

**CITY OF MARION, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Table of Contents

Officials	1
Independent Auditor's Report	2-4
Management's Discussion and Analysis (MD&A)	5-12
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	13-14
Statement of Activities.....	15
Governmental Fund Financial Statements	
Balance Sheet.....	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	17
Statement of Revenue, Expenditures and Changes in Fund Balances.....	18
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	19-20
Proprietary Fund Financial Statements	
Statement of Net Position	21
Statement of Revenue, Expenses and Changes in Fund Net Position	22
Statement of Cash Flows	23
Notes to the Financial Statements	24-56
Required Supplementary Information	
Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget to Actual (Cash Basis) - Governmental Funds and Proprietary Funds.....	57
Schedule of Budgetary Comparison - Budget to GAAP Reconciliation	58
Notes to Required Supplementary Information - Budgetary Reporting.....	59
Schedule of Proportionate Share of the Net Pension Liability - Iowa Public Employees' Retirement System	60
Schedule of Contributions - Iowa Public Employees' Retirement System	61
Notes to Required Supplementary Information - Pension Liability - Iowa Public Employees' Retirement System	62
Schedule of Proportionate Share of the Net Pension Liability - Municipal Fire and Police Retirement System of Iowa.....	63
Schedule of Contributions - Municipal Fire and Police Retirement System of Iowa.....	64
Notes to Required Supplementary Information - Pension Liability - Municipal Fire and Police Retirement System of Iowa.....	65
Schedule of Changes in the City's Total OPEB Liability, Related Ratios and Notes.....	66
Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	67
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances	68
Nonmajor Enterprise Funds	
Combining Schedule of Net Position	69
Combining Schedule of Revenue, Expenses and Changes in Fund Net Position.....	70
Combining Schedule of Cash Flows.....	71
Schedule of Revenue by Source and Expenditures by Function - All Governmental Funds.....	72
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	73-74
Schedule of Findings and Questioned Costs	75-77

Officials

Name	Title	Term Expires
Elected Officials		
Nicolas AbouAssaly Kim Etzel	Mayor Council Member - First Ward (resigned September 30, 2018)	December 31, 2019
Colette Atkins Steve Jensen	Council Member - First Ward (October 26, 2018) Council Member - Second Ward	December 31, 2019 December 31, 2021
Will Brandt Rene Gadelha	Council Member - Third Ward Council Member - Fourth Ward	December 31, 2019 December 31, 2021
Randy Strnad Paul Draper	Council Member - At-Large Council Member - At-Large	December 31, 2021 December 31, 2019
Appointed Officials		
Lon Pluckhahn Wesley A. Nelson Lianne Cairy	City Manager Finance Director/City Clerk (retired February 1, 2019) Finance Director (February 4, 2019)/City Treasurer (December 6, 2018)	Indefinite Indefinite
Anne Kruse Tom Treharne Joseph McHale Chad Nott	City Attorney Community Development Director Chief of Police (resigned June 3, 2019) Interim Police Chief	Indefinite Indefinite Civil Service Civil Service
Michael Barkalow Deb Krebill Elsworth Carman	City Engineer Fire Chief Director of Administrative Services (resigned December 28, 2018)	Indefinite Civil Service
Mike Carolan Hollie Trenary Ryan Miller Gregory O. Hapgood	Director of Parks and Recreation Library Director (December 12, 2018) Public Services Director Marion Municipal Water Department - Trustee - 2018 Chairperson	Indefinite Indefinite Indefinite December 31, 2022
William A. King	Marion Municipal Water Department - Trustee - 2019 Chairperson	December 31, 2020
John D. McIntosh Mary Ann McComas John C. Bender Todd Steigerwaldt	Marion Municipal Water Department - Trustee Marion Municipal Water Department - Trustee Marion Municipal Water Department - Trustee Marion Municipal Water Department - General Manager	December 31, 2023 December 31, 2024 December 31, 2021 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, 2019, and the related notes to the financial statements which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2019, 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 changes in the City's total OPEB liability, related ratios and notes on pages 5 through 12 and 57 through 66 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, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included on pages 67 through 72, 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.

To the Honorable Mayor and
Members of the City Council
City of Marion, Iowa
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 7, 2020 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 7, 2020

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, 2019. 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, 2019 by \$187.6 million (net position).

The City's net position for governmental activities increased by \$4.4 million.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7.4 million, or 33.6%, 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 increased by \$14,945,000.

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 the schedule of changes in the City's total OPEB liability, related ratios and notes.

Supplementary information provides detailed information about the nonmajor governmental and enterprise funds.

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.

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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 90,825	\$ 78,813	\$ 10,177	\$ 9,570	\$ 101,002	\$ 88,383
Capital assets	<u>207,903</u>	<u>205,830</u>	<u>47,813</u>	<u>46,990</u>	<u>255,716</u>	<u>252,820</u>
Total Assets	<u>298,728</u>	<u>284,643</u>	<u>57,990</u>	<u>56,560</u>	<u>356,718</u>	<u>341,203</u>
Deferred Outflows of Resources	<u>5,646</u>	<u>5,874</u>	<u>521</u>	<u>592</u>	<u>6,167</u>	<u>6,466</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 304,374</u>	<u>\$ 290,517</u>	<u>\$ 58,511</u>	<u>\$ 57,152</u>	<u>\$ 362,885</u>	<u>\$ 347,669</u>
Long-term liabilities	\$ 82,117	\$ 74,480	\$ 1,635	\$ 1,708	\$ 83,752	\$ 76,188
Other liabilities	<u>7,288</u>	<u>7,008</u>	<u>218</u>	<u>231</u>	<u>7,506</u>	<u>7,239</u>
Total Liabilities	<u>89,405</u>	<u>81,488</u>	<u>1,853</u>	<u>1,939</u>	<u>91,258</u>	<u>83,427</u>
Deferred Inflows of Resources	<u>27,404</u>	<u>25,901</u>	<u>88</u>	<u>33</u>	<u>27,492</u>	<u>25,934</u>
Net Position						
Net investment in capital assets	143,642	149,825	47,813	46,990	191,455	196,815
Restricted	45,269	34,922	—	—	45,269	34,922
Unrestricted	<u>(1,346)</u>	<u>(1,619)</u>	<u>8,757</u>	<u>8,190</u>	<u>7,411</u>	<u>6,571</u>
Total Net Position	<u>187,565</u>	<u>183,128</u>	<u>56,570</u>	<u>55,180</u>	<u>244,135</u>	<u>238,308</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 304,374</u>	<u>\$ 290,517</u>	<u>\$ 58,511</u>	<u>\$ 57,152</u>	<u>\$ 362,885</u>	<u>\$ 347,669</u>

Net position of governmental activities increased approximately \$4.4 million for the fiscal year 2019. Net position of business-type activities increased approximately \$1.4 million for the fiscal year 2019. 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 (\$1.3) million as of the end of this year for governmental activities and \$8.8 million for business-type activities. The deficit in unrestricted net position for 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 Government	
	2019	2018	2019	2018	2019	2018
Revenue						
Program Revenue						
Charges for service	\$ 2,042	\$ 1,809	\$ 8,419	\$ 8,167	\$ 10,461	\$ 9,976
Operating grants and contributions	1,020	897	25	21	1,045	918
Capital grants and contributions	1,430	1,890	1,057	1,178	2,487	3,068
General Revenue						
Property tax and tax increment financing	26,391	24,406	—	—	26,391	24,406
Other city tax and special assessments	5,465	5,231	—	—	5,465	5,231
Local option sales tax	4,916	4,889	—	—	4,916	4,889
Unrestricted investment earnings	1,544	1,065	248	206	1,792	1,271
Miscellaneous	88	100	—	—	88	100
Gain on disposal of capital assets	1,111	108	—	—	1,111	108
Total Revenue	<u>44,007</u>	<u>40,395</u>	<u>9,749</u>	<u>9,572</u>	<u>53,756</u>	<u>49,967</u>
Program Expenses						
Public safety	15,137	13,764	—	—	15,137	13,764
Public works	11,358	9,632	—	—	11,358	9,632
Culture and recreation	7,000	4,749	—	—	7,000	4,749
Community and economic development	2,334	1,994	—	—	2,334	1,994
General government	2,263	2,258	—	—	2,263	2,258
Interest and fiscal charges on long-term debt	1,596	1,462	—	—	1,596	1,462
Sewer	—	—	5,694	6,193	5,694	6,193
Solid waste	—	—	2,166	2,037	2,166	2,037
City communication and utility	—	—	59	102	59	102
Urban forest	—	—	322	298	322	298
Total Expenses	<u>39,688</u>	<u>33,859</u>	<u>8,241</u>	<u>8,630</u>	<u>47,929</u>	<u>42,489</u>
Transfers	<u>118</u>	<u>(4,337)</u>	<u>(118)</u>	<u>4,337</u>	<u>—</u>	<u>—</u>
Change in Net Position	4,437	2,199	1,390	5,279	5,827	7,478
Net Position - Beginning of Year	<u>183,128</u>	<u>180,929</u>	<u>55,180</u>	<u>49,901</u>	<u>238,308</u>	<u>230,830</u>
Net Position - End of Year	<u>\$ 187,565</u>	<u>\$ 183,128</u>	<u>\$ 56,570</u>	<u>\$ 55,180</u>	<u>\$ 244,135</u>	<u>\$ 238,308</u>

Governmental Activities

Charges for service make up 4.6% of governmental revenue. Operating and capital grants and contributions, primarily for street projects and building improvement projects, make up another 5.6% 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 86.4% of total revenue. Investment income accounts for an additional 2.5% 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 \$57,987,589 which is an increase from the \$46,876,868 total fund balance as of June 30, 2018. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

The General Fund prior year fund balance of \$11,088,905 increased to \$11,739,080. Revenue increased 5.8% over the prior year to \$16,990,555 and expenditures increased 3.7% to \$22,133,471. Net other financing sources totaled \$5,793,091.

The Special Revenue, Road Use Tax Fund is used to account for the maintenance of the City's infrastructure. This fund ended fiscal year 2019 with a balance of \$9,843,813, compared to the prior year ending balance of \$8,347,697.

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 from \$230,058 as of June 30, 2018 to \$224,530 as of June 30, 2019.

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 2019 with a \$2,209,432 balance compared to the prior year ending fund balance of \$8,979,354. Local option sales tax revenue increased \$26,500 from \$4,889,335 as of June 30, 2018 to \$4,915,835 as of June 30, 2019.

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 2019 with a \$939,281 balance compared to the prior year ending balance of \$384,179.

The Debt Service Fund ended fiscal year 2019 with a \$1,672,551 balance compared to the prior year ending balance of \$1,010,915. Property tax revenue decreased \$99,827 from \$3,624,782 as of June 30, 2018 to \$3,524,955 as of June 30, 2019, while bond principal and interest payments increased \$5,329,229 from \$10,064,632 as of June 30, 2018 to \$15,393,861 as of June 30, 2019.

The Capital Projects Fund ended fiscal year 2019 with a \$30,263,483 balance compared to the prior year ending balance of \$15,855,021.

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 2019 with a net position balance of \$21,523,121 compared to the prior year ending net position balance of \$21,316,096.

The Enterprise, Storm Water Management Fund, which accounts for the operation and maintenance of the City's storm water management system, ended fiscal year 2019 with a \$26,908,708 net position balance compared to the prior year ending net position balance of \$26,133,352.

Budgetary Highlights

Over the course of the year, the City amended its budget one time. The budgeted disbursements were increased due to refinancing long-term bonds, equipment replacement, building repairs and maintenance, retirement payouts, staffing realignment, software purchases, TIF project expenses, additional legal fees and capital purchases, etc.

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 \$207,902,681 (net of accumulated depreciation) as of June 30, 2019. Capital assets for business-type activities totaled \$47,812,904 (net of accumulated depreciation) as of June 30, 2019. See Note 3 to the financial statements for more information about the City's capital assets.

Construction in progress as of June 30, 2019 consists primarily of street projects and sewer projects.

Long-Term Debt

As of June 30, 2019, the City had \$58,245,000 of outstanding general obligation bonds 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 \$139 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 2.8%, which is the same as it was the previous year and less than the national unemployment rate of 3.7%.

Retail sales are also reported on a fiscal year, July 1 to June 30, basis. For fiscal year 2018, retail sales for Marion were \$374.6 million and \$3.9 billion for Linn County. For fiscal year 2017, retail sales were \$371.2 million for Marion and \$3.9 billion for Linn County.

The total value of building permits for fiscal year 2019 was approximately \$67.7 million, which is down from the fiscal year 2018 amount of \$71.8 million.

NEXT YEAR'S BUDGET AND RATES

The adopted fiscal year 2019-2020 budget calls for an increase in tax receipts of 5.8% 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 2.6% overall increase in collections is budgeted.

Fees are also expected to start the transition from a base fee/usage billing system to a consumption-based system starting in fiscal year 2018-2019. 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 total City tax levy rate is 14.22338 per taxable valuation for fiscal year 2019-2020 and fiscal year 2018-2019. Net taxable valuation for fiscal year 2019-2020 is \$1,633.8 million, which was an increase of \$88.3 million from the fiscal year 2018-2019 level which was \$1,545.4 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, 2019

	Primary Government			Component Unit			
	Governmental Activities	Business-Type Activities	Total	Water	Friends	Parks	Fire
Assets and Deferred Outflows of Resources							
Assets							
Cash.....	\$ 46,859,322	\$ 6,497,130	\$ 53,356,452	\$ 5,329,497	\$ 162,080	\$ 63,573	\$ 4,726
Pooled investments	16,243,384	1,727,156	17,970,540	—	1,015,347	—	386,048
Receivables							
Property Tax and Tax Increment Financing, Net of Allowance							
Current year delinquent.....	163,349	—	163,349	—	—	—	—
Succeeding year	26,880,595	—	26,880,595	—	—	—	—
Unbilled usage	—	810,011	810,011	432,102	—	—	—
Accounts	128,190	455,236	583,426	275,027	—	—	—
Accrued interest	34,426	5,135	39,561	—	—	—	—
Other.....	261,175	—	261,175	—	—	—	—
Due from other governments	941,427	5,050	946,477	—	—	—	—
Internal loans - portion due within one year	(390,778)	184,557	(206,221)	—	—	—	—
Inventories.....	159,820	—	159,820	256,813	—	—	200
Internal loans - portion due after one year	(455,050)	492,771	37,721	—	—	—	—
Restricted Assets							
Cash and investments.....	—	—	—	176,059	526,992	—	707,187
Capital assets, net of accumulated depreciation.....	207,902,681	47,812,904	255,715,585	25,679,462	—	—	—
Total Assets	298,728,541	57,989,950	356,718,491	32,148,960	1,704,419	63,573	1,098,161
Deferred Outflows of Resources							
Pension-related deferred outflows	5,645,719	521,235	6,166,954	255,241	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 304,374,260	\$ 58,511,185	\$ 362,885,445	\$ 32,404,201	\$ 1,704,419	\$ 63,573	\$ 1,098,161

Statement of Net Position

As of June 30, 2019

	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	\$ 1,753,460	\$ 164,699	\$ 1,918,159	\$ 1,043,193	\$ —	\$ —	\$ —
Accrued interest payable	137,047	—	137,047	3,110	—	—	—
Salaries and benefits payable	436,477	27,082	463,559	35,867	—	—	—
Self-insured estimated claims	265,970	—	265,970	18,470	—	—	—
Payable from restricted assets	—	—	—	176,059	—	—	—
Long-Term Liabilities							
Portion Due Within One Year							
General obligation bonds	3,900,000	—	3,900,000	—	—	—	—
Tax increment revenue bonds	259,726	—	259,726	—	—	—	—
Unamortized premium on general obligation notes	134,618	—	134,618	—	—	—	—
Capital lease	365,000	—	365,000	—	—	—	—
Compensated absences	10,244	26,029	36,273	89,455	—	—	—
Nonbonded indebtedness	24,989	—	24,989	—	—	—	—
Early separation plan liability	—	—	—	9,059	—	—	—
SRF loan	—	—	—	135,000	—	—	—
Portion Due or Payable After One Year							
General obligation bonds	54,345,000	—	54,345,000	—	—	—	—
Tax increment revenue bonds	3,844,402	—	3,844,402	—	—	—	—
Unamortized premium on general obligation notes	1,272,299	—	1,272,299	—	—	—	—
Compensated absences	4,257,620	—	4,257,620	—	—	—	—
Nonbonded indebtedness	114,357	—	114,357	—	—	—	—
SRF loan	—	—	—	1,805,000	—	—	—
Net pension liability	17,136,891	1,634,986	18,771,877	836,047	—	—	—
Total OPEB liability	1,146,459	—	1,146,459	110,499	—	—	—
Total Liabilities	89,404,559	1,852,796	91,257,355	4,261,759	—	—	—
Deferred Inflows of Resources							
Unavailable Revenue							
Succeeding year property tax and tax increment financing	26,880,595	—	26,880,595	—	—	—	—
Pension-related deferred inflows	523,871	88,251	612,122	58,029	—	—	—
OPEB-related deferred inflows	—	—	—	477	—	—	—
Total Deferred Inflows of Resources	27,404,466	88,251	27,492,717	58,506	—	—	—
Net Position							
Net investment in capital assets	143,642,290	47,812,904	191,455,194	23,739,462	—	—	—
Restricted for							
Cemetery perpetual care	189,574	—	189,574	—	—	—	—
Benefits	224,530	—	224,530	—	—	—	—
Debt service	1,535,504	—	1,535,504	—	—	—	—
Capital projects	30,263,483	—	30,263,483	—	—	—	—
Streets	9,843,813	—	9,843,813	—	—	—	—
Economic development	62,817	—	62,817	—	—	—	—
Other purposes	3,149,387	—	3,149,387	—	—	—	—
Unrestricted	(1,346,163)	8,757,234	7,411,071	4,344,474	1,704,419	63,573	1,098,161
Total Net Position	187,565,235	56,570,138	244,135,373	28,083,936	1,704,419	63,573	1,098,161
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 304,374,260	\$ 58,511,185	\$ 362,885,445	\$ 32,404,201	\$ 1,704,419	\$ 63,573	\$ 1,098,161

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Position			Component Unit			
		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	\$ 15,137,471	\$ 156,165	\$ 276,661	\$ —	\$ (14,704,645)	\$ —	\$ (14,704,645)	\$ —	\$ —	\$ —	\$ —
Public works.....	11,358,111	17,435	1,218	1,228,744	(10,110,714)	—	(10,110,714)	—	—	—	—
Culture and recreation.....	6,999,625	489,870	690,162	—	(5,819,593)	—	(5,819,593)	—	—	—	—
Community and economic development.....	2,333,826	1,280,100	596	200,959	(852,171)	—	(852,171)	—	—	—	—
General government	2,262,908	98,813	51,671	—	(2,112,424)	—	(2,112,424)	—	—	—	—
Interest and other charges on long-term debt	1,596,379	—	—	—	(1,596,379)	—	(1,596,379)	—	—	—	—
Total Governmental Activities.....	39,688,320	2,042,383	1,020,308	1,429,703	(35,195,926)	—	(35,195,926)	—	—	—	—
Business-Type Activities											
Sewer	5,694,008	5,614,485	2,872	1,057,478	—	980,827	980,827	—	—	—	—
Solid waste	2,165,400	2,329,671	18,741	—	—	183,012	183,012	—	—	—	—
City communication and utility.....	59,116	92,767	—	—	—	33,651	33,651	—	—	—	—
Urban forest.....	322,321	381,879	3,300	—	—	62,858	62,858	—	—	—	—
Total Business-Type Activities.....	8,240,845	8,418,802	24,913	1,057,478	—	1,260,348	1,260,348	—	—	—	—
Total Primary Government.....	\$ 47,929,165	\$ 10,461,185	\$ 1,045,221	\$ 2,487,181	(35,195,926)	1,260,348	(33,935,578)	—	—	—	—
Component Unit - Water.....	\$ 3,300,338	\$ 4,593,940	\$ —	\$ 643,784	—	—	—	1,937,386	—	—	—
Component Unit - Friends.....	\$ 39,664	\$ —	\$ 33,993	\$ —	—	—	—	—	(5,671)	—	—
Component Unit - Parks.....	\$ 2,221	\$ —	\$ 28,413	\$ —	—	—	—	—	—	26,192	—
Component Unit - Fire.....	\$ 19,017	\$ —	\$ 3,975	\$ —	—	—	—	—	—	—	(15,042)
General Revenue (Expense)											
Property Tax Levied for											
General purposes					19,197,215	—	19,197,215	—	—	—	—
Debt service.....					3,524,955	—	3,524,955	—	—	—	—
Tax increment financing					3,668,537	—	3,668,537	—	—	—	—
Other City Tax											
Cable television franchise					348,678	—	348,678	—	—	—	—
Hotel/motel.....					167,477	—	167,477	—	—	—	—
Road use tax.....					4,941,913	—	4,941,913	—	—	—	—
Local option sales tax.....					4,915,835	—	4,915,835	—	—	—	—
Unrestricted investment earnings (losses).....					1,544,131	247,611	1,791,742	84,386	(83,661)	124	(27,883)
Special assessments.....					6,789	—	6,789	—	—	—	—
Miscellaneous.....					89,269	—	89,269	24,508	—	—	—
Gain on disposal of capital assets					1,111,114	—	1,111,114	—	—	—	—
Total General Revenue					39,515,913	247,611	39,763,524	108,894	(83,661)	124	(27,883)
Transfers.....					117,602	(117,602)	—	—	—	—	—
Change in Net Position					4,437,589	1,390,357	5,827,946	2,046,280	(89,332)	26,316	(42,925)
Net Position - Beginning of Year.....					183,127,646	55,179,781	238,307,427	26,037,656	1,793,751	37,257	1,141,086
Net Position - End of Year.....					\$ 187,565,235	\$ 56,570,138	\$ 244,135,373	\$ 28,083,936	\$ 1,704,419	\$ 63,573	\$ 1,098,161

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2019

	General	Special Revenue					Debt Service	Capital Projects	Nonmajor	Total
		Road Use Tax	Trust and Agency (Employee Benefits)	Local Option Sales Tax	Tax Increment Financing					
Assets										
Cash.....	\$ 8,794,416	\$ 9,563,333	\$ 192,012	\$ 1,267,181	\$ 986,546	\$ 1,644,471	\$ 19,892,154	\$ 1,119,397	\$ 43,459,510	
Pooled investments.....	3,506,885	123,851	103,362	558,209	—	8,122	11,575,583	—	15,876,012	
Receivables										
Property Tax										
Current year delinquent.....	70,796	—	27,031	—	44,890	19,958	—	674	163,349	
Succeeding year.....	14,093,199	—	5,439,202	—	3,626,898	3,721,296	—	—	26,880,595	
Accounts.....	113,068	5,120	—	—	—	—	—	—	118,188	
Accrued interest.....	2,816	—	—	2,258	—	—	28,441	—	33,515	
Other.....	92,675	—	—	—	168,500	—	—	—	261,175	
Due from other governments.....	52,128	392,502	—	386,521	—	—	110,276	—	941,427	
Inventories.....	159,820	—	—	—	—	—	—	—	159,820	
Total Assets	\$ 26,885,803	\$ 10,084,806	\$ 5,761,607	\$ 2,214,169	\$ 4,826,834	\$ 5,393,847	\$ 31,606,454	\$ 1,120,071	\$ 87,893,591	
Liabilities, Deferred Inflows of Resources and Fund Balances										
Liabilities										
Accounts payable.....	\$ 353,876	\$ 200,401	\$ 97,875	\$ —	\$ 2,800	\$ —	\$ 1,063,498	\$ 24,652	\$ 1,743,102	
Salaries and benefits payable.....	391,148	40,592	—	4,737	—	—	—	—	436,477	
Interfund loan.....	308,500	—	—	—	257,855	—	279,473	—	845,828	
Total Liabilities	1,053,524	240,993	97,875	4,737	260,655	—	1,342,971	24,652	3,025,407	
Deferred Inflows of Resources										
Unavailable Revenue										
Succeeding year property tax.....	14,093,199	—	5,439,202	—	3,626,898	3,721,296	—	—	26,880,595	
Fund Balances										
Nonspendable										
Inventories.....	159,820	—	—	—	—	—	—	—	159,820	
Cemetery perpetual care.....	—	—	—	—	—	—	—	189,574	189,574	
Restricted for										
Benefits.....	—	—	224,530	—	—	—	—	—	224,530	
Debt service.....	—	—	—	—	—	1,672,551	—	—	1,672,551	
Capital projects.....	—	—	—	—	—	—	30,263,483	—	30,263,483	
Streets.....	—	9,843,813	—	—	—	—	—	—	9,843,813	
Economic development.....	—	—	—	—	—	—	—	62,817	62,817	
Other purposes.....	—	—	—	2,209,432	939,281	—	—	674	3,149,387	
Committed for										
Pension.....	648,319	—	—	—	—	—	—	—	648,319	
Capital projects.....	—	—	—	—	—	—	—	426,290	426,290	
Assigned for										
Equipment reserve.....	3,275,273	—	—	—	—	—	—	—	3,275,273	
Tax stabilization.....	230,653	—	—	—	—	—	—	—	230,653	
Capital projects.....	—	—	—	—	—	—	—	416,064	416,064	
Unassigned.....	7,425,015	—	—	—	—	—	—	—	7,425,015	
Total Fund Balances	11,739,080	9,843,813	224,530	2,209,432	939,281	1,672,551	30,263,483	1,095,419	57,987,589	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 26,885,803	\$ 10,084,806	\$ 5,761,607	\$ 2,214,169	\$ 4,826,834	\$ 5,393,847	\$ 31,606,454	\$ 1,120,071	\$ 87,893,591	

See accompanying notes to the financial statements.

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

As of June 30, 2019

Total Fund Balances for Governmental Funds (Page 16).... **\$ 57,987,589**

***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 \$272,140,923 and the accumulated depreciation is \$64,238,242 207,902,681

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 3,501,769

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..... (137,047)

Pension and OPEB 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:

Pension-related deferred outflows of resources	\$ 5,645,719	
Pension-related deferred inflows of resources.....	<u>(523,871)</u>	5,121,848

Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds, as follows:

General obligation bonds	\$ (58,245,000)	
Tax increment revenue bonds	(4,104,128)	
Unamortized premium on general obligation bonds.....	(1,406,917)	
Capital lease	(365,000)	
Compensated absences.....	(4,267,864)	
Nonbonded indebtedness	(139,346)	
Net pension liability	(17,136,891)	
Total OPEB liability	<u>(1,146,459)</u>	<u>(86,811,605)</u>

Net Position of Governmental Activities (Page 14)..... **\$ 187,565,235**

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

Year Ended June 30, 2019

	Special Revenue								
	General	Road Use Tax	Trust and Agency (Employee Benefits)	Local Option Sales Tax	Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
Revenue									
Property tax	\$ 13,759,469	\$ —	\$ 5,290,212	\$ —	\$ —	\$ 3,524,955	\$ —	\$ 147,534	\$ 22,722,170
Tax increment financing	—	—	—	—	3,668,537	—	—	—	3,668,537
Other city tax	516,155	—	—	—	—	—	—	—	516,155
Licenses and permits	690,171	—	—	—	—	—	—	—	690,171
Use of money and property	603,518	61,860	628	140,491	—	73,000	627,385	16,732	1,523,614
Intergovernmental	476,461	4,941,913	53,678	4,915,835	—	—	513,874	7,150	10,908,911
Charges for service	835,248	—	6,832	—	—	—	394,688	115,757	1,352,525
Special assessments	—	—	—	—	—	1,211	5,578	—	6,789
Miscellaneous	109,533	2,367	39,478	—	—	—	107,683	—	259,061
Total Revenue	<u>16,990,555</u>	<u>5,006,140</u>	<u>5,390,828</u>	<u>5,056,326</u>	<u>3,668,537</u>	<u>3,599,166</u>	<u>1,649,208</u>	<u>287,173</u>	<u>41,647,933</u>
Expenditures									
Operating									
Public safety	12,360,948	—	30,608	—	—	—	—	—	12,391,556
Public works	976,317	3,087,311	—	161,877	—	—	—	—	4,225,505
Culture and recreation	4,438,799	—	94,794	—	—	—	—	—	4,533,593
Community and economic development	1,429,791	—	—	—	832,693	—	—	—	2,262,484
General government	2,927,616	122,016	3,751	—	—	—	—	—	3,053,383
Debt Service									
Principal	—	—	—	—	—	13,830,000	—	—	13,830,000
Interest and other charges	—	—	—	—	73,349	1,563,861	85,814	—	1,723,024
Capital projects	—	232,350	—	—	3,777	—	11,706,391	25,633	11,968,151
Total Expenditures	<u>22,133,471</u>	<u>3,441,677</u>	<u>129,153</u>	<u>161,877</u>	<u>909,819</u>	<u>15,393,861</u>	<u>11,792,205</u>	<u>25,633</u>	<u>53,987,696</u>
Revenue Over (Under) Expenditures	<u>(5,142,916)</u>	<u>1,564,463</u>	<u>5,261,675</u>	<u>4,894,449</u>	<u>2,758,718</u>	<u>(11,794,695)</u>	<u>(10,142,997)</u>	<u>261,540</u>	<u>(12,339,763)</u>
Other Financing Sources (Uses)									
Operating transfers in	6,113,209	5,000	4,500	—	—	2,506,331	11,408,319	—	20,037,359
Operating transfers out	(365,755)	(75,000)	(5,271,703)	(11,664,371)	(2,203,616)	—	(546,207)	(146,860)	(20,273,512)
Sale of capital assets	45,637	1,653	—	—	—	—	1,444,495	—	1,491,785
General obligation bonds issued	—	—	—	—	—	9,645,572	8,719,428	—	18,365,000
Tax increment revenue bonds issued	—	—	—	—	—	—	3,249,990	—	3,249,990
Premium on general obligation bonds issued	—	—	—	—	—	304,428	275,434	—	579,862
Total Other Financing Sources (Uses)	<u>5,793,091</u>	<u>(68,347)</u>	<u>(5,267,203)</u>	<u>(11,664,371)</u>	<u>(2,203,616)</u>	<u>12,456,331</u>	<u>24,551,459</u>	<u>(146,860)</u>	<u>23,450,484</u>
Net Change in Fund Balances	650,175	1,496,116	(5,528)	(6,769,922)	555,102	661,636	14,408,462	114,680	11,110,721
Fund Balances - Beginning of Year	11,088,905	8,347,697	230,058	8,979,354	384,179	1,010,915	15,855,021	980,739	46,876,868
Fund Balances - End of Year	<u>\$ 11,739,080</u>	<u>\$ 9,843,813</u>	<u>\$ 224,530</u>	<u>\$ 2,209,432</u>	<u>\$ 939,281</u>	<u>\$ 1,672,551</u>	<u>\$ 30,263,483</u>	<u>\$ 1,095,419</u>	<u>\$ 57,987,589</u>

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, 2019

Change in Fund Balances - Total Governmental Funds (Page 18) \$ 11,110,721

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	\$ 7,331,152	
Contributed capital assets	1,228,744	
Depreciation expense.....	<u>(6,106,617)</u>	2,453,279

The net book value of capital assets disposed of during the year..... (380,671)

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..... (8,143)

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:

General obligation bonds issued	\$ (18,365,000)	
Tax increment revenue bonds issued.....	(3,249,990)	
Repayment of general obligation bonds	3,420,000	
Repayment of capital lease	10,385,000	
Increase in nonbonded indebtedness.....	(25,000)	
Repayment of nonbonded indebtedness	<u>25,000</u>	(7,809,990)

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 (445,074)

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

Year Ended June 30, 2019

The current year City employer share of IPERS and MFPRSI contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the statement of net position

	\$	2,228,587
--	----	-----------

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.....	\$	(185,746)	
Pension expense.....		(2,813,354)	
Other post-employment benefits.....		<u>69,423</u>	(2,929,677)

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.....

		<u>218,557</u>
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Change in Net Position of Governmental Activities (Page 15) \$ 4,437,589

Statement of Net Position - Proprietary Funds

As of June 30, 2019

	Enterprise				Internal Service		
	Sewer Rental	Storm Water Management	Nonmajor	Total	Employee Benefit	Health Insurance	Total
Assets and Deferred Outflows of Resources							
Current Assets							
Cash.....	\$ —	\$ 1,209,495	\$ 5,287,635	\$ 6,497,130	\$ 356,927	\$ 3,042,885	\$ 3,399,812
Pooled investments	362,547	82,280	1,282,329	1,727,156	205,217	162,155	367,372
Receivables							
Unbilled usage.....	451,605	91,357	267,049	810,011	—	—	—
Accounts.....	252,923	64,350	137,963	455,236	—	10,002	10,002
Accrued interest.....	—	235	4,900	5,135	755	156	911
Due from other governments.....	624	—	4,426	5,050	—	—	—
Interfund loan	—	—	184,557	184,557	—	—	—
Total Current Assets	1,067,699	1,447,717	7,168,859	9,684,275	562,899	3,215,198	3,778,097
Noncurrent Assets							
Interfund loan	—	—	492,771	492,771	—	—	—
Capital assets, net of accumulated depreciation.....	20,963,700	25,724,869	1,124,335	47,812,904	—	—	—
Total Noncurrent Assets	20,963,700	25,724,869	1,617,106	48,305,675	—	—	—
Total Assets	22,031,399	27,172,586	8,785,965	57,989,950	562,899	3,215,198	3,778,097
Deferred Outflows of Resources							
Pension-related deferred outflows	178,477	111,957	230,801	521,235	—	—	—
Total Assets and Deferred Outflows of Resources.....	\$ 22,209,876	\$ 27,284,543	\$ 9,016,766	\$ 58,511,185	\$ 562,899	\$ 3,215,198	\$ 3,778,097
Liabilities, Deferred Inflows of Resources and Net Position							
Current Liabilities							
Accounts payable	\$ 63,038	\$ 2,200	\$ 99,461	\$ 164,699	\$ —	\$ 10,358	\$ 10,358
Salaries and benefits payable.....	10,324	—	16,758	27,082	—	—	—
Self-insured estimated claims.....	—	—	—	—	—	265,970	265,970
Compensated absences.....	26,029	—	—	26,029	—	—	—
Total Current Liabilities.....	99,391	2,200	116,219	217,810	—	276,328	276,328
Noncurrent Liabilities							
Net pension liability.....	556,983	354,843	723,160	1,634,986	—	—	—
Total Liabilities	656,374	357,043	839,379	1,852,796	—	276,328	276,328
Deferred Inflows of Resources							
Pension-related deferred inflows	30,381	18,792	39,078	88,251	—	—	—
Net Position							
Net investment in capital assets	20,963,700	25,724,869	1,124,335	47,812,904	—	—	—
Unrestricted.....	559,421	1,183,839	7,013,974	8,757,234	562,899	2,938,870	3,501,769
Total Net Position	21,523,121	26,908,708	8,138,309	56,570,138	562,899	2,938,870	3,501,769
Total Liabilities, Deferred Inflows of Resources and Net Position.....	\$ 22,209,876	\$ 27,284,543	\$ 9,016,766	\$ 58,511,185	\$ 562,899	\$ 3,215,198	\$ 3,778,097

See accompanying notes to the financial statements.

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

Year Ended June 30, 2019

	Enterprise				Internal Service		
	Sewer Rental	Storm Water Management	Nonmajor	Total	Employee Benefit	Health Insurance	Total
Operating Revenue							
Licenses and permits.....	\$ —	\$ —	\$ 1,180	\$ 1,180	\$ —	\$ —	\$ —
Charges for service	4,070,710	1,124,389	3,218,726	8,413,825	—	—	—
Miscellaneous.....	—	—	3,797	3,797	—	3,118,754	3,118,754
Total Operating Revenue	4,070,710	1,124,389	3,223,703	8,418,802	—	3,118,754	3,118,754
Operating Expenses							
Personal services	1,072,570	669,035	1,440,585	3,182,190	—	—	—
Services and commodities.....	2,765,943	48,918	944,576	3,759,437	187,286	3,087,183	3,274,469
Depreciation	553,438	548,222	197,558	1,299,218	—	—	—
Total Operating Expenses	4,391,951	1,266,175	2,582,719	8,240,845	187,286	3,087,183	3,274,469
Operating Income (Loss)	(321,241)	(141,786)	640,984	177,957	(187,286)	31,571	(155,715)
Nonoperating Revenue							
Investment income	15,634	36,838	195,139	247,611	18,920	1,597	20,517
Intergovernmental	2,872	—	22,041	24,913	—	—	—
Capital contributions	442,548	614,930	—	1,057,478	—	—	—
Total Nonoperating Revenue	461,054	651,768	217,180	1,330,002	18,920	1,597	20,517
Income (Loss) Before Transfers.....	139,813	509,982	858,164	1,507,959	(168,366)	33,168	(135,198)
Transfers							
Transfers in	281,212	530,955	28,524	840,691	122,429	231,326	353,755
Transfers out	(214,000)	(265,581)	(478,712)	(958,293)	—	—	—
Total Transfers.....	67,212	265,374	(450,188)	(117,602)	122,429	231,326	353,755
Change in Net Position	207,025	775,356	407,976	1,390,357	(45,937)	264,494	218,557
Net Position - Beginning of Year.....	21,316,096	26,133,352	7,730,333	55,179,781	608,836	2,674,376	3,283,212
Net Position - End of Year.....	\$ 21,523,121	\$ 26,908,708	\$ 8,138,309	\$ 56,570,138	\$ 562,899	\$ 2,938,870	\$ 3,501,769

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2019

	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	\$ 3,987,425	\$ 1,116,509	\$ 3,196,962	\$ 8,300,896	\$ —	\$ 3,178,068	\$ 3,178,068
Cash paid to employees for services..	(1,068,319)	(657,875)	(1,414,303)	(3,140,497)	—	—	—
Cash paid to suppliers for goods and services	(2,732,897)	(78,815)	(949,917)	(3,761,629)	(187,286)	(3,107,684)	(3,294,970)
Net Cash Provided by (Used in) Operating Activities.....	186,209	379,819	832,742	1,398,770	(187,286)	70,384	(116,902)
Cash Flows From Noncapital Financing Activities							
Net transfers.....	67,212	265,374	(450,188)	(117,602)	122,429	231,326	353,755
State and federal grants received.....	2,792	—	20,240	23,032	—	—	—
Net Cash Provided by (Used in) Noncapital Financing Activities.....	70,004	265,374	(429,948)	(94,570)	122,429	231,326	353,755
Cash Flows From Capital and Related Financing Activities							
Decrease in interfund loan.....	—	—	80,670	80,670	—	—	—
Acquisition of capital assets.....	(381,944)	(709,444)	(239,687)	(1,331,075)	—	—	—
Disposal of capital assets	—	—	265,961	265,961	—	—	—
Net Cash Provided by (Used in) Capital and Related Financing Activities	(381,944)	(709,444)	106,944	(984,444)	—	—	—
Cash Flows From Investing Activities							
Interest on investments	15,634	36,817	195,357	247,808	19,423	1,563	20,986
Purchase of investments	(7,080)	(5,368)	(71,400)	(83,848)	—	(15,112)	(15,112)
Proceeds from sale of investments.....	—	—	118,408	118,408	100,964	—	100,964
Net Cash Provided by (Used in) Investing Activities.....	8,554	31,449	242,365	282,368	120,387	(13,549)	106,838
Net Increase (Decrease) in Cash	(117,177)	(32,802)	752,103	602,124	55,530	288,161	343,691
Cash - Beginning of Year	117,177	1,242,297	4,535,532	5,895,006	301,397	2,754,724	3,056,121
Cash - End of Year.....	\$ —	\$ 1,209,495	\$ 5,287,635	\$ 6,497,130	\$ 356,927	\$ 3,042,885	\$ 3,399,812
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities							
Income (loss) from operations	\$ (321,241)	\$ (141,786)	\$ 640,984	\$ 177,957	\$ (187,286)	\$ 31,571	\$ (155,715)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities							
Depreciation	553,438	548,222	197,558	1,299,218	—	—	—
Change in Assets and Liabilities							
(Increase) decrease in receivables	(83,285)	(7,880)	(26,741)	(117,906)	—	59,314	59,314
Decrease in deferred outflows of resources	22,602	14,901	33,219	70,722	—	—	—
Increase (decrease) in payables	33,046	(29,897)	(5,341)	(2,192)	—	(20,501)	(20,501)
Increase in salaries and benefits payable	1,482	—	2,167	3,649	—	—	—
Decrease in compensated absences	(15,020)	—	—	(15,020)	—	—	—
Decrease in net pension liability..	(24,523)	(15,384)	(33,243)	(73,150)	—	—	—
Increase in deferred inflows of resources	19,710	11,643	24,139	55,492	—	—	—
Net Cash Provided by (Used in) Operating Activities.....	\$ 186,209	\$ 379,819	\$ 832,742	\$ 1,398,770	\$ (187,286)	\$ 70,384	\$ (116,902)

See accompanying notes to the financial statements.

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, 2018.

Notes to the Financial Statements

(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, 2018.

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, 2018.

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 and proprietary 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.

Measurement Focus and Basis of Accounting

The government-wide and proprietary funds 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, 2019 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.

Notes to the Financial Statements

(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, 2017 assessed property valuations, is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2018.

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, 2019, 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, 2019.

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 City after the measurement date but before the end of the City'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, 2019. 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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the City of Marion GAAP City's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

(1) Summary of Significant Accounting Policies

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) which 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.

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 unrecognized items not yet charged to pension expense.

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, 2019, 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.

Notes to the Financial Statements

(2) Cash and Pooled Investments

Primary Government

The City's deposits as of June 30, 2019 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, 2019 were as follows:

Cash.....	\$ 53,356,452
Pooled cash investments - Iowa Public Agency Investment Trust.....	5,069,028
Money market accounts	348,244
U.S. Instrumentalities	
Original maturities 5 years or less	34,847
Original maturities 6 to 10 years.....	15,554
Original maturities 10+ years.....	<u>12,502,867</u>
Total	<u>\$ 71,326,992</u>

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

The recurring fair value measurement for the U.S. instrumentalities of \$12,553,268 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 \$5,069,028 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.

Notes to the Financial Statements

(2) Cash and Pooled Investments

Credit Risk

The City's U.S. Instrumentalities investments as of June 30, 2019 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, 2018 consist of mutual funds and other investments with a fair value of \$1,542,339.

The Marion Firefighter's Association's investments as of December 31, 2018 consist of mutual funds and other investments with a fair value of \$1,093,235.

(3) Capital Assets

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

Primary Government	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 81,027,496	\$ 1,367,076	\$ 380,671	\$ 82,013,901
Construction in progress	13,378,813	7,053,723	3,955,519	16,477,017
Total Capital Assets Not Being Depreciated.....	<u>94,406,309</u>	<u>8,420,799</u>	<u>4,336,190</u>	<u>98,490,918</u>
Capital Assets Being Depreciated				
Buildings	30,670,782	—	—	30,670,782
Improvements other than buildings.....	120,407,409	3,423,409	—	123,830,818
Equipment.....	18,630,954	671,207	153,756	19,148,405
Total Capital Assets Being Depreciated.....	<u>169,709,145</u>	<u>4,094,616</u>	<u>153,756</u>	<u>173,650,005</u>
Less Accumulated Depreciation for				
Buildings	7,482,562	774,160	—	8,256,722
Improvements other than buildings.....	39,833,615	3,796,564	—	43,630,179
Equipment.....	10,969,204	1,535,893	153,756	12,351,341
Total Accumulated Depreciation	<u>58,285,381</u>	<u>6,106,617</u>	<u>153,756</u>	<u>64,238,242</u>
Net Capital Assets Being Depreciated.....	<u>111,423,764</u>	<u>(2,012,001)</u>	<u>—</u>	<u>109,411,763</u>
Net Governmental Activities Capital Assets	<u>\$ 205,830,073</u>	<u>\$ 6,408,798</u>	<u>\$ 4,336,190</u>	<u>\$ 207,902,681</u>

Notes to the Financial Statements

(3) Capital Assets

Primary Government	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 484,171	\$ 62,683	\$ —	\$ 546,854
Construction in progress	<u>555,409</u>	<u>511,056</u>	<u>492,330</u>	<u>574,135</u>
Total Capital Assets Not Being Depreciated.....	<u>1,039,580</u>	<u>573,739</u>	<u>492,330</u>	<u>1,120,989</u>
Capital Assets Being Depreciated				
Buildings	20,300	—	—	20,300
Equipment.....	3,576,346	4,464	—	3,580,810
Distribution system.....	33,812,174	724,375	—	34,536,549
Storm sewer system.....	33,789,925	1,312,344	—	35,102,269
Communication system.....	<u>533,558</u>	<u>—</u>	<u>—</u>	<u>533,558</u>
Total Capital Assets Being Depreciated.....	<u>71,732,303</u>	<u>2,041,183</u>	<u>—</u>	<u>73,773,486</u>
Less Accumulated Depreciation for				
Buildings	6,116	1,532	—	7,648
Equipment.....	2,699,906	197,977	—	2,897,883
Distribution system.....	13,664,420	506,139	—	14,170,559
Storm sewer system.....	8,927,262	544,661	—	9,471,923
Communication system.....	<u>484,649</u>	<u>48,909</u>	<u>—</u>	<u>533,558</u>
Total Accumulated Depreciation	<u>25,782,353</u>	<u>1,299,218</u>	<u>—</u>	<u>27,081,571</u>
Net Capital Assets Being Depreciated.....	<u>45,949,950</u>	<u>741,965</u>	<u>—</u>	<u>46,691,915</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 46,989,530</u>	<u>\$ 1,315,704</u>	<u>\$ 492,330</u>	<u>\$ 47,812,904</u>

Depreciation expense was charged to functions of the primary government as follows for the year ended June 30, 2019:

Governmental Activities

Public safety	\$ 1,192,213
Public works	3,755,633
Culture and recreation	932,441
Community and economic development	23,288
General government.....	<u>203,042</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,106,617</u>

Business-Type Activities

City communication and utility	\$ 48,909
Sewer rental	553,438
Solid waste	132,066
Storm water management	548,222
Urban forest utility	<u>16,583</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,299,218</u>

Notes to the Financial Statements

(4) Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2019:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year	Due Within One Year	Range of Interest Rates
Governmental Activities						
General obligation bonds	\$ 43,300,000	\$ 18,365,000	\$ 3,420,000	\$ 58,245,000	\$ 3,900,000	2.00 - 4.00%
Unamortized premium on general obligation bonds	961,673	579,862	134,618	1,406,917	134,618	N/A
Tax increment revenue bonds.....	854,308	3,249,820	—	4,104,128	259,726	3.18
Capital lease	10,750,000	—	10,385,000	365,000	365,000	2.50
Compensated absences	4,082,118	373,032	187,286	4,267,864	10,244	N/A
Nonbonded indebtedness	139,346	25,000	25,000	139,346	24,989	3.00
Net pension liability	17,062,332	74,559	—	17,136,891	—	N/A
Total OPEB liability	1,215,882	84,495	153,918	1,146,459	—	N/A
Total.....	\$ 78,365,659	\$ 22,751,768	\$ 14,305,822	\$ 86,811,605	\$ 4,694,577	
Business-Type Activities						
Compensated absences	\$ 41,049	\$ 54,513	\$ 69,533	\$ 26,029	\$ 7,040	N/A
Net pension liability	1,708,136	—	73,150	1,634,986	—	N/A
Total.....	\$ 1,749,185	\$ 54,513	\$ 142,683	\$ 1,661,015	\$ 7,040	

General Obligation Bonds

Thirteen issues of unmatured general obligation bonds totaling \$58,245,000 were outstanding as of June 30, 2019. General obligation bonds bear interest at rates ranging from 2% to 4% per annum and mature in varying annual amounts ranging from \$100,000 to \$1,000,000, with the final maturities due in the year ending June 30, 2037.

Details of the City's general obligation bonds payable as of June 30, 2019 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding 6-30-19
Governmental Activities						
Corporate purpose	2-13-12	2.00 - 3.00%	6-1-28	\$ 565,000 - \$ 710,000	\$ 9,270,000	\$ 5,655,000
Corporate purpose	2-13-12	2.00 - 2.13	6-1-23	475,000 - 515,000	4,570,000	1,980,000
Corporate purpose	1-7-14	2.00 - 3.75	6-1-29	460,000 - 605,000	6,575,000	5,240,000
Corporate purpose	1-7-14	2.00 - 2.75	6-1-25	105,000 - 120,000	1,065,000	665,000
Corporate purpose	10-2-14	2.00 - 3.25	6-1-30	145,000 - 185,000	2,360,000	1,795,000
Corporate purpose	2-3-15	2.00 - 3.00	6-1-34	570,000 - 800,000	12,180,000	10,060,000
Corporate purpose	2-3-15	2.00 - 2.90	6-1-27	205,000 - 245,000	2,565,000	1,795,000
Corporate purpose	9-6-17	2.00 - 3.00	6-1-37	300,000 - 450,000	6,840,000	6,545,000
Refunding corporate purpose.....	10-10-17	3.00 - 4.00	6-1-25	415,000 - 680,000	4,205,000	2,910,000
Corporate purpose	4-30-18	3.00	6-1-31	235,000 - 310,000	3,235,000	3,235,000
Corporate purpose	5-30-18	3.00	6-1-37	100,000 - 465,000	5,430,000	5,430,000
Corporate purpose	5-30-18	3.00	6-1-37	155,000 - 255,000	3,365,000	3,365,000
Refunding corporate purpose.....	5-30-18	3.00	6-1-33	160,000 - 1,000,000	9,570,000	<u>9,570,000</u>
						\$ 58,245,000

Notes to the Financial Statements

(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
2020	\$ 3,900,000	\$ 1,634,338	\$ 5,534,338
2021	4,310,000	1,544,058	5,854,058
2022	4,425,000	1,438,908	5,863,908
2023	4,550,000	1,329,620	5,879,620
2024	4,275,000	1,209,639	5,484,639
2025-2029	20,180,000	4,224,110	24,404,110
2030-2034	13,200,000	1,622,888	14,822,888
2035-2037	3,405,000	206,400	3,611,400
	<u>\$ 58,245,000</u>	<u>\$ 13,209,961</u>	<u>\$ 71,454,961</u>

Tax Increment Revenue Bonds

The City has issued urban renewal tax increment revenue bonds for the purpose of defraying portions of the cost of carrying out urban renewal projects of the City. The bonds are payable solely from the income and proceeds of the Tax Increment Financing (TIF) special revenue funds and the taxes are to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. Debt service is paid primarily from the General Obligation Debt Service Fund. Transfers are made from the TIF funds for the TIF taxes being used for debt service. The proceeds of the urban renewal tax increment revenue bonds are to be expended only for purposes which are consistent with the City's urban renewal area plans. The bonds are not a general obligation of the City; however, most of the debt is subject to the constitutional debt limitation of the City and have been issued as General Obligation Urban Renewal Bonds. The debt that is not subject to the constitutional debt limit includes principal and interest due later than one year from the balance sheet date for certain annual appropriation notes.

During the year ended June 30, 2018, the City entered into a development agreement and issued a draw down Tax Increment Revenue Bond in a principal amount not to exceed \$4,500,000 to fund the agreement. As of June 30, 2019, there was an outstanding balance of \$4,104,128 with an interest rate of 3.18%. The City expects to draw down the remaining balance during the year ending June 30, 2019. Annual principal and interest payments will start December 1, 2019 and continue through June, 2033.

In August, 2011, the City approved an interfund loan from the Enterprise - Solid Waste Fund to the Special Revenue - Tax Increment Financing Fund for an undefined period at 2.75% annual interest. 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. The City has begun making repayments.

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-19
Enterprise - Solid Waste	Special Revenue - Tax Increment Financing	\$200,000	\$76,487

Notes to the Financial Statements

(4) Long-Term Liabilities

In March, 2014, the City approved an interfund loan from the Enterprise - Sewer Rental 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 has begun making repayments.

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-19
Enterprise - Sewer Rental Replacement	Special Revenue - Tax Increment Financing	\$250,000	\$181,368

In June, 2014, the City approved an interfund loan from the Enterprise - Sewer Rental 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 6-30-19
Enterprise - Sewer Rental Replacement	Capital Projects	\$300,000	\$279,473

In June, 2017, the City approved an interfund loan up to \$213,000 from the Sewer Rental Replacement Fund to the General Fund for a period not to exceed two years at 1.5% annual interest. The loan was used for economic development activities. The City will use TIF funds to repay this loan once the TIF district has the funds. The City will repay this loan in the fiscal year ending June 30, 2020.

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-19
Enterprise - Sewer Rental Replacement	General	\$140,000	\$140,000

In June, 2017, the City approved an interfund loan up to \$221,000 from the Special Revenue - Tax Increment Financing (TIF) Fund to the General Fund for a period not to exceed two years at 1.5% annual interest. The loan was used for economic development activities. The City will use TIF funds to repay this loan once the TIF district has the funds. The City will repay this loan in the fiscal year ending June 30, 2020.

Lending Fund	Borrowing Fund	Original Loan	Outstanding 6-30-19
Special Revenue - Tax Increment Financing Fund	General	\$168,500	\$168,500

Notes to the Financial Statements

(4) Long-Term Liabilities

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 2.20% - 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 \$390,696 of interest under the capital lease agreement during the year ended June 30, 2019.

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

Year Ending June 30,	
2020	\$ 375,220
Less amount representing interest.....	<u>10,220</u>
Present Value of Net Minimum Lease Payments.....	<u>\$ 365,000</u>

(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 3%, an estimated liability of \$139,346 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, September, 2015, November, 2016, November, 2017 and November, 2018, a one-year extension of the lease was approved.

Notes to the Financial Statements

(6) Interfund Transfers

Transfer to	Transfer From	Amount
General	Special Revenue	
	Trust and Agency (Employee Benefits)	\$ 5,271,703
	Local Option Sales Tax	376,579
	Road Use Tax	75,000
	Emergency Levy	146,860
	Tax Increment Financing	10,000
	Enterprise	
	Sewer Rental	75,000
	Solid Waste	75,000
	Urban Forest Utility	8,067
	Storm Water Management	75,000
		<u>6,113,209</u>
Special Revenue	Enterprise	
Road Use Tax	Urban Forest Utility	<u>5,000</u>
Special Revenue		
Trust and Agency	General	<u>4,500</u>
(Employee Benefits)		
Capital Projects	Special Revenue	
	Local Option Sales Tax	11,287,792
	Tax Increment Financing	20,527
	Enterprise	
	Urban Forest Utility	100,000
		<u>11,408,319</u>
Debt Service	General	7,500
	Special Revenue	
	Tax Increment Financing	2,158,577
	Enterprise	
	Sewer Rental	139,000
	Urban Forest Utility	10,673
	Storm Water Management	190,581
		<u>2,506,331</u>
Enterprise	Capital Projects	15,252
Sewer Rental	Enterprise	
	Sewer Rental Replacement	265,960
		<u>281,212</u>
Enterprise	Special Revenue	
Sewer Rental Replacement	Tax Increment Financing	<u>14,512</u>
Enterprise		
Urban Forest Replacement	Urban Forest Utility	<u>14,012</u>
Enterprise		
Storm Water Management	Capital Projects	<u>530,955</u>
Internal Service	General	<u>122,429</u>
Employee Benefits		
Internal Service		
Health Insurance	General	231,326
		<u>\$ 21,231,805</u>

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

Notes to the Financial Statements

(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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

The City offers City employees the following retirement plans:

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 and may retire any time after reaching age 50 with 22 or more years of covered employment. 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 2019, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 were \$818,224.

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

As of June 30, 2019, the City reported a liability of \$6,666,639 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. As of June 30, 2018, the City's proportion was 0.105347% which was an increase of 0.000538% from its proportion measured as of June 30, 2017.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

For the year ended June 30, 2019, the City recognized pension expense of \$1,046,693. As of June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,560	\$ 150,704
Changes of assumptions	951,397	13
Net difference between projected and actual earnings on IPERS' investments	—	183,284
Changes in proportion and differences between City contributions and proportionate share of contributions	249,943	17,172
City contributions subsequent to the measurement date	818,224	—
Total	<u>\$ 2,056,124</u>	<u>\$ 351,173</u>

\$818,224 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2020	\$ 558,704
2021	311,421
2022	7,822
2023	13,454
2024	(4,674)
Total	<u>\$ 886,727</u>

There were no nonemployer contributing entities to IPERS.

Actuarial Assumptions

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

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

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

Notes to the Financial Statements

(7) Pension and Retirement Benefits

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$11,316,769	\$6,666,639	\$2,765,874

Notes to the Financial Statements

(7) Pension and Retirement Benefits

IPERS' 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 IPERS

All legally required employer contributions and legally required employee contributions which had been withheld from employee wages were remitted by the City to IPERS by June 30, 2019.

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. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation 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. When electing to participate in DROP, the member signs a contract stating 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.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

Disability and Death Benefits

Disability coverage may be either accidental or ordinary. Accidental disability is defined as a 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 provides a standard formula for the increases.

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

Contributions

Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2019.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% 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 26.02% for the year ended June 30, 2019.

The City's contributions to MFPRSI for the year ended June 30, 2019 were \$1,600,403.

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 year ended June 30, 2019.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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

As of June 30, 2019, the City reported a liability of \$12,105,238 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. As of June 30, 2018, the City's proportion was 2.033115% which was an increase of 0.022990% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized pension expense of \$2,009,765. As of June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 324,967	\$ 164,214
Changes of assumptions	1,033,911	96,735
Net difference between projected and actual earnings on MFPRSI's investments	592,119	—
Changes in proportion and differences between City contributions and proportionate share of contributions	559,430	—
City contributions subsequent to the measurement date	1,600,403	—
Total	<u>\$ 4,110,830</u>	<u>\$ 260,949</u>

\$1,600,403 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2020	\$ 1,307,773
2021	765,683
2022	(20,780)
2023	170,988
2024	25,814
Total	<u>\$ 2,249,478</u>

Actuarial Assumptions

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

Rate of inflation	3.00%.
Salary increases	4.50% to 15.00%, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male-only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

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 (i.e., 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 best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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.

Notes to the Financial Statements

(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 7.50%, 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 (6.50%) or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$20,197,176	\$12,105,238	\$5,405,385

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

All legally required employer contributions and legally required employee contributions which had been withheld from employee wages were remitted by the City to MFPRSI by June 30, 2019.

(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, spouses and their dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. As of June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by the City of Marion and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. 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.

Retired participants must be age 55 or older at retirement, been a full-time employee for at least 12 years and completed 15 years of continuous service to the City. As of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	18
Active employees	<u>180</u>
Total	<u>198</u>

Total OPEB Liability

The City's total OPEB liability of \$1,146,459 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurements.

Rate of inflation (effective June 30, 2018)	3.00% per year.
Rates of salary increase (effective June 30, 2018)	0.00% per year.
Discount rate (effective June 30, 2018)	3.72% compounded annually.
Healthcare cost trend rate (effective June 30, 2018)	6.00% per year.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.72% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used for IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Changes in Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability - Beginning of Year	<u>\$ 1,215,882</u>
Changes for the Year	
Service cost	42,442
Interest.....	44,193
Differences between expected and actual experience.....	(15,965)
Changes of assumptions.....	—
Benefit payments	<u>(140,093)</u>
Net Changes	<u>(69,423)</u>
Total OPEB Liability - End of Year	<u>\$ 1,146,459</u>

Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.72%) or one percentage point higher (4.72%) than the current discount rate.

	1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB Liability.....	\$1,014,657	\$1,146,459	\$1,302,803

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current healthcare cost trend rate.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB Liability.....	\$1,368,015	\$1,146,459	\$1,055,568

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$84,495. As of June 30, 2019, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 15,965
Changes of assumptions	—
Total	<u>\$ 15,965</u>

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

Year Ending June 30,	Amount
2020	\$ 1,212
2021	1,212
2022	1,212
2023	1,212
2024	1,212
Thereafter.....	9,905
Total	<u>\$ 15,965</u>

Notes to the Financial Statements

(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 6-30-19
Primary Government	
Sick leave	\$ 1,204,469
Vacation and personal leave	1,734,247
Compensatory time	<u>1,355,177</u>
	<u>\$ 4,293,893</u>

The above liabilities have been computed based on rates of pay as of June 30, 2019.

(10) Conduit Debt

The City has issued a total of \$16,840,000 of industrial development revenue and health care facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$6,542,505 is outstanding as of June 30, 2019. 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, 2019:

	Primary Government	Discretely Presented Component Unit - Marion Water Department	Total
Claims paid during the year	\$ 2,210,187	\$ 132,606	\$ 2,342,793
Estimated claims incurred but unpaid at June 30, 2019	265,970	18,470	284,440

(11) Employee Health Care Plan

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 \$592 per month single or \$1,483 per month family which is an actuarially determined amount with a reasonable provision for future unexpected claims. Employees pay a set amount per month based on coverage and other factors. 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 forest services provided for the City of Marion to its residents. During the year ended June 30, 2019, the Marion Water Department collected and remitted to the City \$5,333,581 for sewer, \$2,028,367 for garbage service and \$375,051 for urban forest services. Fees paid to the Water Department by the City during the year to pay for this service totaled \$123,570, of which \$9,511 was payable as of June 30, 2019.

(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 778 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% of basis rate.

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, 2019 were \$220,125.

(13) Risk Management

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 \$500,000 per claim. Claims exceeding \$500,000 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, 2019, no liability has been recorded in the City's financial statements. As of June 30, 2019, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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.

Notes to the Financial Statements

(13) Risk Management

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, 2019 were \$85,096.

The Association uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. Claims exceeding \$750,000 are reinsured in an amount not to exceed \$2,000,000 per occurrence.

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

(14) 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, 2019 was \$1,213,789. The estimated outstanding balance of the agreements as of June 30, 2019 was approximately \$8,930,000.

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 approximately \$8,930,000 which requires an annual appropriation by the City Council.

(15) Tax Abatements

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

City Tax Abatements

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

For the year ended June 30, 2019, the City abated \$833,373 of property tax under the urban renewal and economic development projects.

Notes to the Financial Statements

(15) Tax Abatements

Tax Abatements of Other Entities

Property tax revenue of the City were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Hiawatha	Economic Development	\$704,633

(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.

(17) Construction Commitments and Subsequent Events

As of June 30, 2019, the City had entered into several construction contracts and agreements to purchase equipment and supplies totaling approximately \$2.7 million.

Management has evaluated subsequent events through January 7, 2020, the date which the financial statements were available to be issued.

Subsequent to June 30, 2019, the City entered into the following transactions:

Approved several construction contracts and agreements to purchase equipment. These agreements totaled approximately \$18.5 million.

Approved several development agreements totaling approximately \$1.2 million.

Subsequent to June 30, 2019, the City received notice that it was named in a lawsuit. The majority of the City's costs for the potential settlement and related legal fees are covered by the City's insurance carrier. The potential loss to the City is limited to the deductible of the insurance policy.

(18) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, *Fiduciary Activities*. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

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, 2019

	Actual			Budgeted Amounts		Over (Under) Budget
	Governmental Funds	Enterprise Funds	Total	Original	Final	
Receipts						
Property tax.....	\$ 22,219,523	\$ —	\$ 22,219,523	\$ 21,982,413	\$ 21,982,413	\$ 237,110
Tax increment financing...	3,629,236	—	3,629,236	3,677,122	3,677,122	(47,886)
Other city tax	5,442,059	—	5,442,059	6,381,639	6,381,639	(939,580)
Licenses and permits	711,194	5,130	716,324	627,900	627,900	88,424
Use of money and property	1,668,683	255,065	1,923,748	931,694	931,694	992,054
Intergovernmental	6,671,269	3,300	6,674,569	7,746,264	7,746,264	(1,071,695)
Charges for service	915,615	13,007,056	13,922,671	14,126,910	14,126,910	(204,239)
Special assessments	6,833	—	6,833	10,000	10,000	(3,167)
Miscellaneous	718,899	3,143,164	3,862,063	3,856,905	3,856,905	5,158
Total Receipts	<u>41,983,311</u>	<u>16,413,715</u>	<u>58,397,026</u>	<u>59,340,847</u>	<u>59,340,847</u>	<u>(943,821)</u>
Disbursements						
Public safety.....	12,484,490	—	12,484,490	12,841,468	12,952,840	(468,350)
Public works	4,355,086	—	4,355,086	10,216,928	10,216,928	(5,861,842)
Culture and recreation	4,625,251	—	4,625,251	5,279,383	5,346,104	(720,853)
Community and economic development.....	2,267,970	—	2,267,970	2,563,753	2,706,753	(438,783)
General government	2,750,551	—	2,750,551	2,903,159	3,230,487	(479,936)
Debt service	15,458,608	—	15,458,608	5,856,440	15,806,440	(347,832)
Capital projects	13,170,960	—	13,170,960	31,067,264	31,067,264	(17,896,304)
Business-type activities....	—	15,023,696	15,023,696	26,077,396	26,122,396	(11,098,700)
Total Disbursements ..	<u>55,112,916</u>	<u>15,023,696</u>	<u>70,136,612</u>	<u>96,805,791</u>	<u>107,449,212</u>	<u>(37,312,600)</u>
Receipts Over (Under) Disbursements.....	(13,129,605)	1,390,019	(11,739,586)	(37,464,944)	(48,108,365)	36,368,779
Other Financing Sources (Uses), Net	<u>23,890,528</u>	<u>(220,782)</u>	<u>23,669,746</u>	<u>27,938,888</u>	<u>37,888,888</u>	<u>(14,219,142)</u>
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	10,760,923	1,169,237	11,930,160	(9,526,056)	(10,219,477)	22,149,637
Balances - Beginning of Year	49,081,304	11,109,750	60,191,054	43,003,325	43,003,325	17,187,729
Balances - End of Year ..	<u>\$ 59,842,227</u>	<u>\$ 12,278,987</u>	<u>\$ 72,121,214</u>	<u>\$ 33,477,269</u>	<u>\$ 32,783,848</u>	<u>\$ 39,337,366</u>

Schedule of Budgetary Comparison - Budget to GAAP Reconciliation ▬

Year Ended June 30, 2019

	Governmental Funds		
	Cash Basis	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 41,983,311	\$ (335,378)	\$ 41,647,933
Expenditures	<u>55,112,916</u>	<u>(1,125,220)</u>	<u>53,987,696</u>
Net	(13,129,605)	789,842	(12,339,763)
Other financing sources (uses), net.....	23,890,528	(440,044)	23,450,484
Beginning fund balances	<u>49,081,304</u>	<u>(2,204,436)</u>	<u>46,876,868</u>
Ending Fund Balances.....	<u>\$ 59,842,227</u>	<u>\$ (1,854,638)</u>	<u>\$ 57,987,589</u>

	Proprietary Funds			
	Cash Basis	Adjustment for Component Unit	Accrual Adjustments	GAAP Basis
Revenue.....	\$ 16,413,715	\$ (4,817,297)	\$ (1,847,614)	\$ 9,748,804
Expenditures	<u>15,023,696</u>	<u>(7,920,475)</u>	<u>1,137,624</u>	<u>8,240,845</u>
Net	1,390,019	3,103,178	(2,985,238)	1,507,959
Other financing sources (uses), net.....	(220,782)	—	103,180	(117,602)
Beginning fund balances	<u>11,109,750</u>	<u>(3,579,245)</u>	<u>47,649,276</u>	<u>55,179,781</u>
Ending Fund Balances.....	<u>\$ 12,278,987</u>	<u>\$ (476,067)</u>	<u>\$ 44,767,218</u>	<u>\$ 56,570,138</u>

Notes to Required Supplementary Information - Budgetary Reporting

Year Ended June 30, 2019

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 \$10,643,421. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements did not exceed the amounts budgeted.

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

Last Five Years*

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.105347%	0.104809%	0.100281%	0.098894%	0.098683%
City's proportionate share of the net pension liability	\$6,666,639	\$6,981,586	\$6,311,031	\$4,885,852	\$3,913,656
City's covered-employee payroll.....	\$7,921,000	\$7,827,000	\$7,200,000	\$6,778,000	\$6,458,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	84.16%	89.20%	87.65%	72.08%	60.60%
Plan fiduciary net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 818,224	\$ 707,409	\$ 698,972	\$ 642,963	\$ 605,312	\$ 576,709	\$ 511,969	\$ 460,652	\$ 391,774	\$ 358,230
Contributions in relation to the statutorily required contributions.....	<u>(818,224)</u>	<u>(707,409)</u>	<u>(698,972)</u>	<u>(642,963)</u>	<u>(605,312)</u>	<u>(576,709)</u>	<u>(511,969)</u>	<u>(460,652)</u>	<u>(391,774)</u>	<u>(358,230)</u>
Contribution Deficiency (Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered-employee payroll	\$ 8,667,000	\$ 7,921,000	\$ 7,827,000	\$ 7,200,000	\$ 6,778,000	\$ 6,458,000	\$ 5,905,000	\$ 5,715,000	\$ 5,637,000	\$ 5,387,000
Contributions as a percentage of covered-employee payroll	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

Notes to Required Supplementary Information - Pension Liability

Iowa Public Employees' Retirement System

Year Ended June 30, 2019

Changes of Benefit Terms

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

Changes of Assumptions

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

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

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

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the unfunded actuarial liability (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.

Schedule of Proportionate Share of the Net Pension Liability

Municipal Fire and Police Retirement System of Iowa

Last Five Years*

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	2.033115%	2.010125%	1.899570%	1.858084%	1.839468%
City's proportionate share of the net pension liability	\$12,105,238	\$11,788,882	\$11,877,269	\$8,729,543	\$6,668,039
City's covered-employee payroll.....	\$5,855,000	\$5,693,000	\$5,148,000	\$4,873,000	\$4,697,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	206.75%	207.08%	230.72%	179.14%	141.96%
Plan fiduciary net position as a percentage of the total pension liability	81.07%	80.60%	78.20%	83.04%	86.27%

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

Schedule of Contributions
Municipal Fire and Police Retirement System of Iowa

Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily required contribution	\$ 1,600,403	\$ 1,503,683	\$ 1,475,656	\$ 1,429,516	\$ 1,481,801	\$ 1,414,872	\$ 1,184,641	\$ 1,091,493	\$ 862,844	\$ 702,481
Contributions in relation to the statutorily required contributions.....	<u>(1,600,403)</u>	<u>(1,503,683)</u>	<u>(1,475,656)</u>	<u>(1,429,516)</u>	<u>(1,481,801)</u>	<u>(1,414,872)</u>	<u>(1,184,641)</u>	<u>(1,091,493)</u>	<u>(862,844)</u>	<u>(702,481)</u>
Contribution Deficiency (Excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered-employee payroll	\$ 6,151,000	\$ 5,855,000	\$ 5,693,000	\$ 5,148,000	\$ 4,873,000	\$ 4,697,000	\$ 4,535,000	\$ 4,408,000	\$ 4,336,000	\$ 4,132,000
Contributions as a percentage of covered-employee payroll	26.02%	25.68%	25.92%	27.78%	30.41%	30.12%	26.12%	24.76%	19.90%	17.00%

Notes to Required Supplementary Information - Pension Liability

Municipal Fire and Police Retirement System of Iowa

Year Ended June 30, 2019

Changes of Benefit Terms

There were no significant changes of benefit terms.

Changes of Assumptions

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

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

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

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

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted 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 Changes in the City's Total OPEB Liability, Related Ratios and Notes

For the Last Two Years

	2019	2018
Service cost.....	\$ 42,442	\$ 42,440
Interest.....	44,193	47,187
Differences between expected and actual experience.....	(15,965)	(12,596)
Changes of assumptions.....	—	—
Benefit payments.....	(140,093)	(158,486)
Net Change in Total OPEB Liability.....	(69,423)	(81,455)
Total OPEB Liability - Beginning of Year.....	<u>1,215,882</u>	<u>1,297,337</u>
Total OPEB Liability - End of Year.....	<u>\$ 1,146,459</u>	<u>\$ 1,215,882</u>
Covered-Employee Payroll.....	\$ 14,645,000	\$ 13,425,000
Total OPEB Liability as a Percentage of Covered- Employee Payroll.....	7.8%	9.0%

Notes to Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Changes of Benefit Terms

There were no significant changes in benefit terms.

Changes of Assumptions

There were no significant changes in assumptions.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2019

	<u>Special Revenue</u>		<u>Capital Projects</u>			<u>Permanent</u>	<u>Total</u>
	<u>Emergency</u>	<u>Community</u>	<u>Park</u>	<u>Main-</u>	<u>Subdivision</u>	<u>Cemetery</u>	
	<u>Levy</u>	<u>Develop-</u>	<u>Develop-</u>	<u>tenance</u>	<u>Develop-</u>	<u>Perpetual</u>	
		<u>ment</u>	<u>ment</u>	<u>Bond</u>	<u>ment</u>	<u>Care</u>	
		<u>Block</u>					
		<u>Grant</u>					
Assets							
Current Assets							
Cash.....	\$ —	\$ 62,817	\$ 179,888	\$ 426,290	\$ 260,828	\$ 189,574	\$ 1,119,397
Receivables							
Property tax							
Current year delinquent	674	—	—	—	—	—	674
Total Assets	\$ 674	\$ 62,817	\$ 179,888	\$ 426,290	\$ 260,828	\$ 189,574	\$ 1,120,071
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ 24,652	\$ —	\$ 24,652
Fund Balances							
Nonspendable							
Cemetery perpetual care	—	—	—	—	—	189,574	189,574
Restricted for							
Economic development	—	62,817	—	—	—	—	62,817
Other purposes	674	—	—	—	—	—	674
Committed for							
Capital projects	—	—	—	426,290	—	—	426,290
Assigned for							
Capital projects	—	—	179,888	—	236,176	—	416,064
Total Fund Balances	674	62,817	179,888	426,290	236,176	189,574	1,095,419
Total Fund Balances	\$ 674	\$ 62,817	\$ 179,888	\$ 426,290	\$ 260,828	\$ 189,574	\$ 1,120,071

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

Year Ended June 30, 2019

	<u>Special Revenue</u>		<u>Capital Projects</u>			<u>Permanent</u>	<u>Total</u>
	<u>Emergency Levy</u>	<u>Community Development Block Grant</u>	<u>Park Development</u>	<u>Main-tenance Bond</u>	<u>Subdivision Development</u>	<u>Cemetery Perpetual Care</u>	
Revenue							
Property tax	\$ 147,534	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 147,534
Use of money and property ..	—	1,593	4,564	10,575	—	—	16,732
Intergovernmental	—	—	—	—	—	7,150	7,150
Charges for service	—	—	—	27,089	88,668	—	115,757
Total Revenue	147,534	1,593	4,564	37,664	88,668	7,150	287,173
Expenditures							
Capital projects.....	—	—	—	3,450	22,183	—	25,633
Revenue Over Expenditures	147,534	1,593	4,564	34,214	66,485	7,150	261,540
Transfers Out.....	(146,860)	—	—	—	—	—	(146,860)
Net Changes in Fund Balances.....	674	1,593	4,564	34,214	66,485	7,150	114,680
Fund Balances - Beginning of Year.....	—	61,224	175,324	392,076	169,691	182,424	980,739
Fund Balances - End of Year.....	\$ 674	\$ 62,817	\$ 179,888	\$ 426,290	\$ 236,176	\$ 189,574	\$ 1,095,419

Combining Schedule of Net Position - Nonmajor Enterprise Funds

As of June 30, 2019

	Sewer Rental Replace- ment	City Communi- cation and Utility	Solid Waste	Solid Waste Replace- ment	Urban Forest Utility	Urban Forest Replace- ment	Total
Assets and Deferred Outflows of Resources							
Current Assets							
Cash.....	\$ 2,536,080	\$ 519,140	\$ 91,143	\$ 1,562,186	\$ 550,666	\$ 28,420	\$ 5,287,635
Pooled investments.....	685,244	—	305,669	253,808	37,608	—	1,282,329
Receivables							
Unbilled usage.....	499	—	228,885	—	37,665	—	267,049
Accounts.....	—	—	114,314	520	23,129	—	137,963
Accrued interest.....	2,037	—	1,354	1,237	272	—	4,900
Due from other governments	—	—	4,426	—	—	—	4,426
Interfund loan.....	184,557	—	—	—	—	—	184,557
Total Current Assets.....	<u>3,408,417</u>	<u>519,140</u>	<u>745,791</u>	<u>1,817,751</u>	<u>649,340</u>	<u>28,420</u>	<u>7,168,859</u>
Noncurrent Assets							
Interfund loan.....	416,284	—	76,487	—	—	—	492,771
Capital assets, net of accumulated depreciation...	—	—	975,162	—	149,173	—	1,124,335
Total Noncurrent Assets	<u>416,284</u>	<u>—</u>	<u>1,051,649</u>	<u>—</u>	<u>149,173</u>	<u>—</u>	<u>1,617,106</u>
Total Assets.....	<u>3,824,701</u>	<u>519,140</u>	<u>1,797,440</u>	<u>1,817,751</u>	<u>798,513</u>	<u>28,420</u>	<u>8,785,965</u>
Deferred Outflows of Resources							
Pension-related deferred outflows	—	—	203,517	—	27,284	—	230,801
Total Assets and Deferred Outflows of Resources.....	<u>\$ 3,824,701</u>	<u>\$ 519,140</u>	<u>\$ 2,000,957</u>	<u>\$ 1,817,751</u>	<u>\$ 825,797</u>	<u>\$ 28,420</u>	<u>\$ 9,016,766</u>
Liabilities, Deferred Inflows of Resources and Net Position							
Current Liabilities							
Accounts payable.....	\$ —	\$ 100	\$ 92,216	\$ —	\$ 7,145	\$ —	\$ 99,461
Salaries and benefits payable	—	—	12,467	—	4,291	—	16,758
Total Current Liabilities..	<u>—</u>	<u>100</u>	<u>104,683</u>	<u>—</u>	<u>11,436</u>	<u>—</u>	<u>116,219</u>
Net Pension Liability.....	—	—	656,959	—	66,201	—	723,160
Total Liabilities.....	<u>—</u>	<u>100</u>	<u>761,642</u>	<u>—</u>	<u>77,637</u>	<u>—</u>	<u>839,379</u>
Deferred Inflows of Resources							
Pension-related deferred inflows	—	—	34,779	—	4,299	—	39,078
Net Position							
Net investment in capital assets	—	—	975,162	—	149,173	—	1,124,335
Unrestricted.....	3,824,701	519,040	229,374	1,817,751	594,688	28,420	7,013,974
Total Net Position.....	<u>3,824,701</u>	<u>519,040</u>	<u>1,204,536</u>	<u>1,817,751</u>	<u>743,861</u>	<u>28,420</u>	<u>8,138,309</u>
Total Liabilities, Deferred Inflows of Resources and Net Position.....	<u>\$ 3,824,701</u>	<u>\$ 519,140</u>	<u>\$ 2,000,957</u>	<u>\$ 1,817,751</u>	<u>\$ 825,797</u>	<u>\$ 28,420</u>	<u>\$ 9,016,766</u>

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

Year Ended June 30, 2019

	Sewer Rental Replace- ment	City Communi- cation and Utility	Solid Waste	Solid Waste Replace- ment	Urban Forest Utility	Urban Forest Replace- ment	Total
Operating Revenue							
Licenses and permits	\$ —	\$ —	\$ 1,180	\$ —	\$ —	\$ —	\$ 1,180
Charges for service	419,386	92,767	2,022,329	304,641	379,603	—	3,218,726
Miscellaneous.....	—	—	1,521	—	2,276	—	3,797
Total Operating Revenue	<u>419,386</u>	<u>92,767</u>	<u>2,025,030</u>	<u>304,641</u>	<u>381,879</u>	<u>—</u>	<u>3,223,703</u>
Operating Expenses							
Personal services	—	—	1,239,461	—	201,124	—	1,440,585
Services and commodities.....	35,882	10,207	793,873	—	104,614	—	944,576
Depreciation	—	48,909	132,066	—	16,583	—	197,558
Total Operating Expenses	<u>35,882</u>	<u>59,116</u>	<u>2,165,400</u>	<u>—</u>	<u>322,321</u>	<u>—</u>	<u>2,582,719</u>
Operating Income (Loss)	<u>383,504</u>	<u>33,651</u>	<u>(140,370)</u>	<u>304,641</u>	<u>59,558</u>	<u>—</u>	<u>640,984</u>
Nonoperating Revenue							
Investment income	86,420	11,992	25,041	51,719	19,571	396	195,139
Intergovernmental	—	—	18,741	—	3,300	—	22,041
Total Nonoperating Revenue	<u>86,420</u>	<u>11,992</u>	<u>43,782</u>	<u>51,719</u>	<u>22,871</u>	<u>396</u>	<u>217,180</u>
Income (Loss) Before Transfers	<u>469,924</u>	<u>45,643</u>	<u>(96,588)</u>	<u>356,360</u>	<u>82,429</u>	<u>396</u>	<u>858,164</u>
Transfers							
Transfers in	14,512	—	—	—	—	14,012	28,524
Transfers out	(265,960)	—	(75,000)	—	(137,752)	—	(478,712)
Total Transfers	<u>(251,448)</u>	<u>—</u>	<u>(75,000)</u>	<u>—</u>	<u>(137,752)</u>	<u>14,012</u>	<u>(450,188)</u>
Change in Net Position	218,476	45,643	(171,588)	356,360	(55,323)	14,408	407,976
Net Position - Beginning of Year	3,606,225	473,397	1,376,124	1,461,391	799,184	14,012	7,730,333
Net Position - End of Year ...	<u>\$ 3,824,701</u>	<u>\$ 519,040</u>	<u>\$ 1,204,536</u>	<u>\$ 1,817,751</u>	<u>\$ 743,861</u>	<u>\$ 28,420</u>	<u>\$ 8,138,309</u>

Combining Schedule of Cash Flows - Nonmajor Enterprise Funds

Year Ended June 30, 2019

	Sewer Rental Replace- ment	City Communi- cation and Utility	Solid Waste	Solid Waste Replace- ment	Urban Forest Utility	Urban Forest Replace- ment	Total
Cash Flows From Operating Activities							
Cash received from customers and users.....	\$ 422,079	\$ 92,967	\$ 1,999,151	\$ 304,121	\$ 378,644	\$ —	\$ 3,196,962
Cash paid to employees for services	—	—	(1,218,058)	—	(196,245)	—	(1,414,303)
Cash paid to suppliers for goods and services.....	(42,533)	(10,911)	(788,256)	—	(108,217)	—	(949,917)
Net Cash Provided by (Used in) Operating Activities	<u>379,546</u>	<u>82,056</u>	<u>(7,163)</u>	<u>304,121</u>	<u>74,182</u>	<u>—</u>	<u>832,742</u>
Cash Flows From Noncapital Financing Activities							
Net transfers.....	(251,448)	—	(75,000)	—	(137,752)	14,012	(450,188)
State and federal grants received.....	—	—	16,582	358	3,300	—	20,240
Net Cash Provided by (Used in) Noncapital Financing Activities.....	<u>(251,448)</u>	<u>—</u>	<u>(58,418)</u>	<u>358</u>	<u>(134,452)</u>	<u>14,012</u>	<u>(429,948)</u>
Cash Flows From Capital and Related Financing Activities							
Decrease in interfund loan.....	43,971	—	36,699	—	—	—	80,670
Acquisition of capital assets....	(139,570)	—	(100,117)	—	—	—	(239,687)
Disposal of capital assets	265,961	—	—	—	—	—	265,961
Net Cash Provided by (Used in) Capital and Related Financing Activities.....	<u>170,362</u>	<u>—</u>	<u>(63,418)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>106,944</u>
Cash Flows From Investing Activities							
Interest on investments	86,060	11,992	25,304	52,001	19,604	396	195,357
Purchase of investments	(71,400)	—	—	—	—	—	(71,400)
Sale of investments	—	—	54,323	53,430	10,655	—	118,408
Net Cash Provided by Investing Activities.....	<u>14,660</u>	<u>11,992</u>	<u>79,627</u>	<u>105,431</u>	<u>30,259</u>	<u>396</u>	<u>242,365</u>
Net Increase (Decrease) in Cash	313,120	94,048	(49,372)	409,910	(30,011)	14,408	752,103
Cash - Beginning of Year	2,222,960	425,092	140,515	1,152,276	580,677	14,012	4,535,532
Cash - End of Year	<u>\$ 2,536,080</u>	<u>\$ 519,140</u>	<u>\$ 91,143</u>	<u>\$ 1,562,186</u>	<u>\$ 550,666</u>	<u>\$ 28,420</u>	<u>\$ 5,287,635</u>
Reconciliation of Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities							
Income (loss) from operations	\$ 383,504	\$ 33,651	\$ (140,370)	\$ 304,641	\$ 59,558	\$ —	\$ 640,984
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by (Used in) Operating Activities							
Depreciation.....	—	48,909	132,066	—	16,583	—	197,558
Change in Assets and Liabilities (Increase) decrease in receivables	2,693	200	(25,879)	(520)	(3,235)	—	(26,741)
Decrease in deferred outflows of resources	—	—	27,399	—	5,820	—	33,219
Increase (decrease) in payables	(6,651)	(704)	5,617	—	(3,603)	—	(5,341)
Increase in salaries and benefits payable	—	—	873	—	1,294	—	2,167
Decrease in net pension liability	—	—	(28,300)	—	(4,943)	—	(33,243)
Increase in deferred inflows of resources	—	—	21,431	—	2,708	—	24,139
Net Cash Provided by (Used in) Operating Activities	<u>\$ 379,546</u>	<u>\$ 82,056</u>	<u>\$ (7,163)</u>	<u>\$ 304,121</u>	<u>\$ 74,182</u>	<u>\$ —</u>	<u>\$ 832,742</u>

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

Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenue										
Property tax	\$ 22,722,170	\$ 21,528,026	\$ 19,965,855	\$ 19,390,867	\$ 18,279,551	\$ 17,400,856	\$ 16,925,535	\$ 16,298,027	\$ 15,638,561	\$ 14,857,708
Tax increment financing and other city tax	4,184,692	3,388,231	3,792,850	3,131,594	2,374,264	6,411,541	6,506,192	5,386,752	5,238,300	4,531,109
Licenses and permits.....	690,171	709,629	706,589	732,894	680,770	546,547	512,372	502,751	573,802	541,439
Use of money and property	1,523,614	1,041,963	684,358	578,032	546,900	524,526	641,024	657,236	658,559	715,090
Intergovernmental	10,908,911	10,544,302	11,558,481	10,065,390	8,389,101	5,209,702	4,906,177	5,024,346	7,951,255	5,677,970
Charges for service	1,352,525	1,100,117	1,475,946	1,180,883	1,131,847	1,014,752	747,635	842,441	808,083	432,527
Special assessments.....	6,789	8,736	4,197	556	11,754	12,159	17,085	13,910	18,069	19,323
Miscellaneous.....	<u>259,061</u>	<u>117,359</u>	<u>441,346</u>	<u>161,179</u>	<u>486,160</u>	<u>14,973</u>	<u>10,815</u>	<u>244,913</u>	<u>53,871</u>	<u>365,070</u>
Total Revenue	<u>\$ 41,647,933</u>	<u>\$ 38,438,363</u>	<u>\$ 38,629,622</u>	<u>\$ 35,241,395</u>	<u>\$ 31,900,347</u>	<u>\$ 31,135,056</u>	<u>\$ 30,266,835</u>	<u>\$ 28,970,376</u>	<u>\$ 30,940,500</u>	<u>\$ 27,140,236</u>
Expenditures										
Operating										
Public safety	\$ 12,391,556	\$ 11,947,367	\$ 12,250,645	\$ 9,480,056	\$ 9,628,508	\$ 9,241,883	\$ 8,632,337	\$ 8,199,484	\$ 7,989,669	\$ 7,907,480
Public works.....	4,225,505	3,801,859	3,867,715	3,321,888	3,591,277	3,168,323	2,697,064	3,383,641	3,177,611	3,206,090
Culture and recreation.....	4,533,593	4,460,863	4,259,120	3,822,840	3,861,382	3,879,457	3,477,272	3,349,677	3,375,571	3,304,388
Community and economic development...	2,262,484	2,075,225	2,089,286	1,962,244	2,242,743	2,515,424	1,832,185	1,819,707	1,566,522	1,631,865
General government	3,053,383	2,823,564	2,458,668	2,263,973	2,310,282	1,976,493	1,670,946	1,876,773	1,720,425	1,784,151
Debt service	15,553,024	10,103,064	5,772,530	5,764,400	6,261,762	3,965,993	6,257,258	3,390,626	3,110,244	2,715,648
Capital projects.....	<u>11,968,151</u>	<u>6,390,784</u>	<u>15,724,032</u>	<u>14,575,014</u>	<u>16,847,966</u>	<u>18,176,800</u>	<u>10,727,089</u>	<u>12,198,330</u>	<u>11,862,997</u>	<u>4,853,756</u>
Total Expenditures	<u>\$ 53,987,696</u>	<u>\$ 41,602,726</u>	<u>\$ 46,421,996</u>	<u>\$ 41,190,415</u>	<u>\$ 44,743,920</u>	<u>\$ 42,924,373</u>	<u>\$ 35,294,151</u>	<u>\$ 34,218,238</u>	<u>\$ 32,803,039</u>	<u>\$ 25,403,378</u>

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 7, 2020.

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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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. We consider the deficiencies in internal control described in Part I of the accompanying schedule of findings and questioned costs as items 19-I-R-1 and 19-I-R-2 to be material weaknesses.

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 II of the accompanying schedule of findings and questioned costs as items 19-II-B, 19-II-H and 19-II-I.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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, a public record by law, is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

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Cedar Rapids, Iowa
January 7, 2020

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Part I: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

19-I-R-1 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - Incompatible duties are being performed by the same person.

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect or Potential Effect - Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Identification of Repeat Finding - 18-I-R-1

Auditor's Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Views of Responsible Officials and Planned Corrective Action - The City is aware of the lack of segregation of duties and will consider alternatives to improve this situation.

Auditor's Conclusion - Response accepted.

19-I-R-2 Financial Statement Preparation

Criteria - A properly designed system of internal control over financial reporting includes the preparation of a City's financial statements and accompanying notes to the financial statements by internal personnel of the City.

Condition - The City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Cause - As is inherent in many governments 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 apply generally accepted accounting principles in preparing the financial statements and the related disclosures.

Effect or Potential Effect - The financial statements and related disclosures may not be prepared in accordance with the generally accepted accounting principles.

Identification of Repeat Finding - 18-I-R-2

Auditor's Recommendation - The City should obtain additional knowledge through reading relevant accounting literature and attending local professional education courses.

Views of Responsible Officials and Planned Corrective Action - The City staff will research available educational courses regarding financial statement preparation as well as continue to attend the work session held annually by the League of Cities.

Auditor's Conclusion - Response accepted.

Part II: Findings Related to Statutory Reporting

19-II-A Certified Budget - Disbursements during the year ended June 30, 2019 did not exceed the amounts in the amended budget.

19-II-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
Hy-Vee	Flower arrangement	\$ 56
Hy-Vee	Strategic planning	53
Various restaurants	Meal expenses of the City Manager and department heads	217

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.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

- 19-II-C Travel Expense** - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- 19-II-D Business Transactions** - No business transactions were noted between the City and City officials or employees.
- 19-II-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.
- 19-II-F City Council Minutes** - No transactions were found that we believe should have been approved in the City Council minutes but were not.
- 19-II-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.
- 19-II-H 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 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 outstanding TIF debt is reported correctly.

Auditor's Conclusion - Response accepted.

- 19-II-I Annual Financial Report (AFR)** - The City completed and filed its June 30, 2019 AFR by December 1 as required by Chapter 384.22 of the Code of Iowa. However, the beginning Proprietary Fund balances were incorrect as they were not corrected from the prior year AFR.

Auditor's Recommendation - The City should develop procedures to ensure that the AFR reconciles to the City's general ledger. Those procedures should include a review of the report by someone other than the preparer prior to filing the report with the State.

City's Response - The City will work with the State of Iowa Department of Management to correct the balances on the AFR.

Auditor's Conclusion - Response accepted.