt is reported correctly.

Auditor’s Conclusion - Response accepted.

16-IV-J **Deficit Fund Balance** - The City reported a $97,615 deficit Tax Increment Financing Fund balance as of June 30, 2016.

Auditor's Recommendation - The City should continue to monitor this fund and investigate alternatives to eliminate this deficit.

City's Response - We will continue to monitor this fund and are working on ways to eliminate this deficit.

Auditor's Conclusion - Response accepted.

APPENDIX E

BOOK-ENTRY SYSTEM

The information in this Appendix concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC. Neither the Underwriter nor the Issuer take responsibility for the accuracy or completeness thereof, or for any material changes in such information subsequent to the date hereof, or for any information provided at the web sites referenced below. Beneficial Owners should confirm the following with DTC or the Direct Participants (as hereinafter defined). So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references in the Official Statement to the Bondowners or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

Book-Entry System

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Trustee, on any payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer does not take any responsibility for the accuracy thereof.